AMENDMENTS TO THE SOCIAL SECURITY ACT 1969 – 1972

Social Security Amendments of 1972 (Public Law 92-603) and Related Amendments

Volumes 1 – 6

Social Security Amendments of 1970 (H.R. 17550—Not Enacted)

Volumes 7, 8

Social Security Amendments of 1969 and Related Amendments

Volume 9

DEPARTMENT OF
HEALTH AND HUMAN SERVICES
Social Security Administration

AMENDMENTS TO THE SOCIAL SECURITY ACT 1969 – 1972

Social Security Amendments of 1972 and Related Amendments

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Social Security Administration
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91ST CONGRESS
1ST SESSION

H. R. 14080

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 30, 1969

Mr. GERALD R. FORD introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance program, provide for automatic benefit increases thereafter in the event of future increases in the cost of living, provide for future automatic increases in the earnings and contribution base, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1969".

I—O

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INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 2. (a) Section 215 (a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$16.20	$55.40 or less	----------	$76	$61.00	$91.50
$16.21	16.84	56.50	$77	78	62.20	93.30
16.85	17.60	57.70	79	80	63.50	95.30
17.61	18.40	58.80	81	81	64.70	97.10
18.41	19.24	59.90	82	83	65.90	98.90
19.25	20.00	61.10	84	85	67.30	101.00
20.01	20.64	62.20	86	87	68.50	102.80
20.65	21.28	63.30	88	89	69.70	104.60
21.29	21.88	64.50	90	90	71.00	106.50
21.89	22.28	65.60	91	92	72.20	108.30
22.29	22.68	66.70	93	94	73.40	110.10
22.69	23.08	67.80	95	96	74.60	111.90
23.09	23.44	69.00	97	97	75.90	113.90
23.45	23.76	70.20	98	99	77.30	116.00
23.77	24.20	71.50	100	101	78.70	118.10
24.21	24.60	72.60	102	102	79.90	119.90
24.61	25.00	73.80	103	104	81.20	121.80
25.01	25.48	75.10	105	106	82.70	124.10
25.49	25.92	76.30	107	107	84.00	126.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continuec

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$25.93	$26.40	$77.50	$108	$109	$85.30	$128.00
26.41	26.94	78.70	110	113	86.60	129.90
26.95	27.46	79.90	114	118	87.90	131.90
27.47	28.00	81.10	119	122	89.30	134.00
28.01	28.68	82.30	123	127	90.60	135.90
28.69	29.25	83.60	128	132	92.00	138.00
29.26	29.68	84.70	133	136	93.20	139.80
29.69	30.36	85.90	137	141	94.50	141.80
30.37	30.92	87.20	142	146	96.00	144.00
30.93	31.36	88.40	147	150	97.30	146.00
31.37	32.00	89.50	151	155	98.50	147.80
32.01	32.60	90.80	156	160	99.90	149.90
32.61	33.20	92.00	161	164	101.20	151.80
33.21	33.88	93.20	165	169	102.60	153.90
33.89	34.50	94.40	170	174	103.90	155.90
34.51	35.00	95.60	175	178	105.20	157.80
35.01	35.80	96.80	179	183	106.50	159.80
35.81	36.40	98.00	184	188	107.80	161.70
36.41	37.08	99.30	189	193	109.30	164.00
37.09	37.60	100.50	194	197	110.60	165.90
37.61	38.20	101.60	198	202	111.80	167.70
38.21	39.12	102.90	203	207	113.20	169.80
39.13	39.68	104.10	208	211	114.60	171.90
39.69	40.33	105.20	212	216	115.80	173.70
40.34	41.12	106.50	217	221	117.20	176.80
41.13	41.76	107.70	222	225	118.50	180.00
41.77	42.44	108 90	226	230	119.80	184.00
42.45	43.20	110.10	231	235	121.20	188.00
43.21	43.76	111.40	236	239	122.60	191.20
43.77	44.44	112.60	240	244	123.90	195.20
44.45	44.88	113.70	245	249	125.10	199.20
44.89	45.60	115.00	250	253	126.50	202.40
		116.20	254	258	127.90	206.40
		117.30	259	263	129.10	210.40
		118.60	264	267	130.50	213.60
		119.80	268	272	131.80	217.60
		121.00	273	277	133.10	221.60
		122.20	278	281	134.50	224.80
		123.40	282	286	135.80	228.80
		124.70	287	291	137.20	232.80
		125.80	292	295	138.40	236.00
		127.10	296	300	139.90	240.00
		128.30	301	305	141.20	244.00
		129.40	306	309	142.40	247.20
		130.70	310	314	143.80	251.20
		131.90	315	319	145.10	255.20
		133.00	320	323	146.30	258.40
		134.30	324	328	147.80	262.40
		135.50	329	333	149.10	266.40
		136.80	334	337	150.50	269.60
		137.90	338	342	151.70	273.60
		139.10	343	347	153.10	277.60
		140.40	348	351	154.50	280.80
		141.50	352	356	155.70	284.80
		142.80	357	361	157.10	288.80
		144.00	362	365	158.40	292.00
		145.10	366	370	159.70	296.00
		146.40	371	375	161.10	300.00
		147.60	376	379	162.40	303.20
		148.90	380	384	163.80	307.20
		150.00	385	389	165.00	311.20
		151.20	390	393	166.40	314.40
		152.50	394	398	167.80	318.40
		153.60	399	403	169.00	322.40
		154.90	404	407	170.40	325.60
		156.00	408	412	171.60	329.60
		157.10	413	417	172.90	333.60
		158.20	418	421	174.10	366.80
		159.40	422	426	175.40	340.80
		160.50	427	431	176.60	344.80
		161.60	432	436	177.80	348.80
		162.80	437	440	179.10	352.00
		163.90	441	445	180.30	356.00
		165.00	446	450	181.50	360.00
		166.20	451	454	182.90	361.60
		167.30	455	459	184.10	363.60

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$168.40	$460	$464	$185.30	$365.60
		169.50	465	468	186.50	367.20
		170.70	469	473	187.80	369.20
		171.80	474	478	189.00	371.20
		172.90	479	482	190.20	372.80
		174.10	483	487	191.60	374.80
		175.20	488	492	192.80	376.80
		176.30	493	496	194.00	378.40
		177.50	497	501	195.30	380.40
		178.60	502	506	196.50	382.40
		179.70	507	510	197.70	384.00
		180.80	511	515	198.90	386.00
		182.00	516	520	200.20	388.00
		183.10	521	524	201.50	389.60
		184.20	525	529	202.70	391.60
		185.40	530	524	204.00	393.60
		186.50	535	538	205.20	395.20
		187.60	539	543	206.40	397.20
		188.80	544	548	207.70	399.20
		189.90	549	553	208.90	401.20
		191.00	554	556	210.10	402.40
		192.00	557	560	211.20	404.00
		193.00	561	563	212.30	405.20
		194.00	564	567	213.40	406.80
		195.00	568	570	214.50	408.00
		196.00	571	574	215.60	409.60
		197.00	575	577	216.70	410.80
		198.00	578	581	217.80	412.40
		199.00	582	584	218.90	413.60
		200.00	585	588	220.00	415.20
		201.00	589	591	221.10	416.40
		202.00	592	595	222.20	418.00
		203.00	596	598	223.30	419.20
		204.00	599	602	224.40	420.80
		205.00	603	605	225.50	422.00
		206.00	606	609	226.60	423.60
		207.00	610	612	227.70	424.80
		208.00	613	616	228.80	426.40
		209.00	617	620	229.90	428.00
		210.00	621	623	231.00	429.20
		211.00	624	627	232.10	430.80
		212.00	628	630	233.20	432.00
		213.00	631	634	234.30	433.60
		214.00	635	637	235.40	434.80
		215.00	638	641	236.50	436.40
		216.00	642	644	237.60	437.60
		217.00	645	648	238.70	439.20
		218.00	649	656	239.80	442.40
			657	666	241.00	446.40
			667	676	242.00	450.40
			677	685	243.00	454.00
			686	695	244.00	458.00
			696	705	245.00	462.00
			706	715	246.00	466.00
			716	725	247.00	470.00
			726	734	248.00	473.60
			735	744	249.00	477.60
			745	750	250.00	480.00."

(b) Section 203 (a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202 (j) (1) and sec-

tion 223(b)) to monthly benefits under section 202 or 223 for March 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for February 1970 on the basis of such wages and self-employment income, such total of benefits for March 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to March 1970, for each such person for such month, by 110 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for March 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after

the month in which section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for March 1970, or".

(c) Section 215 (b) (4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "February 1970".

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

"PRIMARY INSURANCE AMOUNT UNDER 1967 ACT

"(c) (1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202 (a) or section 223 before March 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970 and with respect to lump-sum death payments under such title in the case of deaths occurring after February 1970.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for

February 1970 and became entitled to old-age insurance benefits under section 202 (a) of such Act for March 1970, or he died in such month, then, for purposes of section 215 (a) (4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 3. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$44," and by striking out "$20" and inserting in lieu thereof "$22.".

(2) Section 227 (b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$44".

(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44".

(2) Section 228 (b) (2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44", and by striking out "$20" and inserting in lieu thereof "$22".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$22".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$22".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970.

AUTOMATIC ADJUSTMENT OF BENEFITS

SEC. 4. (a) Section 215 of the Social Security Act is amended by adding after subsection (h) the following new subsection:

"COST-OF-LIVING INCREASES IN BENEFITS

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

"(A) the term 'base quarter' shall mean the period of 3 consecutive calendar months ending on September 30, 1969, and the period of 3 consecutive calendar months ending on September 30 of each year thereafter.

"(B) the term 'cost-of-living computation quarter' shall mean the base quarter in which the monthly average of the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, the monthly average of such Index in the later

of: (i) the 3 calendar-month period ending on September 30, 1969 or (ii) the base quarter which was most recently a cost-of-living computation quarter.

"(2) (A) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall, effective for January of the next calendar year, increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228 and the primary insurance amount of each individual, specified in subparagraph (B) of this paragraph, by an amount derived by multiplying such amount of each such individual (including each such individual's primary insurance amount or benefit amount under section 227 or 228 as previously increased under this subparagraph) by the same per centum (rounded to the nearest one-tenth of 1 per centum) as the monthly average of the Consumer Price Index for such cost-of-living computation quarter exceeds the monthly average of such Index for the base quarter determined after the application of clauses (i) and (ii) of paragraph (1) (B). Such increased primary insurance amount shall be considered such individual's primary insurance amount for purposes of this subsection, section 202, and section 223.

"(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter

shall apply in the case of monthly benefits under this title for months after December of the calendar year in which occurred such cost-of-living computation quarter, based on the wages and self-employment income of an individual who became entitled to monthly benefits under section 202, 223, 227, or 228 (without regard to section 202 (j) (1) or section 223 (b)), or who died, in or before December of the calendar year in which occurred such cost-of-living computation quarter.

"(C) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register on or before December 1 of such calendar year a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time a revision of the benefit table contained in subsection (a), as it may have been revised previously, pursuant to this subparagraph. Such revision shall be determined as follows:

"(i) The amount of each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table in effect before this revision.

"(ii) The amount of each line of column IV shall be increased from the amount shown in the table in effect before this revision by increasing such amount by the per centum specified in subparagraph (A) of paragraph (2),

raising each such increased amount, if not a multiple of $.10, to the next higher multiple of $.10.

"(iii) If the contribution and benefit base (as defined in section 230(b)) for the calendar year in which such benefit table is revised is lower than such base for the following calendar year, columns III, IV, and V shall be extended. The amount in the first additional line in column IV shall be the amount in the last line of such column as determined under clause (ii), plus $1.00, rounding such increased amount to the nearest multiple of $1.00. The amount of each succeeding line of column IV shall be the amount on the preceding line increased by $1.00, until the amount on the last line of such column shall be equal to one-thirtysixth of the contribution and earnings base for the calendar year succeeding the calendar year in which such benefit table is revised, rounding such amount, if not a multiple of $1.00, to the nearest multiple of $1.00. The amount in each additional line of column III shall be determined so that the second figure in the last line of column III shall be one-twelfth of the contribution and earnings base for the calendar year following the calendar year in which such benefit table is revised, and the remaining figures in column III shall be determined in consistent mathematical intervals from column IV. The second figure in the last line of column III before the extension of the column shall be increased to a figure

mathematically consistent with the figures determined in accordance with the preceding sentence. The amount on each line of column V shall be increased, to the extent necessary, so that each such amount shall be equal to 40 per centum of the second figure in the same line of column III, plus 40 per centum of the smaller of (I) such second figure or (II) the larger of $450 or 50 per centum of the largest figure in column III.

"(iv) The amount on each line of column V shall be increased, if necessary, so that such amount shall be at least equal to one and one-half times the amount shown on the corresponding line in column IV. Any such increased amount that is not a multiple of $.10 shall be increased to the next higher multiple of $.10."

(b) Section 203 (a) of such Act is amended by striking out the period at the end of the first sentence and inserting in lieu thereof ", or" and adding the following new paragraph:

"(4) when two or more persons are entitled (without the application of section 202 (j) (1) and section 223 (b)) to monthly benefits under section 202 or 223 for December in the calendar year in which occurs a cost-of-living computation quarter (as defined in section 215 (i) (1)) on the basis of the wages and self-employment income of such insured individual, such total of benefits for the month immediately following shall be

reduced to not less than the amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section) as in effect for December for each such person by the same per centum increase as such individual's primary insurance amount (including such amount as previously increased under section 215 (i) (2)) is increased and raising each such increased amount, if not a multiple of $0.10, to the next higher multiple of $0.10.".

(c) (1) Section 202 (a) of such Act is amended by striking out "(as defined in section 215 (a)).".

(2) Section 215 (f) (4) of such Act is amended by adding at the end before the period the following: "(including a primary insurance amount as increased under subsection (i) (2))".

(3) Section 215 (g) of such Act is amended by striking out "primary insurance amount" and inserting in lieu thereof "primary insurance amount (including a primary insurance amount as increased under subsection (i) (2))".

LIBERALIZATION OF EARNINGS TEST

SEC. 5. (a) (1) Paragraphs (1) and (4) (B) of section 203 (f) of the Social Security Act are each amended by

striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)".

(2) Paragraph (1) (A) of section 203 (h) of such Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)".

(3) Paragraph (3) section 203 (f) of such Act is amended to read as follows:

"(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be 50 per centum of his earnings for such year in excess of the product of $150 or the exempt amount as determined under paragraph (8) multiplied by the number of months in such year. 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."

(b) Subsection (f) of section 203 of such Act is amended by adding at the end thereof the following new paragraph:

"(8) (A) On or before October 1 of 1972 and of each even-numbered year thereafter, the Secretary shall determine and publish in the Federal Register the exempt amount as defined in subparagraph (B) for each month in the two taxable years which end after the calendar year following the year in which such determination is made.

"(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger:

"(i) the product of $150 and the ratio of (I) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subparagraph (A) is made for each such month of such particular taxable year to (II) the average of the taxable wages of all persons for whom wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $10, shall be rounded to the nearest multiple of $10, or

"(ii) the exempt amount for each month in the taxable year preceding such particular taxable year; except that the provisions in clause (i) shall not apply with respect to any taxable year unless the contribution and earnings base for such year is determined under section 230(b)(1)."

(c) Clause (B) of Section 203(f)(1) of the Social Security Act is amended to read as follows:

"(B) in which such individual was age 72 or over, excluding from such excess earnings the earnings of an individual in or after the month in which he was age 72

in the year in which he attained age 72,, with the amount (if any) of an individual's self-employment income in such year being prorated in an equitable manner under regulations prescribed by the Secretary,".

(d) The amendments made by this section shall apply with respect to taxable years ending after December 1970.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 6. (a) (1) (A) Section 209 (a) (5) of the Social Security Act is amended by inserting "and prior to 1972" after "1967".

(B) Section 209 (a) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(6) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $9,000 with respect to employment has been paid to an individual during any calendar year after 1971 and prior to 1974, is paid to such individual during any such calendar year;

"(7) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to the contribution and earnings base (determined under section 230) with respect to employment paid to an individual during the calendar year with respect to which such contribution and earnings base

was effective, is paid to such individual during such calendar year;

(2) (A) Section 211 (b) (1) (E) of such Act is amended by inserting "and prior to 1972" after "1967", by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211 (b) (1) of such Act is further amended by adding at the end thereof the following new subparagraphs:

"(F) For any taxable year ending after 1971 and prior to 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) For any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230) effective for such calendar year, minus (ii) the amount of the wages to such individual during such taxable year, or".

(3) (A) Section 213 (a) (2) (ii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and before 1972, or $9,000 in the case of a calendar year after 1971 and before 1974, or an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year with

respect to which such contribution and earnings base was effective".

(B) Section 213(a)(2)(iii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and prior to 1972, or $9,000 in the case of a taxable year ending after 1971 and prior to 1974 or the amount equal to the contribution and earnings base (as determined under section 230), in the case of any taxable year ending in any calendar year after 1973, effective for such calendar year".

(4) Section 215(e)(1) of such Act is amended by striking out "and the excess over $7,800 in the case of any calendar year after 1967" and inserting in lieu thereof "the excess over $7,800 in the case of any calendar year after 1967 and before 1972, the excess over $9,000 in the case of any calendar year after 1971 and before 1974, and the excess over an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year after 1973 with respect to which such contribution and earnings base was effective".

(b)(1)(A) Section 1402(b)(1)(E) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1972" after "1967", and by striking out "; or" and inserting in lieu thereof "; and".

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

"(F) for any taxable year ending after 1971 and before 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) for any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or".

(2) (A) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "$7,800" each place it appears and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, section 3121(a)(1) of such Code is amended by (1) striking out "$9,000" each place it appears and inserting in lieu thereof "the contribution and earnings base (as determined under section 230 of the Social Security Act)", and (2) striking out "by an employer during any calendar year", and inserting in lieu thereof "by an employer during the calendar

year with respect to which such contribution and earnings base was effective".

(3) (A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$7,800" and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, the second sentence of section 3122 of such Code is amended by striking out "$9,000" and inserting in lieu thereof "the contribution and earnings base".

(4) (A) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$7,800" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, the second sentence of section 3125 of such Code is amended by striking out "$9,000" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "the contribution and earnings base".

(5) Section 6413(c)(1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting "and prior to the calendar year 1972" after "after the calendar year 1967".

(B) by inserting after "exceed $7,800" the following: "or (E) during any calendar year after the

calendar year 1971 and prior to the calendar year 1974, the wages received by him during such year exceed $9,000, or (F) during any calendar year after 1973, the wages received by him during such year exceed the contribution and earnings base (as determined under section 230 of the Social Security Act) effective with respect to such year," and

(C) by inserting before the period at the end thereof the following: "and before 1972, or which exceeds the tax with respect to the first $9,000 of such wages received in such calendar year after 1971 and before 1974, or which exceeds the tax with respect to the first amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) of such wages received in the calendar year after 1973 with respect to which such contribution and earnings base was effective".

(6) Section 6413 (c) (2) (A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by—

(A) striking out "or $7,800 for any calendar year after 1967" and inserting in lieu thereof "$7,800 for the calendar year 1968, 1969, 1970 and 1971, or $9,000 for the calendar year 1972 or 1973, or an amount equal to the contribution and earnings base (as determined

under section 230 of the Social Security Act) for any calendar year after 1973 with respect to which such contribution and earnings base was effective".

(c) The amendments made by subsections (a) (1) and (a) (3) (A), and the amendments made by subsection (b) (except paragraph (1) thereof), shall apply only with respect to remuneration paid after December 1971. The amendments made by subsections (a) (2), (a) (3) (B), and (b) (1) shall apply only with respect to taxable years ending after 1971. The amendment made by subsection (a) (4) shall apply only with respect to calendar years after 1971.

AUTOMATIC ADJUSTMENT OF EARNINGS BASE

SEC. 7. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"AUTOMATIC ADJUSTMENT OF EARNINGS BASE

"SEC. 230. (a) On or before October 1 of 1972, and each even-numbered year thereafter, the Secretary shall determine and publish in the Federal Register the contribution and earnings base (as defined in subsection (b)) for the two calendar years succeeding the calendar year following the year in which the determination is made.

"(b) The contribution and earnings base for a particular calendar year shall be whichever of the following is the larger.

"(1) the product of $9,000 and the ratio of (A) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subsection (a) is made for such particular calendar year to (B) the average of the taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $600, shall be rounded to the nearest multiple of $600, or

"(2) the contribution and earnings base for the calendar year perceding such particular calendar year."

(b) That part of section 215(a) of the Social Security Act which precedes the table is amended by striking out "or" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof "or the amount equal to his primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (5); or", and by inserting after paragraph (4) the following:

"(5) If such insured individual's average monthly wage (as determined under subsection (b)) exceeds $750, the amount equal to the sum of (A) $54.48 and (B) 28.47 per centum of such average monthly wage; such sum, if

it is not a multiple of $1, shall be rounded to the nearest multiple of $1."

(c) So much of section 203 (a) as precedes paragraph (2) is amended to read as follows:

"SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an insured individual exceeds the larger of: (I) the amount appearing in column V of the table in section 215 (a) on the line on which appears in column IV such insured individual's primary insurance amount, and (II) the amount which is equal to the sum of $180.00 and 40 per centum of the highest average monthly wage (as determined under section 215 (b)), which will produce the primary insurance amount of such individual (as determined under section 215 (a) (5)), such total of monthly benefits to which such individuals are entitled shall be reduced to the larger amount determined under (I) or (II) above, whichever is applicable; except that—

"(1) when any such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total benefits shall not be reduced to less than the larger of:

"(A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, but not more than the last figure in column V of the table appearing in section 215(a), and

"(B) the amount determined under clause (II) for the highest primary insurance amount of any insured individual (if such primary insurance amount is determined under section 215(a)(15))."

(d)(1) Section 201(c) of the Social Security Act is amended by inserting before the last sentence the following sentence: "The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated income in relationship to the estimated outgo of the Trust Funds during such year."

(2) Section 1817(b) of such Act is amended by inserting before the last sentence the following sentence: "The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for

the estimated income in relationship to the estimated outgo of the Trust Fund during such year."

(e) The amendments made by subsections (b) and (c) shall apply with respect to monthly benefits for months after December 1973 and with respect to lump-sum death payments under such title in the case of deaths occurring after 1973.

CHANGES IN TAX SCHEDULES

SEC. 8. (a) (1) Section 1401 (a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4), and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1975, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1974, and before January 1, 1977, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and

"(3) in the case of any taxable year beginning after December 31, 1976, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;

"(2) with respect to wages received during the calendar years 1975 and 1976, the rate shall be 4.6 percent;

"(3) with respect to wages received during the calendar years 1977, 1978, and 1979, the rate shall be 4.8 percent;

"(4) with respect to wages received during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and

"(5) with respect to wages received after December 31, 1986, the rate shall be 5.0 percent."

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the cal-

endar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;

"(2) with respect to wages paid during the calendar years 1975 and 1976, the rate shall be 4.6 percent;

"(3) with respect to wages paid during the calendar years 1977, 1978, and 1979, the rate shall be 4.8 percent;

"(4) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and

"(5) with respect to wages paid after December 31, 1986, the rate shall be 5.0 percent."

(b) (1) Section 1401 (b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1971, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year; and

"(2) in the case of any taxable year beginning after December 31, 1970, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar year 1970, the rate shall be 0.60 percent; and

"(2) with respect to wages received after December 31, 1970, the rate shall be 0.90 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar year 1970, the rate shall be 0.60 percent; and

"(2) with respect to wages paid after December 31, 1970, the rate shall be 0.90 percent."

(c) The amendments made by subsections (a)(1) and (b)(1) shall apply only with respect to taxable years beginning after December 31, 1969. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1969.

AGE-62 COMPUTATION POINT FOR MEN

SEC. 9. (a) Section 214(a)(1) of the Social Security Act is amended by striking out "before—" and by striking out all of subparagraphs (A), (B), and (C) and by in-

serting in lieu thereof "before the year in which he died or (if earlier) the year in which he attained age 62,".

(b) Section 215(b)(3) of such Act is amended by striking out "before—" and all of subparagraphs (A), (B), and (C) and by inserting in lieu thereof "before the year in which he died or, if it occurred earlier but after 1960, the year in which he attained age 62.".

(c) Section 215(f) of such Act is amended by striking out paragraph (5) and inserting in lieu thereof the following:

"(5) In the case of an individual who is entitled to monthly benefits for a month after December 1971, on the basis of the wages and self-employment income of an insured individual who prior to January 1972 became entitled to benefits under section 202(a), became entitled to benefits under section 223 after the year in which he attained age 62, or died in a year after the year in which he attained age 62, the Secretary shall, notwithstanding paragraphs (1) and (2), recompute the primary insurance amount of such insured individual. Such recomputation shall be made under whichever of the following alternative computation methods yields the higher primary insurance amount:

"(A) the computation methods of this section, as amended by the Social Security Amendments of 1969, which would be applicable in the case of an insured

individual who attained age 62 after December 1971, or

"(B) under the provisions in subparagraph (A) (but without regard to the limitation, 'but after 1960' contained in paragraph (3) of subsection (b)), except that for any such recomputation, when the number of an individual's benefit computation years is less than 5, his average monthly wage shall, if it is in excess of $400, be reduced to such amount."

(d) Section 223 (a) (2) of such Act is amended by—

(1) striking out "(if a woman) or age 65 (if a man)",

(2) striking out "in the case of a woman" and inserting in lieu thereof "in the case of an individual", and

(3) striking out "she" and inserting in lieu thereof "he".

(e) Section 223 (c) (1) (A) is amended by striking out "(if a woman) or age 65 (if a man)".

(f) The amendments made by the preceding subsections of this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971 and with respect to lump-sum death payments made in the case of an insured individual who died after such month.

(g) Sections 209 (i), 216 (i) (3) (A), and 213 (a) (2)

of the Social Security Act are amended by striking out "(if a woman) or age 65 (if a man)".

ENTITLEMENT TO CHILD'S INSURANCE BENEFITS BASED ON DISABILITY WHICH BEGAN BETWEEN 18 AND 22

SEC. 10. (a) Clause (ii) of section 202(d)(1)(B) of the Social Security Act is amended by striking out "which began before he attained the age of 18" and inserting in lieu thereof "which began before he attained the age of 22".

(b) Subparagraphs (F) and (G) of section 202(d)(1) of such Act are amended to read as follows:

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month; or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at or prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month."

(c) Section 202(d)(1) of such Act is further amended by adding at the end thereof the following new sentence: "No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223(d) except for paragraph (1)(B) thereof for any month in which he engages in substantial gainful activity."

(d) Paragraph (6) of section 202(d) is amended by striking out "in which he is a full-time student and has not attained the age of 22" and all that follows and inserting in lieu thereof "in which he—

"(A) (i) is a full-time student or (ii) is under a disability (as defined in section 223(d)), and

"(B) had not attained the age of 22, but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

"(C) the first month in which an event specified in paragraph (1)(D) occurs; or

"(D) the earlier of (i) the first month during no

part of which he is a full-time student or (ii) the month in which he attains the age of 22, but only if he is not under a disability (as so defined) in such earlier month; or

"(E) if he was under a disability (as so defined), the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

(e) Section 202 (s) of such Act is amended—

(1) by striking out "before he attained such age" in paragraph (1) and inserting in lieu thereof "before he attained the age of 22"; and

(2) by striking out "before such child attained the age of 18" in paragraphs (2) and (3) and inserting in lieu thereof "before such child attained the age of 22".

(f) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under section 202 of the Social Security Act for months after December 1970, except that in the case of an individual who was not entitled to a monthly benefit under such section for December 1970, such amendments shall apply only on the basis of an application filed after September 30, 1970.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 11. (a) Section 201 (b) (1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.05 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201 (b) (2) of such Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.7875 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

WAGE CREDITS FOR MEMBERS OF THE UNIFORMED SERVICES

SEC. 12. (a) Subsection 229 (a) of such Act is amended by—

(1) striking out "after December 1967," and inserting in lieu thereof "after December 1970";

(2) striking out "after 1967" and inserting in lieu thereof "after 1956"; and

(3) striking out all of paragraphs (1), (2), and (3), and inserting in lieu thereof "$300".

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1970 and with respect to lump-sum death payments in the case of deaths occurring after December 1970, except that, in the case of any individual who is entitled, on the basis of the wages and self-employment income of any individual to whom section 229 applies, to monthly benefits under title II of such Act for December 1970, such amendments shall apply (A) only if an application for recomputation by reason of such amendments is filed by such individual, or any other individual, entitled to benefits under such title II on the basis of such wages and self-employment income, and (B) only with respect to such benefits for months after whichever of the following is later: December 1970 or the twelfth month before the month in which such application was filed. Recomputations of benefits as required to carry out the provisions of this paragraph shall be made notwithstanding the provisions of section 215(f)(1) of the Social Security Act; but no such recomputation shall be regarded as a recomputation for purposes of section 215(f) of such Act.

PARENT'S INSURANCE BENEFITS IN CASE OF RETIRED OR DISABLED WORKER

SEC. 13. (a) Paragraphs (1) and (2) of section 202 (h) of the Social Security Act are amended to read as follows:

"(1) Every parent (as defined in this subsection) of an individual entitled to old-age or disability insurance benefits, or of an individual who died a fully insured individual, if such parent—

"(A) has attained age 62,

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

"(i) if such individual is entitled to old-age or disability insurance benefits, at the time he became entitled to such benefits,

"(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 had died) until the month of his death, at the beginning of such period of disability,

and has filed proof of such support within two years

after the month in which such individual filed application with respect to such period of disability, became entitled to such benefits, or died, as the case may be,

"(C) is not entitled to old-age or disability insurance benefits, or is entitled to such benefits, each of which is (i) less than 50 percent of the primary insurance amount of such individual if such individual is entitled to old-age or disability insurance benefits, or (ii) less than 82½ percent of the primary insurance amount of such individual if such individual is deceased, and if the amount of the parent's insurance benefit for such month is determinable under paragraph (2) (A) (or 75 percent of such primary insurance amount in any other case),

"(D) has not married since the time with respect to which the Secretary determines, under subparagraph (B) of this paragraph, that such parent was receiving at least one-half of his support from such individual, and

"(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month, beginning with the first month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs—

"(F) such parent dies or marries, or

"(G) (i) if such individual is entitled to old-age or disability insurance benefits, such parent becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or (ii) if such individual has died, such parent becomes entitled to an old-age or disability insurance benefit which is equal to or exceeds 82½ percent of the primary insurance amount of such deceased individual if the amount of the parent's insurance benefit for such month is determinable under paragraph (2) (A) (or 75 percent of such primary insurance amount in any other case), or

"(H) such individual, if living, is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

"(2) (A) Except as provided in subparagraphs (B) and (C), such parent's insurance benefit for each month shall be equal to—

(i) if the individual on the basis of whose wages and self-employment income the parent is entitled to such benefit has not died prior to the end of such month, one-half of the primary insurance amount of such individual for such month, or

"(ii) if such individual has died in or prior to such

month, 82½ percent of the primary insurance amount of such deceased individual;

"(B) For any month for which more than one parent is entitled to parent's insurance benefits on the basis of the wages and self-employment income of an individual who died in or prior to such month, such benefit for each such parent for such month shall (except as provided in subparagraph (C)) be equal to 75 percent of the primary insurance amount of such deceased individual;

"(C) In any case in which—

"(i) any parent is entitled to a parent's insurance benefit for a month on the basis of the wages and self-employment income of an individual who died in or prior to such month, and

"(ii) another parent of such deceased individual is entitled to a parent's insurance benefit for such month on the basis of such wages and self-employment income, and on the basis of an application filed after such month and after the month in which the application for the parent's insurance benefits referred to in clause (i) was filed,

the amount of the parent's insurance benefit of the parent referred to in clause (i) for the month referred to in such clause shall be determined under subparagraph (A) instead of subparagraph (B) and the amount of the parent's insur-

ance benefit of the parent referred to in clause (ii) for such month shall be equal to 150 percent of the primary insurance amount of such individual minus the amount (before the application of section 203 (a)) of the benefit for such month of the parent referred to in clause (i) ."

(b) Section 202 (q) of such Act is amended by—

(1) inserting in paragraph (1) after "husband's," the following: "parent's," and by striking out in such paragraph (1) "or husband's" and inserting in lieu thereof ", husband's, or parent's";

(2) inserting in paragraph (3) after "husband's," wherever it appears the following: "parent's," and by striking out in such paragraph (3) "or husband's" wherever it appears and inserting in lieu thereof "husband's, or parent's";

(3) inserting in paragraph (6) after "husband's," wherever it appears the following: "parent's,"; and by striking out in such paragraph (6) "or husband's" wherever it appears and inserting in lieu thereof "husband's, or parent's";

(4) inserting in paragraph (7) after "husband's," the following: "parent's," and by striking out "or husband's" and inserting in lieu thereof "husband's, or parent's"; and

(5) adding at the end thereof the following new paragraph:

"(10) For purposes of this subsection, 'parent's insurance benefits' means benefits payable under this section to a parent on the basis of the wages and self-employment income of an individual entitled to old-age insurance benefits or disability insurance benefits."

(c) Section 202 (r) of such Act is amended—

(1) by striking out "or Husband's" in the heading and inserting in lieu thereof, "Husband's, or Parent's"; and

(2) by striking out "or husband's" each time it appears in paragraphs (1) and (2) and inserting in lieu thereof, "husband's, or parent's".

(d) Section 203 (d) (1) of such Act is amended by striking out "or child's" wherever it appears and inserting in lieu thereof "child's, or parent's" and by striking out "or child" and inserting in lieu thereof "child, or parent".

(e) Subparagraph (C) of section 202 (q) (7) of such Act is amended—

(1) by striking out "wife's or husband's insurance benefits" and inserting in lieu thereof "wife's, husband's, or parent's insurance benefits", and

(2) by striking out "the spouse" and inserting in lieu thereof "the individual".

(f) Section 222 (b) (3) of such Act is amended—

(1) by striking out "husband's, or child's" wherever it appears and inserting in lieu thereof "husband's, parent's, or child's", and

(2) by striking out "husband, or child" and inserting in lieu thereof "husband, parent, or child".

(g) 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 or 223 of such Act for December 1970 on the basis of the wages and self-employment income of an individual, and

(2) one or more persons are entitled to monthly benefits for January 1971 solely by reason of this section on the basis of such wages and self-employment income, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment income for January 1971 is reduced by reason of section 203 (a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203 (a), be so reduced), then the amount of the benefit to which each person referred to in paragraph (1) of the subsection is entitled for months after December 1970 shall be in-

creased, after the application of such section 203 (a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph (2).

(h) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under section 202 of the Social Security Act for months after December 1970 and only on the basis of an application filed after September 30, 1970.

(i) The requirement in section 202 (h) (1) (B) of the Social Security Act that proof of support be filed within two years after a specified date in order to establish eligibility for parent's insurance benefits shall, insofar as such requirement applies to cases where applications under such subsection are filed by parents on the basis of the wages and self-employment income of an individual entitled to old-age or disability insurance benefits, not apply if such proof of support is filed within two years after the date of enactment of this Act.

INCREASED WIDOW'S AND WIDOWER'S INSURANCE BENEFITS

SEC. 14. (a) Subsection (e) of section 202 of the Social Security Act is amended as follows:

(1) Paragraphs (1) and (2) of such subsection are amended by striking out "82½ percent of" wherever it appears.

(2) Paragraph (5) of such subsection is amended by striking out "60" and inserting in lieu thereof "65".

(b) Subsection (f) of section 202 of such Act is amended as follows:

(1) Paragraphs (1) and (3) of such subsection are amended by striking out "82½ percent of" wherever it appears.

(2) Paragraph (6) of such subsection is amended by striking out "62" and inserting in lieu thereof "65".

(c) (1) The last sentence of subsection (c) of section 203 of such Act is amended by striking out all that follows the semicolon and inserting in lieu thereof the following: "nor shall any deduction be made under this subsection from any widow's insurance benefit for any month in which the widow or surviving divorced wife is entitled and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower is entitled and has not attained age 65 (but only if he became so entitled prior to attaining age 62).".

(2) Subparagraph (D) of section 203 (f) (1) of such Act is amended to read as follows:

"(D) for which such individual is entitled to widow's insurance benefits and has not attained age 65 (but only if she became so entitled prior to attaining age

60), or widower's insurance benefits and has not attained age 65 (but only if he became so entitled prior to attaining age 62), or".

(d) Subsection (q) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) That part of paragraph (1) of such subsection which precedes subparagraph (C) is amended to read as follows:

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

"(A) for each month of such entitlement within the 36-month period immediately preceding the month in which such individual attains retirement age, by

"(i) five-ninths of 1 percent of such amount if such benefit is an old-age insurance benefit, twenty-five thirty-sixths of 1 percent of such amount if such benefit is a wife's, husband's, or parent's insurance benefit, or thirty-five seventy-seconds of 1 percent of such amount if such benefit is a widow's or widower's insurance benefit, multiplied by

"(ii) the number of such months in (I) the

reduction period for such benefit (determined under paragraph (6)(A)), if such benefit is for a month before the month in which such individual attains retirement age, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter, and—

"(B) for each month of the 24-month period for which a widow, or widower, is entitled to a widow's or widower's insurance benefit immediately preceding the month in which such individual attains age 62, the amount of such individual's widow's or widower's benefit as reduced under subparagraph (A) shall be further reduced by—

"(i) five-ninths of 1 percent of such reduced benefit, multiplied by

"(ii) the number of such months in (I) the reduction period for such benefit, if such benefit is for a month before the month in which such individual attains age 62, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter.

"A widow's or widower's insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—".

(2) Paragraph (2) of such subsection is amended by striking out "paragraphs (1) and (4)" and inserting in lieu thereof "paragraphs (1), (3), and (4)".

(3) Paragraph (3) of such subsection is amended by—

(A) striking out subparagraph (F), and

(B) redesignating subparagraph (G) as subparagraph (F), striking out of such subparagraph "(when such first month occurs before the month in which such individual attains the age of 62)", and striking out "age 62" and inserting in lieu thereof "age 65".

(4) Paragraph (9) of such subsection is amended to read as follows:

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

(e) Subsection (r) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) by striking out "Husband's, or Parent's" in the heading and inserting in lieu thereof "Husband's, Parent's, Widow's, or Widower's"; and

(2) by striking out "husband's, or parent's" each time it appears in paragraphs (1) and (2) and inserting in lieu thereof "husband's, parent's, widow's, or widower's.".

(f) In the case of an individual who is entitled (without the application of section 202 (j) (1) and 223 (b)) to widow's or widower's insurance benefits for the month of December 1970, if such individual's entitlement to such benefits began with a month after the month he attained age 62, the Secretary shall redetermine the amount of such benefits under the provisions of this section as if these provisions had been in effect for the first month of such individual's entitlement to such benefits.

(g) The amendments made by this section shall be effective for monthly benefits for months after December 1970.

91ST CONGRESS
1ST SESSION

H. R. 14080

A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance program, provide for automatic benefit increases thereafter in the event of future increases in the cost of living, provide for future automatic increases in the earnings and contribution base, and for other purposes.

By Mr. GERALD R. FORD

SEPTEMBER 30, 1969

Referred to the Committee on Ways and Means

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

September 26, 1969

Number 92

PRESIDENT'S SOCIAL SECURITY PROPOSALS

To Administrative, Supervisory,
and Technical Employees

On Thursday, September 25, the President sent to the Congress his recommendations for social security legislation. The recommendations include a 10-percent across-the-board increase in social security cash benefits; a provision for automatic benefit adjustments to take account of future increases in the cost of living; an increase in the exempt amount under the retirement test from $1680 to $1800, with a corresponding increase in the monthly measure of retirement, a provision for $1-for-$2 withholding of benefits for all earnings in excess of $1800 rather than withholding $1 for each $1 of earnings above $2880, as under present law, and a provision for automatic adjustment of the test to future earnings levels; and an increase in the contribution and benefit base from $7800 to $9000 with provision for subsequent automatic increases to take account of future earnings levels.

Also included are provisions for an increase from 82 1/2 percent to 100 percent of the husband's benefit for a widow who begins receiving her benefits at age 65 or later, with the benefit amount graded down to 82 1/2 percent for a widow who takes benefits at age 62; non-contributory earnings credits of $100 a month for military service from January 1957 through December 1967; benefits for the aged parents of retired and disabled workers; childhood disability benefits for people who become disabled after age 18 and prior to age 22; and

determination of insured status and benefit amounts for men on the same basis as present law provides for women--that is, over a period equal to the number of years up to age 62 rather than age 65.

The bill provides for changes in the contribution rate schedules for both cash benefits and for hospital insurance. The contribution rate for cash benefits, now scheduled to rise to 5.0 percent, each, for employees and employers for 1973 and after, would not go to 5.0 percent until 1987. The delay in the scheduled increases in the rates for cash benefits will prevent unnecessary, sizeable increases in the cash benefit trust funds. The contribution rates for hospital insurance would rise from 0.6 percent, each, for employees and employers, to 0.9 percent for 1971 and after, rather than for 1987 and after, as under present law.

As a result of the delay in rate increases for cash benefits and the speeding up of the rate increases for hospital insurance, the combined rates for cash benefits and for hospital insurance would rise from 4.8 percent for employees and employers, each, in 1970 to an ultimate rate of 5.9 percent, each, for 1987 and after. The revisions in the contribution rate schedules will mean that the combined rates will be lower for 1971 through 1976 than under present law and the same as present law for 1977 and after. In effect, there will be a temporary decrease in the rates for cash benefits from those now scheduled in the law.

Enclosed is a copy of a memorandum from the Chief Actuary which summarizes new cost estimates for the program which have just been prepared and describes their relationship to the President's proposals.

Also enclosed is a copy of the President's message. The President states in his message that he looks upon his proposals as forerunners of recommendations for further improvements in the social security program.

Robert M. Ball
Commissioner

Enclosures

FOR RELEASE ON DELIVERY TO THE SENATE
OR THE HOUSE OF REPRESENTATIVES

September 25, 1969

Office of the White House Press Secretary

THE WHITE HOUSE

MESSAGE ON SOCIAL SECURITY

TO THE CONGRESS OF THE UNITED STATES:

This nation must not break faith with those Americans who have a right to expect that Social Security payments will protect them and their families.

The impact of an inflation now in its fourth year has undermined the value of every Social Security check and requires that we once again increase the benefits to help those among the most severely victimized by the rising cost of living.

I request that the Congress remedy the real losses to those who now receive Social Security benefits by increasing payments by 10 per cent.

Beyond that step to set right today's inequity, I propose that the Congress make certain once and for all that the retired, the disabled and the dependent never again bear the brunt of inflation. The way to prevent future unfairness is to attach the benefit schedule to the cost of living.

This will instill new security in Social Security. This will provide peace of mind to those concerned with their retirement years, and to their dependents.

By acting to raise benefits now to meet the rise in the cost of living, we keep faith with today's recipients. By acting to make future benefit raises automatic with rises in the cost of living, we remove questions about future years; we do much to remove this system from biennial politics; and we make fair treatment of beneficiaries a matter of certainty rather than a matter of hope.

In the 34 years since the Social Security program was first established, it has become a central part of life for a growing number of Americans. Today approximately 25 million people are receiving cash payments from this source. Three-quarters of these are older Americans; the Social Security check generally represents the greater part of total income. Millions of younger people receive benefits under the disability or survivor provisions of Social Security.

more

Almost all Americans have a stake in the soundness of the Social Security system. Some 92 million workers are contributing to Social Security this year. About 80 per cent of Americans of working age are protected by disability insurance and 95 per cent of children and mothers have survivorship insurance protection. Because the Social Security program is an essential part of life for so many Americans, we must continually re-examine the program and be prepared to make improvements.

Aiding in this Administration's review and evaluation is the Advisory Council on Social Security which the Secretary of Health, Education and Welfare appointed in May. For example, I will look to this Council for recommendations in regard to working women; changing work patterns and the increased contributions of working women to the system may make present law unfair to them. The recommendations of this Council and of other advisers, both within the Government and outside of it, will be important to our planning. As I indicated in my message to the Congress on April 14, improvement in the Social Security program is a major objective of this Administration.

There are certain changes in the Social Security program, however, for which the need is so clear that they should be made without awaiting the findings of the Advisory Council. The purpose of this message is to recommend such changes.

I propose an across-the-board increase of 10% in Social Security benefits, effective with checks mailed in April 1970, to make up for increases in the cost of living.

I propose that future benefits in the Social Security system be automatically adjusted to account for increases in the cost of living.

I propose an increase from $1680 to $1800 in the amount beneficiaries can earn annually without reduction of their benefits, effective January 1, 1971.

I propose to eliminate the one-dollar-for-one-dollar reduction in benefits for income earned in excess of $2880 a year and replace it by a one dollar reduction in benefits for every two dollars earned, which now applies at earnings levels between $1680 and $2880, also effective January 1, 1971.

I propose to increase the contribution and benefit base from $7800 to $9000, beginning in 1972, to strengthen the system, to help keep future benefits to the individual related to the growth of his wages, and to meet part of the cost of the improved program. From then on, the base will automatically be adjusted to reflect wage increases.

I propose a series of additional reforms to ensure more equitable treatment for widows, recipients above age 72, veterans, for persons disabled in childhood and for the dependent parents of disabled and retired workers.

I emphasize that the suggested changes are only first steps, and that further recommendations will come from our review process.

The Social Security system needs adjustment now so it will better serve people receiving benefits today, and those corrections are recommended in this message. The system is also in need of long-range reform, to make it better serve those who contribute now for benefits in future years, and that will be the subject of later recommendations.

THE BENEFIT INCREASE

With the increase of 10%, the average family benefit for an aged couple, both receiving benefits, would rise from $170 to $188 a month. Further indication of the impact of a 10 per cent increase on monthly benefits can be seen in the following table:

	Present Minimum	New Minimum	Present Maximum	New Maximum
Single Person (A man retiring at age 65 in 1970)	$55.00	$61.00	$165.00	$181.50
Married Couple (Husband retiring at age 65 in 1970)	$82.50	$91.50	$247.50	$272.30

The proposed benefit increases will raise the income of more than 25 million persons who will be on the Social Security rolls in April, 1970. Total budget outlays for the first full calendar year in which the increase is effective will be approximately $3 billion.

AUTOMATIC ADJUSTMENTS

Benefits will be adjusted automatically to reflect increases in the cost of living. The uncertainty of adjustment under present laws and the delay often encountered when the needs are already apparent is unnecessarily harsh to those who must depend on Social Security benefits to live.

Benefits that automatically increase with rising living costs can be funded without increasing Social Security tax rates so long as the amount of earnings subject to tax reflects the rising level of wages. Therefore, I propose that the wage base be automatically adjusted so that it corresponds to increases in earnings levels.

These automatic adjustments are interrelated and should be enacted as a package. Taken together they will depoliticize, to a certain extent, the Social Security system and give a greater stability to what has become a cornerstone of our society's social insurance system.

REFORMING THE SYSTEM

I propose a series of reforms in present Social Security law to achieve new standards of fairness. These would provide:

1. An increase in benefits to a widow who begins receiving her benefit at age 65 or later. The benefit would increase the current 82-1/2% of her husband's benefit to a full 100%. This increased benefit to widows would fulfill a pledge I made a year ago. It would provide an average increase of $17 a month to almost three million widows.

2. Non-contributory earnings credits of about $100 a month for military service from January, 1957 to December, 1967. During that period, individuals in military service were covered under Social Security but credit was not then given for "wages in kind" -- room and board, etc. A law passed in 1967 corrected this for the future, but the men who served from 1957 (when coverage began for servicemen) to 1967 should not be overlooked.

3. Benefits for the aged parents of retired and disabled workers. Under present law, benefits are payable only to the dependent parents of a worker who has died; we would extend this to parents of workers who are disabled or who retire.

4. Child's insurance benefits for life if a child becomes permanently disabled before age 22. Under present law, a person must have become disabled before age 18 to qualify for these benefits. The proposal would be consistent with the payment of child's benefit to age 22 so long as the child is in school.

5. Benefits in full paid to persons over 72, regardless of the amount of his earnings in the year he attains that age. Under present law, he is bound by often confusing tests which may limit his exemption.

6. A fairer means of determining benefits payable on a man's earnings record. At present, men who retire at age 62 must compute their average earnings through three years of no earnings up to age 65, thus lowering the retirement benefit excessively. Under this proposal, only the years up to age 62 would be counted, just as is now done for women, and three higher-earning years could be substituted for low-earning years.

CHANGES IN THE RETIREMENT TEST

A feature of the present Social Security law that has drawn much criticism is the so-called "retirement test," a provision which limits the amount that a beneficiary can earn and still receive full benefits.

I have been much concerned about this provision, particularly about its effects on incentives to work. The present retirement test actually penalizes Social Security beneficiaries for doing additional work or taking a job at higher pay. This is wrong.

In my view, many older people should be encouraged to work. Not only are they provided with added income, but the country retains the benefit of their skills and wisdom; they, in turn, have the feeling of usefulness and participation which employment can provide.

This is why I am recommending changes in the retirement test. Raising the amount of money a person can earn in a year without affecting his Social Security payments -- from the present $1680 to $1800 -- is an important first step. But under the approach used in the present retirement test, people who earned more than the exempt amount of $1680, plus $1200, would continue to have $1 in Social Security benefits withheld for every $1 they received in earnings. A necessary second step is to eliminate from present law the requirement that when earnings reach $1200 above the exempt amount, Social Security benefits will be reduced by a full dollar for every dollar of added earnings until all his benefits are withheld; in effect, we impose a tax of more than 100% on these earnings.

To avoid this, I would eliminate this $1 reduction for each $1 earned and replace it with the same $1 reduction for each $2 earned above $3000. This change will reduce a disincentive to increased employment that arises under the retirement test in its present form.

The amount a retired person can earn and still receive his benefits should also increase automatically with the earnings level. It is sound policy to keep the exempt amount related to changes in the general level of earnings.

These alterations in the retirement test would result in added benefit payments of some $300 million in the first full calendar year. Approximately one million people would receive this money -- some who are now receiving no benefits at all and some who now receive benefits but who would get more under this new arrangement. These suggestions are not by any means the solution to all the problems of the retirement test, however, and I am asking the Advisory Council on Social Security to give particular attention to this matter.

CONTRIBUTION AND BENEFIT BASE

The contribution and benefit base -- the annual earnings on which Social Security contributions are paid and that can be counted toward Social Security benefits -- has been increased several times since the Social Security program began. The further increase I am recommending -- from its present level of $7800 to $9000 beginning January 1, 1972 -- will

produce approximately the same relationship between the base and general earnings levels as that of the early 1950s. This is important since the goal of Social Security is the replacement, in part, of lost earnings; if the base on which contributions and benefits are figured does not rise with earnings increases, then the benefits deteriorate. The future benefit increases that will result from the higher base I am recommending today would help to prevent such deterioration. These increases would, of course, be in addition to those which result from the 10% across-the-board increase in benefits that is intended to bring them into line with the cost of living.

FINANCING

I recommend an acceleration of the tax rate scheduled for hospital insurance to bring the hospital insurance trust fund into actuarial balance. I also propose to decelerate the rate schedule of the old-age, survivors and disability insurance trust funds in current law. These funds taken together have a long-range surplus of income over outgo, which will meet much of the cost. The combined rate, known as the "social security contribution," already scheduled by statute, will be decreased from 1971 through 1976. Thus, in 1971 the currently scheduled rate of 5.2% to be paid by employees would become 5.1%, and in 1973 the currently scheduled rate of 5.65% would become 5.1%. The actuarial integrity of the two funds will be maintained, and the ultimate tax rates will not be changed in the rate schedules which will be proposed.

The voluntary supplementary medical insurance (SMI) of title XVIII of the Social Security Act, often referred to as part B Medicare coverage, is not adequately financed with the current $4 premium. Our preliminary studies indicate that there will have to be a substantial increase in the premium. The Secretary of Health, Education and Welfare will set the premium rate in December for the fiscal year beginning July 1970, as he is required to do by statute.

To meet the rising costs of health care in the United States, this Administration will soon forward a Health Cost Control proposal to the Congress. Other administrative measures are already being taken to hold down spiraling medical expenses.

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In the coming months, this Administration will give careful study to ways in which we can further improve the Social Security program. The program is an established and important American institution, a foundation on which millions are able to build a more comfortable life than would otherwise be possible -- after their retirement or in the event of disability or death of the family earner.

The recommendations I propose today, which I urge the Congress to adopt, will move the cause of Social Security forward on a broad front.

We will bring benefit payments up to date.

We will make sure that benefit payments stay up to date, automatically tied to the cost of living.

We will begin making basic reforms in the system to remove inequities and bring a new standard of fairness in the treatment of all Americans in the system.

And we will lay the groundwork for further study and improvement of a system that has served the country well and must serve future generations more fairly and more responsively.

RICHARD NIXON

THE WHITE HOUSE.

September 25, 1969.

# # # #

UNITED STATES GOVERNMENT

Memorandum

: Mr. Robert M. Ball
Commissioner of Social Security

DATE: September 25, 1969

ROM : Robert J. Myers
Chief Actuary

UBJECT: Summary Results of New Cost Estimates for Present OASDI and HI Systems and for President's Proposal

This memorandum will summarize the results of the new cost estimates for the Old-Age, Survivors, and Disability Insurance system that have just now been completed. At the same time, it is essential that the current actuarial situation of the Hospital Insurance system should be considered simultaneously. Although the revision of the HI cost estimates has not yet been completed, preliminary estimates have been made, and these should be close to the final results that will be produced subsequently. Information will also be presented as to the cost aspects of the proposal just made by President Nixon.

It will be recalled that the cost estimates for the OASDI system which were contained in the 1969 Trustees Report showed a positive long-range actuarial balance (i.e., a financial surplus) of 0.53% of taxable payroll. The new cost estimates show that this positive balance is increased to 1.16% of taxable payroll. The principal reasons for this change, and the amount that each contributes to the increase of 0.63% of taxable payroll in the financial surplus, are as follows:

(1) The use of a higher earnings-level assumption (namely, 1969 earnings as against 1968 earnings)--.22% of taxable payroll.

(2) The use of a higher interest-rate assumption (namely, 4 3/4% as against 4¼%)--.11% of taxable payroll.

(3) The use of higher labor-force participation rates for both men and women (based on recent actual experience), which, because of the weighted benefit formula and the provision preventing, in essence,

receipt of benefits on more than one earnings record, results in a greater increase in estimated income than in estimated outgo--.23% of taxable payroll.

(4) Update of other factors--.07% of taxable payroll.

Now, turning to the cost estimates for the HI system, it will be recalled that the estimates contained in the 1969 Trustees Report showed a negative long-range actuarial balance (i.e., a financial deficit) of 0.29% of taxable payroll. The preliminary new cost estimates show that this negative balance has become larger--namely, -0.77% of taxable payroll. The principal reasons for this change are as follows:

(1) The use of higher hospital utilization rates as the initial 1969 base and the introduction of an assumption that these rates will increase gradually over the next decade (at an average annual rate of about 1%), both of which assumptions are based on an extensive analysis of recent operating experience.

(2) The use of higher assumed increases in hospital per diem costs than previously assumed (namely, 15% for 1969, 14% for 1970, 13% for 1971, grading down to 4% after 1977, as compared with the previous assumption of 12% for 1969, 9% for 1970, 7½% for 1971, grading down to 3½% after 1974), which assumption is based on analysis and projection of recent operating and other experience.

Offsetting slightly the foregoing increased-cost assumptions for the HI cost estimates are several other changed assumptions, including the following:

(1) The use of a higher interest rate (namely, 5% as against 4½%).

(2) A reduction in the estimated cost of the extended care facility benefits (since the previous estimate seems to have included the assumption of too rapid an increase in the utilization of such benefits).

(3) As in the OASDI estimates, higher labor-force participation rates and a higher initial payroll-tax base and higher assumed increases in future earnings levels (e.g., ultimately, 4% per year as against the 3½% used previously).

Finally, I might point out that an increase in the taxable earnings base from the present $7,800 per year would have a favorable effect on the financing of both the OASDI and HI systems. For example, a change to $9,000 would increase the positive actuarial balance of the OASDI system by 0.23% of taxable payroll and would decrease the negative actuarial balance of the HI system by 0.17% of taxable payroll.

President Nixon has proposed that the benefit provisions of the OASDI system should be changed in the following manner:

(1) An across-the-board benefit increase of 10%.

(2) A modification of the retirement test, so that the annual exempt amount would be increased from $1,680 to $1,800, and the "$1 for $2" reduction would apply to all earnings in excess of the annual exempt amount (instead of only to the first $1,200 above the annual exempt amount, as in present law).

(3) Payment of dependent parent's benefits with respect to old-age beneficiaries and disability beneficiaries.

(4) Increase from age 18 to age 22 the limit before which adult children must have been disabled in order to receive child's benefits.

(5) Modify the retirement test as it applies to the year of attainment of age 72, so that earnings in and after the month of attainment are not counted against the annual test (the amount for which is prorated according to the number of months before the month of attainment).

(6) Have an age-62 computation point for men, instead of age-65 (i.e., having the same point for men that women have under present law).

(7) Pay widow's benefits of 100% of the PIA when first payable at or after age 65, graded down to 82½% when first claimed at age 62.

(8) Increase in the taxable earnings base from $7,800 to $9,000, effective for 1972 and after; for 1974 and after, automatic adjustment of the earnings base in accordance with changes in the level of wages in covered employment.

(9) Automatic adjustment of the OASDI benefits in accordance with changes in the cost of living and, beginning in 1974, automatic adjustment of the annual exempt amount of the retirement test in accordance with changes in the level of wages in covered employment; insofar as the OASDI system is concerned, the cost of these benefit changes would be financed by the automatic adjustment of the earnings base, while insofar as the HI system is concerned, the additional financing due to the automatic adjustment of the earnings base would have a significant effect on its actuarial status.

(10) Changes in the contribution schedules, as shown in Table 1.

Under the President's proposal, the long-range actuarial balance of the OASDI system is estimated to be -0.09% of taxable payroll, while the corresponding figure for the HI program is +0.06% of taxable payroll. Both of these relatively small balances are within the limits generally acceptable, and so the proposal is in actuarial balance.

Table 2 shows the progress of the combined OASI and DI Trust Funds and of the HI Trust Fund for FY 1970-73 under present law. Table 3 gives similar data for the President's proposal.

Robert J. Myers

Robert J. Myers

Attachments

Table 1

COMPARISON OF PRESENT AND PROPOSED CONTRIBUTION SCHEDULES

Period	Combined Employer-Employee		Self-Employed	
	Present	Proposed	Present	Proposed
		OASDI Rate		
1970	8.4%	8.4%	6.3%	6.3%
1971-72	9.2	8.4	6.9	6.3
1973-74	10.0	8.4	7.0	6.3
1975-76	10.0	9.2	7.0	6.9
1977-79	10.0	9.6	7.0	7.0
1980-86	10.0	9.8	7.0	7.0
1987 and after	10.0	10.0	7.0	7.0
		HI Rate		
1970	1.2%	1.2%	.6%	.6%
1971-72	1.2	1.8	.6	.9
1973-74	1.3	1.8	.65	.9
1975	1.3	1.8	.7	.9
1976-79	1.4	1.8	.7	.9
1980-86	1.6	1.8	.8	.9
1987 and after	1.8	1.8	.9	.9
		Combined OASDI-HI Rate		
1970	9.6%	9.6%	6.9%	6.9%
1971-72	10.4	10.2	7.5	7.2
1973-74	11.3	10.2	7.65	7.2
1975	11.3	11.0	7.65	7.8
1976	11.4	11.0	7.7	7.8
1977-79	11.4	11.4	7.7	7.9
1980-86	11.6	11.6	7.8	7.9
1987 and after	11.8	11.8	7.9	7.9

Table 2

ESTIMATED SHORT-RANGE PROGRESS OF TRUST FUNDS
UNDER PRESENT LAW
(in billions)

Fiscal Year	Contribution Income	Other Income[a/]	Benefit Outgo	Other Outgo[b/]	Net Income	Fund at End of Year
			OASDI Trust Funds			
1970	$33.4	$1.8	$27.3	$1.2	$6.8	$38.7
1971	36.3	2.3	28.4	1.2	8.9	47.6
1972	40.3	2.8	29.6	1.2	12.3	59.9
1973	43.9	3.5	30.7	1.3	15.4	75.3
			HI Trust Fund			
1970	$4.7	$.8	$5.2	$.1	$.2	$2.2
1971	4.9	1.0	6.2	.1	- .5	1.7
1972	5.2	.8	7.3	.1	-1.5	.2
1973	5.6	.7	8.5	.1	-2.2	--

a/ Interest income, payments from General Fund for noninsured persons and military service wage credits, and (for HI) payments from Railroad Retirement system.

b/ Administrative expenses and (for OASDI) payments to Railroad Retirement system.

Table 3

ESTIMATED SHORT-RANGE PROGRESS OF TRUST FUNDS UNDER PROPOSAL
(in billions)

Fiscal Year	Contribution Income	Other Income[a/]	Benefit Outgo	Other Outgo[b/]	Net Income	Fund at End of Year
			OASDI Trust Funds			
1970	$33.4	$1.8	$28.1	$1.2	$6.0	$37.8
1971	34.7	2.1	32.2	1.3	3.4	41.2
1972	37.0	2.3	33.9	1.4	4.0	45.3
1973	40.8	2.6	35.1	1.4	6.9	52.1
1970	$4.7	$.8	$5.2	$.1	$.2	$2.2
1971	6.0	1.1	6.2	.1	.7	2.9
1972	7.8	.9	7.3	.1	1.2	4.2
1973	8.6	1.0	8.5	.1	1.0	5.2

a/ Interest income, payments from General Fund for noninsured persons and military service wage credits, and (for HI) payments from Railroad Retirement system.

b/ Administrative expenses and (for OASDI) payments to Railroad Retirement system.

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 94 October 8, 1969

ADMINISTRATION'S SOCIAL SECURITY BILL INTRODUCED IN CONGRESS

To Administrative, Supervisory,
and Technical Employees

On October 1, Representative Gerald R. Ford (R., Mich.) introduced a bill, H. R. 14080, which incorporates President Nixon's recommendations for social security legislation, including a benefit increase effective for March 1970. Representative John W. Byrnes (R., Wis.). ranking minority member on the House Ways and Means Committee, introduced H. R. 14081, which is identical to H. R. 14080 except that the benefit increase would be effective for January 1970. Enclosed is a summary of the provisions of H. R. 14080. Also enclosed are tables showing the effect of the 10-percent benefit increase on average monthly family benefits, the progress of the cash benefit trust funds for calendar years 1970-1973, and first-year benefit costs and number of people affected under each provision.

Hearings on the bills by the Ways and Means Committee of the House of Representatives will begin on October 15.

Robert M. Ball
Commissioner

Enclosures

Summary of the Social Security Amendments of 1969

Across-the-Board Benefit Increase

Under H.R. 14080, benefits would be increased across the board by 10 percent, with a minimum benefit of $61 instead of the present $55. The maximum retirement benefit for a worker alone would be increased from the present $218 to $250. Maximum family benefits payable for the future would range from $91.50 to $480 a month compared with the present range of $82.50 to $434.40. The general benefit increase would be effective with benefits for March 1970, payable in April.

The special payments for certain people age 72 and over who either have not worked at all under social security or have not worked in covered employment long enough to meet the regular insured status requirements would also be increased by 10 percent--from $40 for an individual and $60 for a couple to $44 and $66, respectively.

An estimated 25.5 million beneficiaries in current payment status on March 31, 1970, would get increased benefits. An additional 12,000 people age 72 and over who cannot get special payments under present law could get such payments for March 1970. Additional payments in the first 12 months would total $2.8 billion.

Automatic Adjustment of Benefits

The bill provides for automatic cost-of-living increases in social security cash benefits. On or before December 1 of each year the Secretary of Health, Education, and Welfare would determine whether a cost-of-living increase in benefits is required, and, if so, would publish this fact in the Federal Register together with the percentage increase and a revision of the benefit table showing the increased benefit amounts payable. All people on the benefit rolls and all people who come on the benefit rolls in the future would get the higher benefits.

The calculation of the increase in the cost of living would be based on the Consumer Price Index prepared by the Department of Labor. Under the first such calculation, the monthly average of the Consumer Price Index for the third calendar quarter of 1970 would be compared with the monthly average of the Consumer Price Index for the third calendar quarter of 1969. If the monthly average of the Consumer Price Index for the third calendar quarter

of 1970 exceeded the monthly average of the Consumer Price Index for the third calendar quarter of 1969 by at least 3 percent, monthly benefits for people who are then, and who later become, entitled to benefits would be increased, effective with benefits for January 1971, by the percentage increase (rounded to the nearest one-tenth of one percent) by which the Consumer Price Index had increased. Lump-sum death payments would be increased for deaths occurring after December 1970.

A similar calculation would be made in each subsequent calendar year, with the monthly average of the Consumer Price Index for the third quarter of that year being compared with the average of the Consumer Price Index for the third quarter of the most recent year that necessitated a cost-of-living increase.

Increase in Earnings Counted for Benefit and Contribution Purposes

The bill also would provide for an increase in the contribution and benefit base--the amount of annual earnings that is subject to social security contributions and creditable toward social security benefits. The base would be increased from the present $7800 to $9000, effective on January 1, 1972.

In addition, the contribution and benefit base would be automatically adjusted to future increases in average wage levels beginning with 1974. On or before October 1 of 1972, and of each even-numbered year thereafter, the Secretary of Health, Education, and Welfare would determine, and publish in the Federal Register, the contribution and benefit base for the two calendar years beginning January 1 of the next even-numbered year. The base for a particular year is to be the product of $9000 and the ratio of (A) the average covered wages of all persons for whom taxable wages were reported for the first calendar quarter of the year in which the determination is being made to (B) the average covered wages of all persons for whom taxable wages were reported for the first calendar quarter of 1971. That product, if not a multiple of $600, is to be rounded to the nearest multiple of $600.

Retirement Test Changes

For earnings above the retirement test exempt amount, which would be raised to $1800, the bill would replace the present provisions (a $1 reduction in benefits for each $2 of earnings between $1680 and $2880, and a dollar-for-dollar reduction for earnings above $2880) with a provision for reduction in benefits of $1 (for each

$2 of all earnings in excess of the $1800 exempt amount. (The present $140 monthly earnings test would be increased to $150 so it would continue to be 1/12th of the annual exempt amount.)

The bill provides for automatic upward adjustment of the annual exempt amount (and the monthly test) in relation to future increases in earnings levels.

The bill also provides that in the year a beneficiary reaches age 72 earnings beginning with the month in which he reaches age 72 would no longer be included in computing the amount of his annual earnings to determine whether any benefits are to be withheld for months before he reached age 72.

The changes in the retirement test would become effective generally on January 1, 1971.

Under these changes in the retirement test, about $330 million in additional benefits would be paid for months in 1971. About 1.1 million people would get these additional payments. Of this number, some 300,000 people could not, under present law, get any benefits for months in 1971.

Age-62 Computation Point for Men

Under the bill, the number of years over which a man's average monthly earnings (on which his benefits are based) and his eligibility for benefits are determined will be figured up to age 62 (as it now is for women), rather than up to age 65 as under present law. Thus up to three more years of low earnings would be omitted from the computation of his retirement benefit. As a result, the treatment of men and women workers under the benefit provisions would be the same, and the retirement benefits payable to men, the benefits payable to their wives, and the benefits payable to survivors of men who live beyond age 62 would generally be increased.

The change is effective with benefits for January 1971, and will be applicable both to people already on the benefit rolls and to those who will come on in the future. About 5 million people--workers, dependents, and survivors--in current-payment status at the end of January 1971 would have their benefits increased because of the change in computing the average monthly wage. In addition, about 100,000 people--75,000 men age 62 and over and 25,000 dependents--would become newly eligible for benefits because of the liberalized insured-status requirement for men age 62 and over. Additional benefit payments in the first 12 months are estimated at $380 million.

Increase in Widow's Insurance Benefits

Under the bill, benefits for widows (and widowers) who came on the benefit rolls after age 62, and those who come on in the future after that age, would be increased. For a widow or widower becoming entitled to benefits at or after age 65, the benefit would be equal to 100 percent of the amount of the spouse's benefit at age 65, rather than 82 1/2 percent as under present law. For widows and widowers coming on the rolls between ages 62 and 65, benefit amounts would range from the 82 1/2 percent payable at age 62 (under present law and under the bill) to the 100 percent payable at age 65 under the bill. For example, the benefit amount for a widow becoming entitled to widow's benefits at age 63 would be 88 1/3 percent of her husband's age-65 benefit; for a widow becoming entitled at age 64, the amount would be equal to 94 1/6 percent of her husband's benefit. The increase in widow's and widower's benefits would become effective with benefits payable for January 1971.

An estimated 2.7 million widows and widowers would have their benefits increased; on the average, the increase would amount to $17. Additional benefit payments under this provision in the first 12 months are estimated at $580 million.

Parents' Insurance Benefits

The bill would provide for the payment of benefits to aged dependent parents of retired and disabled workers, effective for January 1971. Such benefits are now provided for dependent parents of deceased workers. The benefits for the dependent parent of a retired or disabled individual would be equal to 50 percent of that individual's benefit, except that it would be actuarially reduced if taken before age 65. The benefit for a parent of a deceased worker would continue as in present law to be 82 1/2 percent of the worker's benefit if there is one parent and 75 percent each if there are two.

An estimated 25,000 people would be immediately eligible for benefits under the provision, and additional benefit payments in the first 12 months would be $20 million.

Child's Insurance Benefits Based on Disability

Under the bill, childhood disability benefits would be provided for a son or daughter of an insured deceased, disabled, or retired worker if the son or daughter became totally disabled after age 18 and before reaching age 22, and continues to be totally disabled. Under present law, a person must have been totally disabled since before age 18 to qualify for childhood disability benefits. This change would be applicable to monthly benefits effective for January 1971.

An estimated 13,000 people would become immediately eligible for benefits; additional benefit payments in the first 12 months would be $10 million.

Wage Credits for Members of the Uniformed Services

The bill would provide noncontributory earnings credits of $300 for each calendar quarter of military service after December 1956 and before January 1968. These credits, designed to give social security credit for wages-in-kind received by servicemen, would supplement credit for military service basic pay, which has been subject to contributory social security coverage since January 1, 1957. Present law provides similar noncontributory wage credits for military service after 1967 and $160-a-month noncontributory wage credit for service from September 1940 through December 1956. The new wage credits, like the previously provided noncontributory wage credits, would be financed from general revenues. The new credits would be used in computing monthly benefits for months after December 1970 and lump-sum death payments in the case of deaths after 1970.

As a result of this provision, about 150,000 beneficiaries on the rolls in January 1971 will have their benefits increased; an estimated $30 million in additional benefit payments would be paid in the first 12 months of operation.

Financing

Under the most recent of the periodic actuarial reevaluations of the cash benefits part of the social security program, income over the long-range future is expected to exceed outgo by 1.16 percent of taxable payroll. The excess of income over outgo, as shown in the last preceding evaluation, was 0.53 percent of taxable payroll. The larger excess expected under the most recent estimates results from taking into account 1969 (as against 1968) earnings levels, the higher interest rates now being earned by the trust funds, and increased labor-force participation of both men and women.

Preliminary results of the latest reevaluation of the hospital insurance program indicate that the income of the program over the long range will be less than outgo by 0.77 percent of taxable payroll.

A large part of the cost of the proposed improvements in the cash benefits program will be covered by the long-range excess of income over outgo in that part of the social security program. The proposed increase in the contribution and benefit base to $9000 will also help to meet part of the cost of the improvements, since income from the increase in the base will exceed the cost of the additional benefits that will be paid on earnings above the present $7800 ceiling.

Automatic increases in the contribution and benefit base in line with increases in wage levels will provide additional income sufficient to meet fully the cost of the additional benefit payments that will result from automatic adjustment of benefits in line with increases in the cost of living and from automatic adjustment of the retirement test.

The bill would increase the percentage of taxable wages appropriated to the disability insurance trust fund (now 0.95 of one percent of payroll) to 1.05 percent, and would increase the percentage of income from self-employment appropriated to the disability insurance trust fund (now 0.7125 of one percent) to 0.7875 of one percent, effective for 1970. The increase in the allocation of contribution income to the disability insurance trust fund is needed to meet the cost to that trust fund of the 10-percent benefit increase.

In summary, the cash benefits part of the social security program, with the recommended improvements, will be adequately financed; and, in fact, the rate increases scheduled in present law for the cash benefits part of the program can be put into effect considerably later than scheduled in present law.

The contribution rate for cash benefits, now scheduled to rise to 5 percent each for employees and employers in 1973 and thereafter, would not reach 5 percent under the bill until 1987. The delay in the scheduled increases in the contribution rate for cash benefits will prevent unnecessary, large-scale increases in the cash benefits trust funds. Under the bill, the actuarial balance of the cash benefits program would be -0.09 percent of taxable payroll.

The contribution rates for hospital insurance would rise under the bill from 0.6 percent each for employees and employers to 0.9 percent each in 1971 and thereafter, as against rising to the 0.9 level in 1987 and thereafter as under present law. The revision in the contribution rates scheduled for hospital insurance and the increases in the contribution and benefit base to $9000 in 1972, with automatic adjustment thereafter, will leave the hospital insurance trust fund with an actuarial balance of 0.06 percent of payroll under the bill, as against a minus balance of 0.77 percent under present law.

Under the proposed revisions in the contribution rate schedules, the employee and employer contribution rates for cash benefits plus hospital insurance will be lower than in present law for 1971 through 1976 and will be the same as in present law for 1977 and thereafter.

The contribution rate schedules under present law and the bill are shown in the following table.

Contribution Rates for Employees and Employers, Each, under Present Law and under Proposal

Year	Present Law			Proposal		
	Cash Benefits	Hospital Insurance	Total	Cash Benefits	Hospital Insurance	Total
1970	4.20%	0.60%	4.80%	4.20%	0.60%	4.80%
1971-72	4.60	0.60	5.20	4.20	0.90	5.10
1973-74	5.00	0.65	5.65	4.20	0.90	5.10
1975	5.00	0.65	5.65	4.60	0.90	5.50
1976	5.00	0.70	5.70	4.60	0.90	5.50
1977-79	5.00	0.70	5.70	4.80	0.90	5.70
1980-86	5.00	0.80	5.80	4.90	0.90	5.80
1987 and after	5.00	0.90	5.90	5.00	0.90	5.90

Contribution Rates for the Self-Employed under Present Law and under Proposal

Year	Present Law			Proposal		
	Cash Benefits	Hospital Insurance	Total	Cash Benefits	Hospital Insurance	Total
1970	6.30%	0.60%	6.90%	6.30%	0.60%	6.90%
1971-72	6.90	0.60	7.50	6.30	0.90	7.20
1973-74	7.00	0.65	7.65	6.30	0.90	7.20
1975	7.00	0.65	7.65	6.90	0.90	7.80
1976	7.00	0.70	7.70	6.90	0.90	7.80
1977-79	7.00	0.70	7.70	7.00	0.90	7.90
1980-86	7.00	0.80	7.80	7.00	0.90	7.90
1987 and after	7.00	0.90	7.90	7.00	0.90	7.90

Attachment A

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Administration Proposal--H.R. 14080

Estimated effect of the 10-percent benefit increase on monthly benefits in current-payment status, March 31, 1970

Category	Monthly amount under... Present law	Proposed benefit increase
Monthly rate in current-payment status for all OASDI beneficiaries (in millions).....	$2,180	$2,410
Selected average monthly amounts		
1. Average monthly family benefits:		
Retired worker alone (no dependents receiving benefits).....	$ 97	$107
Retired worker and aged wife, both receiving benefits.....	170	188
Disabled worker alone (no dependents receiving benefits).....	111	122
Disabled worker, wife, and 1 or more children.....	237	261
Aged widow alone 1/.....	88	97
Widowed mother and 2 children.....	254	280
2. Average monthly individual benefits:		
All retired workers (with or without dependents also receiving benefits)...	101	111
All disabled workers (with or without dependents also receiving benefits)...	113	124

1/ Excludes widows entitled to disabled widow's benefits.

Office of the Actuary--Baltimore
October 1, 1969

Attachment B

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Administration Proposal--H.R. 14080

Progress of the OASI and DI trust funds, combined, under present law and under the system as modified by the Administration proposal, calendar years 1970-73

(In billions)

Calendar year	Income		Outgo	
	Present law	Proposal	Present law	Proposal 1/
1970	$35.8	$35.8	$29.0	$31.1
1971	41.0	37.7	30.2	34.4
1972	44.0	41.6	31.4	35.9
1973	50.0	44.4	32.5	37.2

Calendar year	Net increase in funds		Assets, end of year	
	Present law	Proposal	Present law	Proposal
1970	$6.8	$4.6	$40.9	$38.7
1971	10.8	3.3	51.6	42.0
1972	12.6	5.7	64.2	47.7
1973	17.4	7.2	81.6	54.8

1/ Assumes no automatic increase in benefit rates under the cost-of-living provision.

Office of the Actuary--Baltimore
October 1, 1969

ATTACHMENT C

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

ADMINISTRATION PROPOSAL – H.R. 14080

First-year benefit costs, number of persons affected, and effective dates, by provision

Provision	Effective month	Additional benefit payments in first 12 months (in millions)	Present-law beneficiaries immediately affected[1] (in thousands)	Newly eligible persons[2] (in thousands)
10% benefit increase	March 1970	$2,810	25,500	12[3]
Modified retirement test[4]	January 1971	330	800	300
Age 62 computation point	January 1971	380	5,000	100
100% of PIA for widows	January 1971	580	2,700	–
Parents of retired or disabled workers	January 1971	20	–	25
Children disabled at ages 18–21	January 1971	10	–	13
Noncontributory credits for military service after 1956	January 1971	30	150	–

[1] Present-law beneficiaries whose benefit for the effective month would be increased under the provision.

[2] Persons who cannot receive a benefit under present law for the effective month, but who would receive a benefit for such month under the provision.

[3] Noninsured persons aged 72 and over.

[4] Additional benefit payments represent benefits for months in calendar year 1971. Some 800,000 persons who will receive some benefits for months in 1971 under present law would receive additional benefits under the provision; about 300,000 persons who will receive no benefits for months in 1971 under present law would receive some benefits under the provision.

NOTE. -- The above figures are not additive because the time periods are not uniform and because a person may be affected by more than one provision.

OFFICE OF THE ACTUARY -- BALTIMORE
OCTOBER 1, 1969

91st Congress
1st Session

COMMITTEE PRINT

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

THE PRESIDENT'S PROPOSALS
FOR
WELFARE REFORM
AND
SOCIAL SECURITY AMENDMENTS
1969

INCLUDING DRAFT BILLS, SUMMARIES, AND OTHER MATERIAL TRANSMITTED BY THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OCTOBER 1969

NOTE: This document has been printed for information purposes only so as to make it generally available. It has not been considered by the Committee on Ways and Means.

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MESSAGE ON SOCIAL SECURITY

THE WHITE HOUSE

To the Congress of the United States:

This Nation must not break faith with those Americans who have a right to expect that Social Security payments will protect them and their families.

The impact of an inflation now in its fourth year has undermined the value of every Social Security check and requires that we once again increase the benefits to help those among the most severely victimized by the rising cost of living.

I request that the Congress remedy the real losses to those who now receive Social Security benefits by increasing payments by 10 percent.

Beyond that step to set right today's inequity, I propose that the Congress make certain once and for all that the retired, the disabled and the dependent never again bear the brunt of inflation. *The way to prevent future unfairness is to attach the benefit schedule to the cost of living.*

This will instill new security in Social Security. This will provide peace of mind to those concerned with their retirement years, and to their dependents.

By acting to raise benefits now to meet the rise in the cost of living, we keep faith with today's recipients. By acting to make future benefit raises automatic with rises in the cost of living, we remove questions about future years; we do much to remove this system from biennial politics; and we make fair treatment of beneficiaries a matter of certainty rather than a matter of hope.

In the 34 years since the Social Security program was first established, it has become a central part of life for a growing number of Americans. Today approximately 25 million people are receiving cash payments from this source. Three-quarters of these are older Americans; the Social Security check generally represents the greater part of total income. Millions of younger people receive benefits under the disability or survivor provisions of Social Security.

Almost all Americans have a stake in the soundness of the Social Security system. Some 92 million workers are contributing to Social Security this year. About 80 percent of Americans of working age are protected by disability insurance and 95 percent of children and mothers have survivorship insurance protection. Because the Social Security program is an essential part of life for so many Americans, we must continually reexamine the program and be prepared to make improvements.

Aiding in this administration's review and evaluation is the Advisory Council on Social Security which the Secretary of Health, Education, and Welfare appointed in May. For example, I will look to this Council for recommendations in regard to working women; changing work patterns and the increased contributions of working

women to the system may make present law unfair to them. The recommendations of this Council and of other advisers, both within the Government and outside of it, will be important to our planning. As I indicated in my message to the Congress on April 14, improvement in the Social Security program is a major objective of this administration.

There are certain changes in the Social Security program, however, for which the need is so clear that they should be made without awaiting the findings of the Advisory Council. The purpose of this message is to recommend such changes.

I propose an across-the-board increase of 10 percent in social security benefits, effective with checks mailed in April 1970, to make up for increases in the cost of living.

I propose that future benefits in the social security system be automatically adjusted to account for increases in the cost of living.

I propose an increase from $1,680 to $1,800 in the amount beneficiaries can earn annually without reduction of their benefits, effective January 1, 1971.

I propose to eliminate the $1-for-$1 reduction in benefits for income earned in excess of $2,880 a year and replace by a $1 reduction in benefits for every $2 earned, which now applies at earnings levels between $1,680 and $2,880, also effective January 1, 1971.

I propose to increase the contribution and benefit base from $7,800 to $9,000, beginning in 1972, to strengthen the system, to help keep future benefits to the individual related to the growth of his wages, and to meet part of the cost of the improved program. From then on, the base will automatically be adjusted to reflect wage increases.

I propose a series of additional reforms to insure more equitable treatment for widows, recipients above age 72, veterans, for persons disabled in childhood and for the dependent parents of disabled and retired workers.

I emphasize that the suggested changes are only first steps, and that further recommendations will come from our review process.

The social security system needs adjustment now so it will better serve people receiving benefits today, and those corrections are recommended in this message. The system is also in need of long-range reform, to make it better serve those who contribute now for benefits in future years, and that will be the subject of later recommendations.

THE BENEFIT INCREASE

With the increase of 10 percent, the average family benefit for an aged couple, both receiving benefits, would rise from $170 to $188 a month. Further indication of the impact of a 10 percent increase on monthly benefits can be seen in the following table:

	Present minimum	New minimum	Present maximum	New maximum
Single person (a man retiring at age 65 in 1970)	$55.00	$61.00	$165.00	$181.50
Married couple (husband retiring at age 65 in 1970)	82.50	91.50	247.50	272.30

The proposed benefit increases will raise the income of more than 25 million persons who will be on the Social Security rolls in April 1970.

Total budget outlays for the first full calendar year in which the increase is effective will be approximately $3 billion.

AUTOMATIC ADJUSTMENTS

Benefits will be adjusted automatically to reflect increases in the cost of living. The uncertainty of adjustment under present laws and the delay often encountered when the needs are already apparent is unnecessarily harsh to those who must depend on Social Security benefits to live.

Benefits that automatically increase with rising living costs can be funded without increasing Social Security tax rates so long as the amount of earnings subject to tax reflects the rising level of wages. Therefore, I propose that the wage base be automatically adjusted so that it corresponds to increases in earnings levels.

These automatic adjustments are interrelated and should be enacted as a package. Taken together they will depoliticize, to a certain extent, the Social Security system and give a greater stability to what has become a cornerstone of our society's social insurance system.

REFORMING THE SYSTEM

I propose a series of reforms in present Social Security law to achieve new standards of fairness. These would provide:

1. *An increase in benefits to a widow who begins receiving her benefit at age 65 or later.* The benefit would increase the current 82½ percent of her husband's benefit to a full 100 percent. This increased benefit to widows would fulfill a pledge I made a year ago. It would provide *an average increase of $17 a month to almost 3 million widows.*

2. *Noncontributory earnings credits of about $100 a month for military service* from January 1957 to December 1967. During that period, individuals in military service were covered under Social Security but credit was not then given for wages in kind—room and board, etc. A law passed in 1967 corrected this for the future, but the men who served from 1957 (when coverage began for servicemen) to 1967 should not be overlooked.

3. *Benefits for the aged parents of retired and disabled workers.* Under present law, benefits are payable only to the dependent parents of a worker who has died; we would extend this to parents of workers who are disabled or who retire.

4. *Child's insurance benefits for life* if a child becomes permanently disabled before age 22. Under present law, a person must have become disabled before age 18 to qualify for these benefits. The proposal would be consistent with the payment of child's benefit to age 22 so long as the child is in school.

5. *Benefits in full paid to persons over 72, regardless of the amount of his earnings in the year he attains that age.*—Under present law, he is bound by often confusing tests which may limit his exemption.

6. *A fairer means of determining benefits payable on a man's earnings record.*—At present, men who retire at age 62 must compute their average earnings through 3 years of no earnings up to age 65, thus lowering the retirement benefit excessively. Under this proposal, only the years up to age 62 would be counted, just as is now done for women, and 3 higher-earning years could be substituted for low-earning years.

CHANGES IN THE RETIREMENT TEST

A feature of the present social security law that has drawn much criticism is the so-called "retirement test," a provision which limits the amount that a beneficiary can earn and still receive full benefits. I have been much concerned about this provision, particularly about its effects on incentives to work. The present retirement test actually penalizes social security beneficiaries for doing additional work or taking a job at higher pay. This is wrong.

In my view, many older people should be encouraged to work. Not only are they provided with added income, but the country retains the benefit of their skills and wisdom; they, in turn, have the feeling of usefulness and participation which employment can provide.

This is why I am recommending changes in the retirement test. Raising the amount of money a person can earn in a year without affecting his social security payments—from the present $1,680 to $1,800—is an important first step. But under the approach used in the present retirement test, people who earned more than the exempt amount of $1,680, plus $1,200, would continue to have $1 in social security benefits withheld for every $1 they received in earnings. A necessary second step is to eliminate from present law the requirement that when earnings reach $1,200 above the exempt amount, social security benefits will be reduced by a full dollar for every dollar of added earnings until all his benefits are withheld; in effect, we impose a tax of more than 100 percent on these earnings.

To avoid this, I would eliminate this $1 reduction for each $1 earned and replace it with the same $1 reduction for each $2 earned above $3,000. This change will reduce a disincentive to increased employment that arises under the retirement test in its present form.

The amount a retired person can earn and still receive his benefits should also increase automatically with the earnings level. It is sound policy to keep the exempt amount related to changes in the general level of earnings.

These alterations in the retirement test would result in added benefit payments of some $300 million in the first full calendar year. Approximately 1 million people would receive this money—some who are now receiving no benefits at all and some who now receive benefits but who would get more under this new arrangement. These suggestions are not by any means the solution to all the problems of the retirement test, however, and I am asking the advisory council on social security to give particular attention to this matter.

CONTRIBUTION AND BENEFIT BASE

The contribution and benefit base—the annual earnings on which social security contributions are paid and that can be counted toward social security benefits—has been increased several times since the social security program began. The further increase I am recommending—from its present level of $7,800 to $9,000 beginning January 1, 1972—will produce approximately the same relationship between the base and general earnings levels as that of the early 1950's. This is important since the goal of social security is the replacement, in part,

of lost earnings; if the base on which contributions and benefits are figured does not rise with earnings increases, then the benefits deteriorate. The future benefit increases that will result from the higher base I am recommending today would help to prevent such deterioration. These increases would, of course, be in addition to those which result from the 10-percent across-the-board increase in benefits that is intended to bring them into line with the cost of living.

FINANCING

I recommend an acceleration of the tax rate scheduled for hospital insurance to bring the hospital insurance trust fund into actuarial balance. I also propose to decelerate the rate schedule of the old-age, survivors, and disability insurance trust funds in current law. These funds, taken together, have a long-range surplus of income over outgo, which will meet much of the cost. The combined rate, known as the social security contribution, already scheduled by statute, will be decreased from 1971 through 1976. Thus, in 1971 the current scheduled rate of 5.2 percent to be paid by employees would become 5.1 percent, and in 1973 the current scheduled rate of 5.65 percent would become 5.1 percent. The actuarial integrity of the two funds will be maintained, and the ultimate tax rates will not be changed in the rate schedules which will be proposed.

The voluntary supplementary medical insurance (SMI) of title XVIII of the Social Security Act, often referred to as part B medicare coverage, is not adequately financed with the current $4 premium. Our preliminary studies indicate that there will have to be a substantial increase in the premium. The Secretary of Health, Education, and Welfare will set the premium rate in December for the fiscal year beginning July 1970, as he is required to do by statute.

To meet the rising costs of health care in the United States, this administration will soon forward a health cost control proposal to the Congress. Other administrative measures are already being taken to hold down spiraling medical expenses.

In the coming months, this administration will give careful study to ways in which we can further improve the social security program. The program is an established and important American institution, a foundation on which millions are able to build a more comfortable life than would otherwise be possible—after their retirement or in the event of disability or death of the family earner.

The recommendations I propose today, which I urge the Congress to adopt, will move the cause of social security forward on a broad front.

We will bring benefit payments up to date.

We will make sure that benefit payments stay up to date, automatically tied to the cost of living.

We will begin making basic reforms in the system to remove inequities and bring a new standard of fairness in the treatment of all Americans in the system.

And we will lay the groundwork for further study and improvement of a system that has served the country well and must serve future generations more fairly and more responsively.

RICHARD NIXON.

THE WHITE HOUSE,
September 25, 1969.

LETTER OF TRANSMITTAL

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,

Washington, D.C., September 30, 1969.

Hon. JOHN W. MCCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

Hon. SPIRO T. AGNEW,
President of the Senate,
Washington, D.C.

DEAR MR. SPEAKER:

DEAR MR. PRESIDENT:

I am transmitting with this letter draft legislation to amend the social security program. Also enclosed are a summary and a section-by-section analysis of the draft bill. This draft is designed to carry out the recommendations made in the President's message on social security of September 25, 1969.

The proposed legislation calls for an across-the-board increase of 10 percent in social security payments, effective March 1970, to make up for increases in the cost of living since Congress last raised the benefits. The legislation also provides for subsequent automatic increases in benefits based upon increases in the cost of living. Other provisions would substantially revise the retirement test, increase the earnings base to $9,000 per year and increase it automatically thereafter, increase the benefits payable to widows and dependent widowers who begin drawing benefits at age 65 or later from 82½ percent of the deceased worker's benefit to 100 percent of that amount, make aged dependent parents of retired and disabled workers eligible for benefits and liberalize the provisions for determining the insured status and benefit computation for men.

We urge that early and favorable consideration be given to the enactment of this bill, and we would appreciate your forwarding the proposed legislation to the appropriate committee.

The Bureau of the Budget advises the enactment of this bill would be in accord with the program of the President.

Sincerely,

ROBERT H. FINCH, *Secretary.*

SUMMARY OF THE PROPOSED SOCIAL SECURITY AMENDMENTS OF 1969

Benefit increase

The bill provides for a 10-percent across-the-board increase in cash social security benefits, effective March 1970 and payable in April 1970.

Under the proposal, an automatic increase in benefits is provided in the event of future increases in the cost of living. Whenever the Consumer Price Index prepared by the Department of Labor rises by at least 3 percent, benefits will be increased by that percent. These automatic increases would not be made more often than once a year.

Certain people age 72 and over would receive a 10-percent increase in the special amount that is paid them. These individuals are not now insured under the regular social security cash benefits program. The increase would be effective for March 1970.

The bill changes the present method of determining eligibility for benefits and benefit amounts based on a man's earnings record, making it similar to that now in use for women.

Average monthly earnings for a man—and it is on this average that the monthly benefits are based—are now determined over a period equal to the number of years up to age 65, while for women they are figured over a period equal to the number of years up to age 62. The result of this difference is generally that a man's retirement benefit amount is lower than that of a woman with exactly the same earnings record. Under the bill, this difference would be eliminated. As a result, the treatment of men and women workers under the benefit provisions would be the same, and the retirement benefits payable to men, the benefits payable to their wives, and the benefits payable to survivors of men who live beyond age 62 would be increased.

Widows and widowers

The bill provides benefits for a widow at age 65 equal to 100 percent of the amount her husband would have received at age 65, rather than 82½ percent as under present law. Benefits for widows aged 62–64 would be graded down according to the age of the widow at the time she first gets benefits; a widow coming on the rolls at age 62 would receive 82½ percent of the husband's benefit, as she does under present law. This provision would be effective with benefits for January 1971.

Contribution and benefit base

The bill provides for an increase in the contribution and benefit base (that is, the amount of annual earnings that may be counted for social security purposes) from the present $7,800 per year to $9,000 per year. This provision becomes effective on January 1, 1972.

The bill provides also for automatic adjustment of the contribution and benefit base to future increases in wage levels, beginning with 1974. The adjustments of the base could not be made more frequently than every second year.

Retirement test

Under this legislation, there would be four significant changes in the social security retirement test, liberalizing that test as follows: Under present law, full social security benefits are payable to a beneficiary whose earnings do not exceed $1,680 for a year. If he has earnings of more than $1,680, $1 in benefits is withheld for each $2 between $1,680 and $2,880, but there is a dollar-for-dollar reduction for earnings above $2,880. (However, benefits are not withheld for a month if wages are not more than $140 and substantial services are not rendered in self-employment.)

The proposal is to:

(*a*) Increase the annual exempt amount from $1,680 to $1,800 (and the monthly earnings test from $140 to $150);

(*b*) Provide for reduction in benefits of $1 for each $2 of *all* earnings in excess of the exempt amount of $1,800;

(*c*) Provide for automatic upward adjustment of the annual exempt amount (and the monthly test) in relation to future increases in earnings levels;

(*d*) Provide that in the year a beneficiary reaches age 72 earnings beginning with the month he attains age 72 would be disregarded in computing the amount of annual earnings for retirement test purposes. The annual exempt amount and the $1-for-$2 adjustment would apply to his earnings in the year up to the month in which he attains age 72. (Under present law, earnings after the month a beneficiary attains age 72, but in the same year, must be included in determining whether any benefits are to be withheld for months before attainment of age 72.)

The changes in the retirement test would become effective generally on January 1, 1971.

Parent's benefits

The bill provides benefits for the dependent aged parents of retired or disabled workers. Under present law, benefits are provided only for the dependent parents of deceased workers. The benefit amounts for the parent of a living worker would be equal to 50 percent of the worker's primary insurance amount (like a husband's or wife's benefit under present law), actuarially reduced if taken at age 62–65. The benefit amount for parents of deceased workers would continue to be 82½ percent of the primary insurance amount, or 75 percent of that amount, depending on whether one or more parents were entitled to benefits.

Childhood disability benefits

The bill provides childhood disability benefits for a disabled son or daughter of an insured deceased, disabled, or retired worker if the son or daughter became totally disabled after age 18 and before reaching age 22. Under present law, a person must have become totally disabled before age 18 to qualify for childhood disability benefits.

Military service credits

The bill provides noncontributary wage credits ($100 for each month of military service) for individuals who served on active duty in the military services from January 1957 through December 1967. These credits, reflecting wages-in-kind received by servicemen, would be in

addition to credits for service basic pay, which has been subject to contributory coverage since January 1, 1957. Present law provides similar $100-a-month noncontributory credits for military service after 1967, and $160-a-month noncontributory credits for service from September 1940 through December 1956.

Financing

Under the most recent of the periodic actuarial reevaluations of the cash benefits part of the social security program, income over the long-range future exceeds long-range outgo by 1.16 percent of taxable payroll. The excess of long-range income over outgo as shown in the last preceding evaluation was 0.53 percent of taxable payroll. The larger excess shown in the most recent estimates results from taking into account 1969 (as against 1968) earnings levels, the higher interest rates now being earned by the trust funds, and increased labor-force participation of both men and women. Preliminary results of the latest reevaluation of the hospital insurance program indicate that the long-range income of the program will be less than long-range outgo by 0.77 percent of taxable payroll.

A large part of the cost of the proposed improvement in the cash benefits program will be covered by the long-range excess of income over outgo in that part of the social security program. The proposed increase in the contribution and benefit base to $9,000 will also help to meet part of the cost of the improvements, since income from the increase in the base will exceed the cost of the additional benefits that will be paid on earnings above the present $7,800 ceiling.

Automatic increases in the contribution and benefit base in line with increases in wage levels will provide additional income sufficient to meet fully the cost of the additional benefit payments that will result from automatic adjustment of benefits in line with increases in the cost of living and from automatic adjustment of the retirement test. In summary, the cash benefits part of the social security program, with the recommended improvements, will be adequately financed; and, in fact, the rate increases scheduled in present law for the cash benefits part of the program can be put into effect considerably later than scheduled in present law.

The contribution rate for cash benefits, now scheduled to rise to 5 percent each for employees and employers in 1973 and thereafter, would not reach 5 percent under the bill until 1987. The delay in the scheduled increases in the contribution rates for cash benefits will prevent unnecessary, large-scale increases in the cash benefits trust funds.

The contribution rates for hospital insurance would rise under the bill from 0.6 percent each for employees and employers to 0.9 percent each in 1971 and thereafter, as against rising to the 0.9 level in 1987 and thereafter as under present law. The revision in the contribution rates scheduled for hospital insurance and the increases in the contribution and benefit base to $9,000 in 1972, with automatic adjustment thereafter, will leave the hospital insurance trust fund with an actuarial balance of 0.06 percent of payroll under the bill, as against a minus balance of 0.77 percent under present law.

Under the proposed revisions in the contribution rate schedules, the combined rates for cash benefits and hospital insurance will be lower than in present law for 1971 through 1976 and will be the same as in present law for 1977 and thereafter.

The contribution rate schedules under present law and the bill are shown in the following table.

CONTRIBUTION RATES FOR EMPLOYEES AND EMPLOYERS, EACH, UNDER PRESENT LAW AND UNDER PROPOSAL

[In percent]

	Present law			Proposal		
	Cash benefits	Hospital insurance	Total	Cash benefits	Hospital insurance	Total
Year:						
1970	4.20	0.60	4.80	4.2	0.60	4.80
1971–72	4.60	.60	5.20	4.2	.90	5.10
1973–74	5.00	.65	5.65	4.2	.90	5.10
1975	5.00	.65	5.65	4.6	.90	5.50
1976	5.00	.70	5.70	4.6	.90	5.50
1977–79	5.00	.70	5.70	4.8	.90	5.70
1980–86	5.00	.80	5.80	4.9	.90	5.80
1987 and after	5.00	.90	5.90	5.0	.90	5.90

CONTRIBUTION RATES FOR THE SELF-EMPLOYED UNDER PRESENT LAW AND UNDER PROPOSAL

[In percent]

	Present law			Proposal		
	Cash benefits	Hospital insurance	Total	Cash benefits	Hospital insurance	Total
Year:						
1970	6.30	0.60	6.90	6.30	0.60	6.90
1971–72	6.90	.60	7.50	6.30	.90	7.20
1973–74	7.00	.65	7.65	6.30	.90	7.20
1975	7.00	.65	7.65	6.90	.90	7.80
1976	7.00	.70	7.70	6.90	.90	7.80
1977–79	7.00	.70	7.70	7.00	.90	7.90
1980–86	7.00	.80	7.80	7.00	.90	7.90
1987 and after	7.00	.90	7.90	7.00	.90	7.90

SECTION-BY-SECTION ANALYSIS OF THE PROPOSED SOCIAL SECURITY AMENDMENTS OF 1969

Section 1. Short title

This section specifies that the bill may be cited as the "Social Security Amendments of 1969".

Section 2. Increase in old-age, survivors, and disability insurance benefits

This section provides a general benefit increase for current and future beneficiaries. Benefits are increased across the board by 10 percent, with a minimum benefit of $61 instead of the present $55. The maximum retirement benefit for a worker alone is increased from the present $218 to $250. Maximum family benefits payable for the future will range from $91.50 to $480 a month compared with the present range of $82.50 to $434.40. The general benefit increase becomes effective with benefits for March 1970 payable in April.

Section 3. Increase in special payments for certain people age 72 and over

Under this section there will be a 10-percent increase in the amounts of benefits payable to certain people age 72 and over who either have not worked at all under social security or have not worked in covered employment long enough to meet the regular insured status requirements. The increased benefits will be $44 for an individual and $66 for a couple, instead of $40 and $60 as under present law. This increase becomes effective with benefits for March 1970.

Section 4. Automatic adjustment of benefits

This section provides for automatic cost-of-living increases in social security cash benefits. The automatic increases in benefits would not be made more often than once a year.

The calculation of the increase in the cost of living would be based on the Consumer Price Index prepared by the Department of Labor. Under the first such calculation, the monthly average of the Consumer Price Index for the third calendar quarter of 1970 would be compared with the monthly average of the Consumer Price Index for the third calendar quarter of 1969. If the monthly average of the Consumer Price Index for the third calendar quarter of 1970 exceeded the monthly average of the Consumer Price Index for the third calendar quarter of 1969 by at least 3 percent, monthly benefits for people who are then and who later become entitled to benefits would be increased, effective for benefits paid for January 1971, by the percentage increase (rounded to the nearest one-tenth of 1 percent) by which the Consumer Price Index had increased. (Lump-sum death payments would be increased for deaths occurring after November 1971.)

A similar calculation would be made in each subsequent calendar year, with the monthly average of the Consumer Price Index for the third quarter of that year being compared with the average of the

Consumer Price Index for the third quarter of the most recent year that necessitated a cost-of-living increase.

The cost-of-living increases provided by this section would apply not only to individual benefits but also to the maximum family benefit amounts.

Section 5. Liberalization of the earnings test for retirement purposes

This section makes four changes in the social security retirement test. Under present law, full social security benefits are payable to a beneficiary under age 72 whose earnings do not exceed $1,680 for a year. If he has earnings of more than $1,680, $1 in benefits is withheld for each $2 between $1,680 and $2,880, but there is a dollar-for-dollar reduction for earnings above $2,880. (However, benefits are not withheld for a month if in that month the beneficiary's wages are not more than $140 or substantial services are not rendered in self-employment.) The bill will:

(*a*) Increase the annual exempt amount of earnings from $1,680 to $1,800 (and the monthly earnings test from $140 to $150);

(*b*) Provide for reduction in benefits of $1 for each $2 of all earnings in excess of the exempt amount of $1,800;

(*c*) Provide for automatic upward adjustment of the annual exempt amount (and the monthly earnings test) in relation to future increases in average earnings levels;

(*d*) Provide that in the year a beneficiary reaches age 72 earnings beginning with the month he attains age 72 would not be considered in computing the amount of annual earnings exempt for retirement test purposes. The annual exempt amount and the $1 for $2 adjustment would apply to his earnings in the year up to the month in which he attains age 72. (Under present law, earnings after the month a beneficiary attains age 72, but in the same year, must be included in determining whether any of an individual's benefits are to be withheld for months in the year before he attained age 72.)

The changes in the retirement test would become effective generally on January 1, 1971.

Section 6. Increase in earnings counted for benefit and contribution purposes

This section provides for an increase in the contribution and benefit base—the maximum amount of annual earnings that are subject to social security contributions and creditable toward social security benefits. The base would be increased from the present $7,800 to $9,000, effective on January 1, 1972.

Section 7. Automatic adjustment of the contribution and benefit base

This section provides for automatic adjustments of the contribution and benefit base to future increases in average wage levels beginning with 1974. On or before October 1, 1972, and of each even-numbered year thereafter, the Secretary of Health, Education, and Welfare will determine and publish in the Federal Register the contribution and benefit base for the 2 calendar years beginning January 1 of the next even-numbered year. The base for a particular year is to be the product of $9,000 and the ratio of (A) the average covered wages of all persons for whom taxable wages were reported for the first calendar quarter

of the year in which the determination is being made to (B) the average covered wages of all persons for whom taxable wages were reported for the first calendar quarter of 1971. That product, if not a multiple of $600, is to be rounded to the nearest multiple of $600. If the base so determined is smaller than the base already in effect, the base that is in effect will continue in effect for 2 more years. The section also provides formula for determining benefit amounts and maximum family benefits for average monthly earnings above $750 ($9,000 a year).

Section 8. Changes in contribution rate

Under this section, the contribution rates for both the cash benefits and the hospital insurance parts of the program will be revised. The contribution rate schedules under present law and under the bill are shown in the following tables.

CONTRIBUTION RATES FOR EMPLOYEES AND EMPLOYERS, EACH, UNDER PRESENT LAW AND UNDER THE BILL

[In percent]

	Present law			Proposal		
	Cash benefits	Hospital insurance	Total	Cash benefits	Hospital insurance	Total
Year:						
1970	4.20	0.60	4.80	4.20	0.60	4.80
1971-72	4.60	.60	5.20	4.20	.90	5.10
1973-74	5.00	.65	5.65	4.20	.90	5.10
1975	5.00	.65	5.65	4.60	.90	5.50
1976	5.00	.70	5.70	4.60	.90	5.50
1977-79	5.00	.70	5.70	4.80	.90	5.70
1980-86	5.00	.80	5.80	4.90	.90	5.80
1987 and after	5.00	.90	5.90	5.00	.90	5.90

CONTRIBUTION RATES FOR THE SELF-EMPLOYED UNDER PRESENT LAW AND UNDER THE BILL

[In percent]

	Present law			Proposal		
	Cash benefits	Hospital insurance	Total	Cash benefits	Hospital insurance	Total
Year:						
1970	6.30	0.60	6.90	6.30	0.60	6.90
1971-72	6.90	.60	7.50	6.30	.90	7.20
1973-74	7.00	.65	7.65	6.30	.90	7.20
1975	7.00	.65	7.65	6.90	.90	7.80
1976	7.00	.70	7.70	6.90	.90	7.80
1977-79	7.00	.70	7.70	7.00	.90	7.90
1980-86	7.00	.80	7.80	7.00	.90	7.90
1987 and after	7.00	.90	7.90	7.00	.90	7.90

Section 9. Age 62 computation point for men

This section provides that the ending point of the period that is used to determine insured status for men and the ending point of the period that is used to determine the number of years over which a man's average monthly earnings must be calculated, will be the beginning of the year in which he reaches age 62, instead of age 65 as is provided under present law. The ending point for men would thus be the same as it is for women under present law. One effect of the proposed change is that a man's average monthly earnings in retirement cases could be figured over 3 fewer years than they are under present

law, resulting in most cases in higher average monthly earnings for him and thus higher benefits for him and his family.

The change is effective with benefits for January 1971, and will be applicable both to people already on the benefit rolls and to those who will come on in the future.

Section 10. Entitlement to child's insurance benefits based on disability which began between 18 and 22

This section provides childhood disability benefits for a son or daughter of an insured deceased, disabled, or retired worker if the son or daughter became totally disabled after age 18 and before reaching age 22, and continues to be totally disabled. Under present law, a person must have been totally disabled since before age 18 to qualify for childhood disability benefits. This change would be applicable to monthly benefits for months after December 1970.

Section 11. Disability insurance trust fund

This section would increase the percentage of taxable wages appropriated to the disability insurance trust fund—now 0.95 of 1 percent of payroll—to 1.05 percent, and would increase the percentage of income from self-employment appropriated to the disability insurance trust fund—now 0.7125 of 1 percent—to 0.7875 of 1 percent, effective for 1970.

Section 12. Wage credits for members of the uniformed services

This section provides noncontributory earnings credits of $300 for each calendar quarter of military service after December 1956 and before January 1968. These credits, designed to give social security credit for wages in kind received by servicemen, would supplement credit for military service basic pay, which has been subject to contributory social security coverage since January 1, 1957. Present law provides similar noncontributory wage credits for military service after 1967 and $160-a-month noncontributory wage credits for service from September 1940 through December 1956. The new wage credits, like the previously provided noncontributory wage credits, would be financed from general revenues. The new credits would be used in computing monthly benefits for months after December 1970 and lump-sum death payments in the case of deaths after 1970.

Section 13. Parent's insurance benefits

This section would provide for the payment of benefits to aged dependent parents of retired and disabled workers, effective for January 1971. Such benefits are now provided for dependent parents of deceased workers. The benefits for the dependent parent of a retired or disabled individual would be equal to 50 percent of that individual's benefit, except that it would be actuarially reduced if taken before age 65. The benefit for a parent of a deceased worker would continue as in present law to be 82½ percent of the worker's benefit if there is one parent and 75 percent each if there are two.

Section 14. Increase in widow's insurance benefits

This section increases benefits for widows, and widowers, who came on the benefit rolls, and those who come on in the future, after age 62. For a widow becoming entitled to benefits at or after age 65, the benefit would be equal to 100 percent of the amount of her husband's benefit

at age 65, rather than 82½ percent as under present law. For widows coming on the rolls between age 62 and 65, benefit amounts would range from the 82½ percent payable at age 62 under present law and under the bill to the 100 percent payable at age 65 under the bill. For example, the benefit amount for a widow becoming entitled to widow's benefits at age 63 would be 88⅓ percent of her husband's age 65 benefit; for a widow becoming entitled at age 64, the amount would be equal to 94⅙ percent of her husband's benefit. The increase in widow's benefits would become effective with benefits payable for January 1971.

PROPOSED SOCIAL SECURITY AMENDMENTS OF 1969

A BILL To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance program, provide for automatic benefit increases thereafter in the event of future increases in the cost of living, provide for future automatic increases in the earnings and contribution base, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1969".

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INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
	$16.20	$55.40 or less		$76	$61.00	$91.50
$16.21	16.84	56.50	$77	78	62.20	93.30
$16.85	17.60	57.70	79	80	63.50	95.30
$17.61	18.40	58.80	81	81	64.70	97.10
$18.41	19.24	59.90	82	83	65.90	98.90
$19.25	20.00	61.10	84	85	67.30	101.00
$20.01	20.64	62.20	86	87	68.50	102.80
$20.65	21.28	63.30	88	89	69.70	104.60
$21.29	21.88	64.50	90	90	71.00	106.50
$21.89	22.28	65.60	91	92	72.20	108.30
$22.29	22.68	66.70	93	94	73.40	110.10
$22.69	23.08	67.80	95	96	74.60	111.90
$23.09	23.44	69.00	97	97	75.90	113.90
$23.45	23.76	70.20	98	99	77.30	116.00

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$23.77	24.20	71.50	100	101	78.70	118.10
$24.21	24.60	72.60	102	102	79.90	119.90
$25.61	25.00	73.80	103	104	81.20	121.80
$25.01	25.48	75.10	105	106	82.70	124.10
$25.49	25.92	76.30	107	107	84.00	126.00
$25.93	26.40	77.50	108	109	85.30	128.00
$26.41	26.94	78.70	110	113	86.60	129.90
$26.95	27.46	79.90	114	118	87.90	131.90
$27.47	28.00	81.10	119	122	89.30	134.00
$28.01	28.68	82.30	123	127	90.60	135.90
$28.69	29.25	83.60	128	132	92.00	138.00
$29.26	29.68	84.70	133	136	93.20	139.80
$29.69	30.36	85.90	137	141	94.50	141.80
$30.37	30.92	87.20	142	146	96.00	144.00
$30.93	31.36	88.40	147	150	97.30	146.00
$31.37	32.00	89.50	151	155	98.50	147.80
$32.01	32.60	90.80	156	160	99.90	149.90
$32.61	33.20	92.00	161	164	101.20	151.80
$33.21	33.88	93.20	165	169	102.60	153.90
$33.89	34.50	94.40	170	174	103.90	155.90
$34.51	35.00	95.60	175	178	105.20	157.80
$35.01	35.80	96.80	179	183	106.50	159.80
$35.81	36.40	98.00	184	188	107.80	161.70
$36.41	37.08	99.30	189	193	109.30	164.00
$37.09	37.60	100.50	194	197	110.60	165.90
$37.61	38.20	101.60	198	202	111.80	167.70
$38.21	39.12	102.90	203	207	113.20	169.80
$39.13	39.68	104.10	208	211	114.60	171.90
$39.69	40.33	105.20	212	216	115.80	173.70
$40.34	41.12	106.50	217	221	117.20	176.80
$41.13	41.76	107.70	222	225	118.50	180.00
$41.77	42.44	108.90	226	230	119.80	184.00
$42.45	43.20	110.10	231	235	121.20	188.00
$43.21	43.76	111.40	236	239	122.60	191.20
$43.77	44.44	112.60	240	244	123.90	195.20
$44.45	44.88	113.70	245	249	125.10	199.20
$44.89	45.60	115.00	250	253	126.50	202.40
		116.20	254	258	127.90	206.40
		117.30	259	263	129.10	210.40
		118.60	264	267	130.50	213.60
		119.80	268	272	131.80	217.60
		121.00	273	277	133.10	221.60
		122.20	278	281	134.50	224.80
		123.40	282	286	135.80	228.80
		124.70	287	291	137.20	232.80
		125.80	292	295	138.40	236.00
		127.10	296	300	139.90	240.00
		128.30	301	305	141.20	244.00
		129.40	306	309	142.40	247.20
		130.70	310	314	143.80	251.20
		131.90	315	319	145.10	255.20
		133.00	320	323	146.30	258.40
		134.30	324	328	147.80	262.40
		135.50	329	333	149.10	266.40
		136.80	334	337	150.50	269.60
		137.90	338	342	151.70	273.60
		139.10	343	347	153.10	277.60
		140.40	348	351	154.50	280.80
		141.50	352	356	155.70	284.80
		142.80	357	361	157.10	288.80
		144.00	362	365	158.40	292.00
		145.10	366	370	159.70	296.00
		146.40	371	375	161.10	300.00
		147.60	376	379	162.40	303.20
		148.90	380	384	163.80	307.20
		150.00	385	389	165.00	311.20
		151.20	390	393	166.40	314.40
		152.50	394	398	167.80	318.40
		153.60	399	403	169.00	322.40
		154.90	404	407	170.40	325.60

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		156.00	408	412	171.60	329.60
		157.10	413	417	172.90	333.60
		158.20	418	421	174.10	336.80
		159.40	422	426	175.40	340.80
		160.50	427	431	176.60	344.80
		161.60	432	436	177.80	348.80
		162.80	437	440	179.10	352.00
		163.90	441	445	180.30	356.00
		165.00	446	450	181.50	360.00
		166.20	451	454	182.90	361.60
		167.30	455	459	184.10	363.60
		168.40	460	464	185.30	365.60
		169.50	465	468	186.50	367.20
		170.70	469	473	187.80	369.20
		171.80	474	478	189.00	371.20
		172 90	479	482	190.20	372.80
		174.10	483	487	191.60	374.80
		175.20	488	492	192.80	376.80
		176.30	493	496	194.00	378.40
		177.50	497	501	195.30	380.40
		178.60	502	506	196.50	382.40
		179.70	507	510	197.70	384.00
		180.80	511	515	198.90	386.00
		182.00	516	520	200.20	388.00
		183.10	521	524	201.50	389.60
		184.20	525	529	202.70	391.60
		185.40	530	534	204.00	393.60
		186.50	535	538	205.20	395.20
		187.60	539	543	206.40	397.20
		188.80	544	548	207.70	399.20
		189.90	549	553	208.90	401.20
		191.00	554	556	210.10	402.40
		192.00	557	560	211.20	404.00
		193.00	561	563	212.30	405.20
		194.00	564	567	213.40	406.80
		195.00	568	570	214.50	408.00
		196.00	571	574	215.60	409.60
		197.00	575	577	216.70	410.80
		198.00	578	581	217.80	412.40
		199.00	582	584	218.90	413.60
		200.00	585	588	220.00	415.20
		201.00	589	591	221.10	416.40
		202.00	592	595	222.20	418.00
		203.00	596	598	223.30	419.20
		204.00	599	602	224.40	420.80
		205.00	603	605	225.50	422.00
		206.00	606	609	226.60	423.60
		207.00	610	612	227.70	424.80
		208.00	613	616	228.80	426.40
		209.00	617	620	229.90	428.00
		210.00	621	623	231.00	429.20
		211.00	624	627	232.10	430.80
		212.00	628	630	233.20	432.00
		213.00	631	634	234.30	433.60
		214.00	635	637	235.40	434.80
		215.00	638	641	236.50	436.40
		216.00	642	644	237.60	437.60
		217.00	645	648	238.70	439.20
		218.00	649	656	239.80	442.40
			657	666	241.00	446.40
			667	676	242.00	450.40
			677	685	243.00	454.00
			686	695	244.00	458.00
			696	705	245.00	462.00
			706	715	246.00	466.00
			716	725	247.00	470.00
			726	734	248.00	473.60
			735	744	249.00	477.60
			745	750	250.00	480.00

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for March 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for February 1970 on the basis of such wages and self-employment income, such total of benefits for March 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsection (b), (c), and (d) of this section), as in effect prior to March 1970, for each such person for such month, by 110 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 2202(k)(2)(A) was applicable in the case of any such benefits for March 1970, and ceases to apply after such months, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for March 1970, or".

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "February 1970".

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

"Primary Insurance Amount Under 1967 Act

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provision of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before March 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970 and with respect to lump-sum death payments under such title in the case of deaths occurring after February 1970.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for February 1970 and became entitled to old-age insurance benefits under section 202(a) of such Act for March 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as deter-

mined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 3. (a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$44," and by striking out "$20" and inserting in lieu thereof "$22.".

(2) Section 227(b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$44".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44", and by striking out "$20" and inserting in lieu thereof "$22".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$22".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$22".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970.

AUTOMATIC ADJUSTMENT OF BENEFITS

SEC. 4. (a) Section 215 of the Social Security Act is amended by adding after subsection (h) the following new subsection:

"Cost-of-Living Increases in Benefits

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

"(A) the term 'base quarter' shall mean the period of three consecutive calendar months ending on September 30, 1969, and the period of 3 consecutive calendar months ending on September 30 of each year thereafter.

"(B) the term 'cost-of-living computation quarter' shall mean the base quarter in which the monthly average of the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, the monthly average of such Index in the later of: (i) the 3 calendar-month period ending on September 30, 1969 or (ii) the base quarter which was most recently a cost-of-living computation quarter.

"(2)(A) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall, effective for January of the next calendar year, increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228 and the primary insurance amount of each individual, specified in subparagraph (B) of this paragraph, by an amount derived by multiplying such amount of each such individual (including each such individual's primary insurance amount or benefit amount under section 227 or 228 as previously increased under this subparagraph) by the same per centum (rounded by the nearest one-tenth of 1 per centum) as the monthly average of the Consumer Price

Index for such cost-of-living computation quarter exceeds the monthly average of such Index for the base quarter determined after the application of clauses (i) and (ii) of paragraph (1)(B). Such increased primary insurance amount shall be considered such individual's primary insurance amount for purposes of this subsection, section 202, and section 223.

"(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply in the case of monthly benefits under this title for months after December of the calendar year in which occurred such cost-of-living computation quarter, based on the wages and self-employment income of an individual who became entitled to monthly benefits under section 202, 223, 227, or 228 (without regard to section 202(j)(1) or section 223(b)), or who died, in or before December of the calendar year in which occurred such cost-of-living computation quarter.

"(C) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register on or before December 1 of such calendar year a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time a revision of the benefit table contained in subsection (a), as it may have been revised previously, pursuant to this subparagraph. Such revision shall be determined as follows:

"(i) The amount of each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table in effect before this revision.

"(ii) The amount of each line of column IV shall be increased from the amount shown in the table in effect before this revision by increasing such amount by the per centum specified in subparagraph (A) of paragraph (2), raising each such increased amount, if not a multiple of $0.10, to the next higher multiple of $0.10.

"(iii) If the contribution and benefit base (as defined in section 230(b)) for the calendar year in which such benefit table is revised is lower than such base for the following calendar year, columns III, IV, and V shall be extended. The amount in the first additional line in column IV shall be the amount in the last line of such column as determined under clause (ii), plus $1.00, rounding such increased amount to the nearest multiple of $1.00. The amount of each succeeding line of column IV shall be the amount on the preceding line increased by $1.00, until the amount on the last line of such column shall be equal to $\frac{1}{36}$ of the contribution and earnings base for the calendar year succeeding the calendar year in which such benefit table is revised, rounding such amount, if not a multiple of $1.00, to the nearest multiple of $1.00. The amount in each additional line of column III shall be determined so that the second figure in the last line of column III shall be $\frac{1}{12}$ of the contribution and earnings base for the calendar year following the calendar year in which such benefit table is revised, and the remaining figures in column III shall be determined in consistent mathematical intervals from column IV. The second figure in the last line of column III before the extension of the column shall be increased to a figure mathematically consistent with the figures determined in accordance with the preceding sentence. The amount on each line of column V shall be increased, to the extent

necessary, so that each such amount shall be equal to 40 per centum of the second figure in the same line of column III, plus 40 per centum of the smaller of (I) such second figure or (II) the larger of $450 or 50 per centum of the largest figure in column III.

"(iv) The amount on each line of column V shall be increased, if necessary, so that such amount shall be at least equal to 1½ times the amount shown on the corresponding line in column IV. Any such increased amount that is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10."

(b) Section 203(a) of such Act is amended by striking out the period at the end of the first sentence and inserting in lieu thereof, "or" and adding the following new paragraph:

"(4) when two or more persons are entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for December in the calendar year in which occurs a cost-of-living computation quarter (as defined in section 215(i)(1)) on the basis of the wages and self-employment income of such insured individual, such total of benefits for the month immediately following shall be reduced to not less than the amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section) as in effect for December for each such person by the same per centum increase as such individual's primary insurance amount (including such amount as previously increased under section 215(i)(2)) is increased and raising each such increased amount, if not a multiple of $0.10, to the next higher multiple of $0.10.".

(c)(1) Section 202(a) of such Act is amended by striking out "(as defined in section 215(a)).".

(2) Section 215(f)(4) of such Act is amended by adding at the end before the period the following: "(including a primary insurance amount as increased under subsection (i)(2))".

(3) Section 215(g) of such Act is amended by striking out "primary insurance amount" and inserting in lieu thereof "primary insurance amount (including a primary insurance amount as increased under subsection (i)(2))".

LIBERALIZATION OF EARNINGS TEST

SEC. 5. (a)(1) Paragraphs (1) and (4)(B) of section 203(f) of the Social Security Act are each amended by striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)".

(2) Paragraph (1)(A) of section 203(h) of such Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)".

(3) Paragraph (3) section 203(f) of such Act is amended to read as follows:

"(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be 50 per centum of his earnings for such in excess of the product of $150 or the exempt amount as determined under paragraph (8) multiplied by the number of months in such year. The excess earnings as derived under the pre-

ceding sentence, if not a multiple of $1, shall be reduced to the next lower multiple of $1."

(b) Subsection (f) of section 203 of such Act is amended by adding at the end thereof the following new paragraph:

"(8)(A) On or before October 1 of 1972 and of each even-numbered year thereafter, the Secretary shall determine and publish in the Federal Register the exempt amount as defined in subparagraph (b) for each month in the two taxable years which end after the calendar year following the year in which such determination is made.

"(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger:

"(i) the product of $150 and the ratio of (I) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subparagraph (A) is made for each such month of such particular taxable year to (II) the average of the taxable wages of all persons for whom wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $10, shall be rounded to the nearest multiple of $10, or

"(ii) the exempt amount for each month in the taxable year preceding such particular taxable year;

except that the provisions in clause (i) shall not apply with respect to any taxable year unless the contribution and earnings base for such year is determined under section 230(b)(1)."

(c) Clause (B) of Section 203(f)(1) of the Social Security Act is amended to read as follows:

"(B) in which such individual was age 72 or over, excluding from such excess earnings the earnings of an individual in or after the month in which he was age 72 in the year in which he attained age 72, with the amount (if any) of an individual's self-employment income in such year being prorated in an equitable manner under regulations prescribed by the Secretary,".

(d) The amendments made by this section shall apply with respect to taxable years ending after December 1970.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 6. (a)(1)(A) Section 209(a)(5) of the Social Security Act is amended by inserting "and prior to 1972" after "1967".

(B) Section 209(a) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(6) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $9,000 with respect to employment has been paid to an individual during any calendar year after 1971 and prior to 1974, is paid to such individual during any such calendar year;

"(7) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to the contribution and earnings base (determined under section 230) with respect to employment paid to an individual during the calendar year with respect to which such contribution and earnings base was effective, is paid to such individual during such calendar year;

(2) (A) Section 211(b) (1) (E) of such Act is amended by inserting "and prior to 1972" after "1967", by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211(b) (1) of such Act is further amended by adding at the end thereof the following new subparagraphs:

"(F) For any taxable year ending after 1971 and prior to 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) For any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230) effective for such calendar year, minus (ii) the amount of the wages to such individual during such taxable year, or".

(3) (A) Section 213(a) (2) (ii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and before 1972, or $9,000 in the case of a calendar year after 1971 and before 1974, or an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year with respect to which such contribution and earnings base was effective".

(B) Section 213(a) (2) (iii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and prior to 1972, or $9,000 in the case of a taxable year ending after 1971 and prior to 1974 or the amount equal to the contribution and earnings base, (as determined under section 230) in the case of any taxable year ending in any calendar year after 1973, effective for such calendar year".

(4) Section 215(e) (1) of such Act is amended by striking out "and the excess over $7,800 in the case of any calendar year after 1967" and inserting in lieu thereof "the excess over $7,800 in the case of any calendar year after 1967 and before 1972, the excess over $9,000 in the case of any calendar year after 1971 and before 1974, and the excess over an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year after 1973 with respect to which such contribution and earnings base was effective".

(b) (1) (A) Section 1402(b) (1) (E) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1972" after "1967", and by striking out "; or" and inserting in lieu thereof "; and".

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

"(F) for any taxable year ending after 1971 and before 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) for any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or".

(2) (A) Section 3121(a) (1) of such Code (relating to definition of wages) is amended by striking out "$7,800" each place it appears and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, section 3121(a) (1) of such Code is amended by (1) striking out "$9,000" each place it appears and inserting in lieu thereof "the contribution and earnings base (as determined under section 230 of the Social Security Act)", and (2) striking out "by an employer during any calendar year", and in-

serting in lieu thereof "by an employer during the calendar year with respect to which such contribution and earnings base was effective".

(3) (A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$7,800" and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, the second sentence of section 3122 of such Code is amended by striking out "$9,000" and inserting in lieu thereof "the contribution and earnings base".

(4) (A) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$7,800" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, the second sentence of section 3125 of such Code is amended by striking out "$9,000" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "the contribution and earnings base".

(5) Section 6413(c) (1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting "and prior to the calendar year 1972" after "after the calendar year 1967".

(B) by inserting after "exceed $7,800" the following: "or (E) during any calendar year after the calendar year 1971 and prior to the calendar year 1974, the wages received by him during such year exceed $9,000, or (F) during any calendar year after 1973, the wages received by him during such year exceed the contribution and earnings base (as determined under section 230 of the Social Security Act) effective with respect to such year," and

(C) by inserting before the period at the end thereof the following: "and before 1972, or which exceeds the tax with respect to the first $9,000 of such wages received in such calendar year after 1971 and before 1974, or which exceeds the tax with respect to the first amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) of such wages received in the calendar year after 1973 with respect to which such contribution and earnings base was effective".

(6) Section 6413(c) (2) (A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by—

(A) striking out "or $7,800 for any calendar year after 1967" and inserting in lieu thereof "$7,800 for the calendar year 1968, 1969, 1970 and 1971, or $9,000 for the calendar year 1972 or 1973, or an amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) for any calendar year after 1973 with respect to which such contribution and earnings base was effective".

(c) The amendments made by subsections (a) (1) and (a) (3) (A), and the amendments made by subsection (b) (except paragraph (1) thereof), shall apply only with respect to remuneration paid after December 1971. The amendments made by subsections (a) (2), (a) (3) (B), and (b) (1) shall apply only with respect to taxable years ending after 1971. The amendment made by subsection (a) (4) shall apply only with respect to calendar years after 1971.

AUTOMATIC ADJUSTMENT OF EARNINGS BASE

SEC. 7. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"AUTOMATIC ADJUSTMENT OF EARNINGS BASE

"SEC. 230. (a) On or before October 1 of 1972, and each even-numbered year thereafter, the Secretary shall determine and publish in the Federal Register the contribution and earnings base (as defined in subsection (b)) for the two calendar years succeeding the calendar year following the year in which the determination is made.

"(b) The contribution and earnings base for a particular calendar year shall be whichever of the following is the larger.

"(1) the product of $9,000 and the ratio of (A) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subsection (a) is made for such particular calendar year to (B) the average of the taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $600, shall be rounded to the nearest multiple of $600, or

"(2) the contribution and earnings base for the calendar year preceding such particular calendar year."

(b) That part of section 215(a) of the Social Security Act which precedes the table is amended by striking out "or" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof "or the amount equal to his primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (5); or", and by inserting after paragraph (4) the following:

"(5) If such insured individual's average monthly wage (as determined under subsection (b)) exceeds $750, the amount equal to the sum of (A) $54.48 and (B) 28.47 per centum of such average monthly wage; such sum, if it is not a multiple of $1, shall be rounded to the nearest multiple of $1."

(c) So much of section 203(a) as precedes paragraph (2) is amended to read as follows:

"SEC. 203(a) Whenever the total of monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an insured individual exceeds the larger of: (I) the amount appearing in column V of the table in section 215(a) on the line on which appears in column IV such insured individual's primary insurance amount, and (II) the amount which is equal to the sum of $180.00 and 40 per centum of the highest average monthly wage (as determined under section 215(b)), which will produce the primary insurance amount of such individual (as determined under section 215(a)(5)), such total of monthly benefits to which such individuals are entitled shall be reduced to the larger amount determined under (I) or (II) above, whichever is applicable; except that—

"(1) when any such individuals so entitled would (but for the provisions of section 202(k)(2)(A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total benefits shall not be reduced to less than the larger of:

"(A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, but not more than the last

figure in column V of the table appearing in section 215(a), and

"(B) the amount determined under clause (II) for the highest primary insurance amount of any such insured individual (if such primary insurance amount is determined under section 215(a)(15))."

(d)(1) Section 201(c) of the Social Security Act is amended by inserting before the last sentence the following sentence:

"The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated income in relationship to the estimated outgo of the Trust Funds during such year."

(2) Section 1817(b) of such Act is amended by inserting before the last sentence the following sentence:

"The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated income in relationship to the estimated outgo of the Trust Fund during such year".

(e) The amendments made by subsections (b) and (c) shall apply with respect to monthly benefits for months after December 1973 and with respect to lump-sum death payments under such title in the case of deaths occurring after 1973.

CHANGES IN TAX SCHEDULES

SEC. 8. (a)(1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1975, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1974, and before January 1, 1977, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and

"(3) in the case of any taxable year beginning after December 31, 1976, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;

"(2) with respect to wages received during the calendar years 1975 and 1976, the rate shall be 4.6 percent;

"(3) with respect to wages received during the calendar years 1977, 1978, and 1979, the rate shall be 4.8 percent;

"(4) with respect to wages received during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and

"(5) with respect to wages received after December 31, 1986, the rate shall be 5.0 percent."

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;

"(2) with respect to wages paid during the calendar years 1975 and 1976, the rate shall be 4.6 percent;

"(3) with respect to wages paid during the calendar years 1977, 1978, and 1979, the rate shall be 4.8 percent;

"(4) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and

"(5) with respect to wages paid after December 31, 1986, the rate shall be 5.0 percent."

(b)(1) Section 1401(b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1971, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year; and

"(2) in the case of any taxable year beginning after December 31, 1970, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar year 1970, the rate shall be 0.60 percent; and

"(2) with respect to wages received after December 31, 1970, the rate shall be 0.90 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar year 1970, the rate shall be 0.60 percent; and

"(2) with respect to wages paid after December 31, 1970, the rate shall be 0.90 percent."

(c) The amendments made by subsections (a)(1) and (b)(1) shall apply only with respect to taxable years beginning after December 31, 1969. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1969.

AGE-62 COMPUTATION POINT FOR MEN

SEC. 9. (a) Section 214(a)(1) of the Social Security Act is amended by striking out "before—" and by striking out all of subparagraphs (A), (B), and (C) and by inserting in lieu thereof "before the year in which he died or (if earlier) the year in which he attained age 62,".

(b) Section 215(b)(3) of such Act is amended by striking out "before—" and all of subparagraphs (A), (B), and (C) and by inserting in lieu thereof "before the year in which he died or, if it occurred earlier but after 1960, the year in which he attained age 62.".

(c) Section 215(f) of such Act is amended by striking out paragraph (5) and inserting in lieu thereof the following:

"(5) In the case of an individual who is entitled to monthly benefits for a month after December 1970, on the basis of the wages and self-employment income of an insured individual who prior to January 1971 became entitled to benefits under section 202(a), became entitled to benefits under section 223 after the year in which he attained age 62, or died in a year after the year in which he attained age 62, the Secretary shall, notwithstanding paragraphs (1) and (2), recompute the primary insurance amount of such insured individual. Such recomputation shall be made under whichever of the following alternative computation methods yields the higher primary insurance amount:

"(A) the computation methods of this section, as amended by the Social Security Amendments of 1969, which would be applicable in the case of an insured individual who attained age 62 after December 1970, or

"(B) under the provisions in subparagraph (A) (but without regard to the limitation, 'but after 1960' contained in paragraph (3) of subsection (b)), except that for any such recomputation, when the number of an individual's benefit computation years is less than 5, his average monthly wage shall, if it is in excess of $400, be reduced to such amount."

(d) Section 223(a)(2) of such Act is amended by—

(1) striking out "(if a woman) or age 65 (if a man)".

(2) striking out "in the case of a woman" and inserting in lieu thereof "in the case of an individual", and

(3) striking out "she" and inserting in lieu thereof "he".

(e) Section 223(c)(1)(A) is amended by striking out "(if a woman) or age 65 (if a man)".

(f) The amendments made by the preceding subsections of this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1970 and with respect to lump-sum death payments made in the case of an insured individual who died after such month.

(g) Sections 209(i), 216(i)(3)(A), and 213(a)(2) of the Social Security Act are amended by striking out "(if a woman) or age 65 (if a man)".

ENTITLEMENT TO CHILD'S INSURANCE BENEFITS BASED ON DISABILITY WHICH BEGAN BETWEEN 18 AND 22

SEC. 10. (a) Clause (ii) of section 202(d)(1)(B) of the Social Security Act is amended by striking out "which began before he attained the age of 18" and inserting in lieu thereof "which began before he attained the age of 22".

(b) Subparagraphs (F) and (G) of section 202(d)(1) of such Act are amended to read as follows:

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month; or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at or prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month."

(c) Section 202(d)(1) of such Act is further amended by adding at the end thereof the following new sentence: "No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223(d) except for paragraph (1)(B) thereof for any month in which he engages in substantial gainful activity."

(d) Paragraph (6) of section 202(d) is amended by striking out "in which he is a full-time student and has not attained the age of 22" and all that follows and inserting in lieu thereof "in which he—

"(A)(i) is a full-time student or (ii) is under a disability (as defined in section 223(d)), and

"(B) had not attained the age of 22,

but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

"(C) the first month in which an event specified in paragraph (1)(D) occurs; or

"(D) the earlier of (i) the first month during no part of which he is a full-time student or (ii) the month in which he attains the age of 22, but only if he is not under a disability (as so defined) in such earlier month; or

"(E) if he was under a disability (as so defined), the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

(e) Section 202(s) of such Act is amended—

(1) by striking out "before he atained such age" in paragraph (1) and inserting in lieu thereof "before he attained the age of 22"; and

(2) by striking out "before such child attained the age of 18" in paragraphs (2) and (3) and inserting in lieu thereof "before such child attained the age of 22".

(f) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under section 202 of the Social Security Act for months after December 1970, except that in the case of an individual who was not entitled to a monthly benefit under such section for December 1970, such amendments shall apply only on the basis of an application filed after September 30, 1970.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 11. (a) Section 201(b)(1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.05 per centum of the wages (as so defined) paid after December 31, 1969, and so reported ,".

(b) Section 201(b)(2) of such Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.7875 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

WAGE CREDITS FOR MEMBERS OF THE UNIFORMED SERVICES

SEC. 12. (a) Subsection 229(a) of such Act is amended by—

(1) striking out "after December 1967," and inserting in lieu thereof "after December 1970";

(2) striking out "after 1967" and inserting in lieu thereof "after 1956"; and

(3) striking out all of paragraphs (1), (2), and (3), and inserting in lieu thereof "$300".

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1970, and with respect to lump-sum death payments in the case of deaths occurring after December 1970, except that, in the case of any individual who is entitled, on the basis of the wages and self-employment income of any individual to whom section 229 applies, to monthly benefits under title II of such Act for December 1970, such amendments shall apply (A) only if an application for recomputation by reason of such amendments is filed by such individual, or any other individual, entitled to benefits under such title II on the basis of such wages and self-employment income, and (B) only with respect to such benefits for months after whichever of the following is later: December 1970 or the twelfth month before the month in which such application was filed. Recomputations of benefits as required to carry out the provisions of this paragraph shall be made notwithstanding the provisions of section 215(f)(1) of the Social Security Act; but no such recomputation shall be regarded as a recomputation for purposes of section 215(f) of such Act.

PARENT'S INSURANCE BENEFITS IN CASE OF RETIRED OR DISABLED WORKER

SEC. 13. (a) Paragraphs (1) and (2) of section 202(h) of the Social Security Act are amended to read as follows:

"(1) Every parent (as defined in this subsection) of an individual entitled to old-age or disability insurance benefits, or of an individual who died a fully insured individual, if such parent—

"(A) has attained age 62,

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

"(i) if such individual is entitled to old-age or disability insurance benefits, at the time he became entitled to such benefits,

"(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 had died) until the month of his death, at the beginning of such period of disability,

and has filed proof of such support within two years after the month in which such individual filed application with respect to such period of disability, became entitled to such benefits, or died, as the case may be,

"(C) is not entitled to old-age or disability insurance benefits, or is entitled to such benefits, each of which is (i) less than 50 percent of the primary insurance amount of such individual if such individual is entitled to old-age or disability insurance benefits, or (ii) less than 82½ percent of the primary insurance amount of such individual if such individual is deceased, and if the amount of the parent's insurance benefit for such month is determinable under paragraph (2)(A) (or 75 percent of such primary insurance amount in any other case),

"(D) has not married since the time with respect to which the Secretary determines, under subparagraph (B) of this paragraph, that such parent was receiving at least one-half of his support from such individual, and

"(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month, beginning with the first month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs—

"(F) such parent dies or marries, or

"(G)(i) if such individual is entitled to old-age or disability insurance benefits, such parent becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or (ii) if such individual has died, such parent becomes entitled to an old-age or disability insurance benefit which is equal to or exceeds 82½ percent of the primary insurance amount of such deceased individual if the amount of the parent's insurance benefit for such month is determinable under paragraph (2)(A) (or 75 percent of such primary insurance amount in any other case), or

"(H) such individual, if living, is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

"(2)(A) Except as provided in subparagraphs (B) and (C), such parent's insurance benefit for each month shall be equal to—

(i) if the individual on the basis of whose wages and self-employment income the parent is entitled to such benefit has not died prior to the end of such month, one-half of the primary insurance amount of such individual for such month, or

"(ii) if such individual has died in or prior to such month, 82½ percent of the primary insurance amount of such deceased individual;

"(B) For any month for which more than one parent is entitled to parent's insurance benefits on the basis of the wages and self-employment income of an individual who died in or prior to such month, such benefit for each such parent for such month shall (except as provided in subparagraph (C)) be equal to 75 percent of the primary insurance amount of such deceased individual;

"(C) In any case in which—

"(i) any parent is entitled to a parent's insurance benefit for a month on the basis of the wages and self-employment income of an individual who died in or prior to such month, and

"(ii) another parent of such deceased individual is entitled to a parent's insurance benefit for such month on the basis of such wages and self-employment income, and on the basis of an application filed after such month and after the month in which the application for the parent's insurance benefits referred to in clause (i) was filed,

the amount of the parent's insurance benefit of the parent referred to in clause (i) for the month referred to in such clause shall be determined under subparagraph (A) instead of subparagraph (B) and amount of the parent's insurance benefit of the parent referred to in clause (ii) for such month shall be equal to 150 percent of the primary insurance amount of such individual minus the amount (before the application of section 203(a)) of the benefit for such month of the parent referred to in clause (i).

(b) Section 202(q) of such Act is amended by—

(1) inserting in paragraph (1) after "husband's," the following: "parent's," and by striking out in such paragraph (1) "or husband's" and inserting in lieu thereof ", husband's, or parent's";

(2) inserting in paragraph (3) after "husband's," wherever it appears the following: "parent's" and by striking out in such paragraph (3) "or husband's" wherever it appears and inserting in lieu thereof "husband's, or parent's";

(3) inserting in paragraph (6) after "husband's," wherever it appears the following: "parent's,"; and by striking out in such paragraph (6) "or husband's" wherever it appears and inserting in lieu thereof "husband's, or parent's";

(4) inserting in paragraph (7) after "husband's," the following: "parent's," and by striking out "or husband's" and inserting in lieu thereof "husband's, or parent's"; and

(5) adding at the end thereof the following new paragraph:

"(10) For purposes of this subsection, 'parent's insurance benefits' means benefits payable under this section to a parent on the basis of the wages and self-employment income of an individual entitled to old-age insurance benefits or disability insurance benefits."

(c) Section 202(r) of such Act is amended—

(1) by striking out "or Husband's" in the heading and inserting in lieu thereof, "Husband's, or Parent's"; and

(2) by striking out "or husband's" each time it appears in paragraphs (1) and (2) and inserting in lieu thereof, "husband's, or parent's".

(d) Section 203(d) (1) of such Act is amended by striking out "or child's" whereever it appears and inserting in lieu thereof "child's, or parent's" and by striking out "or child" and inserting in lieu thereof "child, or parent".

(e) Subparagraph (C) of section 202(q) (7) of such Act is amended—

(1) by striking out "wife's or husband's insurance benefits" and inserting in lieu thereof "wife's, husband's, or parent's insurance benefits", and

(2) by striking out "the spouse" and inserting in lieu thereof "the individual".

(f) Section 222(b) (3) of such Act is amended—

(1) by striking out "husband's, or child's" wherever it appears and inserting in lieu thereof "husband's, parent's, or child's", and

(2) by striking out "husband, or child" and inserting in lieu thereof "husband, parent, or child".

(g) 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 or 223 of such Act for December 1970 on the basis of the wages and self-employment income of an individual, and

(2) one or more persons are entitled to monthly benefits for January 1971 solely by reason of this section on the basis of such wages and self-employment income, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment income for January 1971 is reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced), then the amount of the benefit to which each person referred to in paragraph (1) of the subsection is entitled for months after December 1970 shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph (2).

(h) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under Section 202 of the Social Security Act for months after December 1970 and only on the basis of an application filed after September 30, 1970.

(i) The requirement in section 202(h) (1) (B) of the Social Security Act that proof of support be filed within two years after a specified date in order to establish eligibility for parent's insurance benefits shall, insofar as such requirement applies to cases where applications under such subsection are filed by parents on the basis of the wages and self-employment income of an individual entitled to old-age or disability insurance benefits, not apply if such proof of support is filed within two years after the date of enactment of this Act.

INCREASED WIDOW'S AND WIDOWER'S INSURANCE BENEFITS

SEC. 14. (a) Subsection (e) of section 202 of the Social Security Act is amended as follows:

(1) Paragraphs (1) and (2) of such subsection are amended by striking out "82½ per cent of" wherever it appears.

(2) Paragraph (5) of such subsection is amended by striking out "60" and inserting in lieu thereof "65."

(b) Subsection (f) of section 202 of such Act is amended as follows:

(1) Paragraphs (1) and (3) of such subsection are amended by striking out "82½ percent of" wherever it appears.

(2) Paragraph (6) of such subsection is amended by striking out "62" and inserting in lieu thereof "65."

(c)(1) The last sentence of subsection (c) of section 203 of such Act is amended by striking out all that follows the semicolon and inserting in lieu thereof the following: "nor shall any deduction be made under this subsection from any widow's insurance benefit for any month in which the widow or surviving divorced wife is entitled and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower is entitled and has not attained age 65 (but only if he became so entitled prior to attaining age 62).".

(2) Subparagraph (D) of section 203(f)(1) of such Act is amended to read as follows:

"(D) for which individual is entitled to widow's insurance benefits and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or widower's insurance benefits and has not attained age 65 (but only if he became so entitled prior to attaining age 62), or".

(d) Subsection (q) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) That part of paragraph (1) of such subsection which precedes subparagraph (C) is amended to read as follows:

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

"(A) for each month of such entitlement within the 36-month period immediately preceding the month in which such individual attains retirement age, by

"(i) 5/9 of 1 percent of such amount if such benefit is an old-age insurance benefit, 25/36 of 1 percent of such amount if such benefit is a wife's, husband's, or parent's insurance benefit, or 35/72 of 1 percent of such amount if such benefit is a widow's or widower's insurance benefit, multiplied by

"(ii) the number of such months in (I) the reduction period for such benefit (determined under paragraph (6)(A)), if such benefit is for a month before the month in which such individual attains retirement age, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter, and—

"(B) for each month of the 24-month period for which a widow, or widower, is entitled to a widow's or widower's insurance benefit immediately preceding the month in which such individual attains age 62, the amount of such individual's widow's

or widower's benefit as reduced under subparagraph (A) shall be further reduced by—

"(i) 5/9 of 1 percent of such reduced benefit, multiplied by

"(ii) the number of such months in (I) the reduction period for such benefit, if such benefit is for a month before the month in which such individual attains age 62, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter.

"A widow's or widower's insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—".

(2) Paragraph (2) of such subsection is amended by striking out "paragraphs (1) and (4)" and inserting in lieu thereof "paragraphs (1), (3), and (4)".

(3) Paragraph (3) of such subsection is amended by—

(A) striking out subparagraph (F), and

(B) redesignating subparagraph (G) as subparagraph (F), striking out of such subparagraph "(when such first month occurs before the month in which such individual attains the age of 62)", and striking out "age 62" and inserting in lieu thereof "age 65".

(4) Paragraph (9) of such subsection is amended to read as follows:

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

(e) Subsection (r) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) by striking out "Husband's, or Parent's" in the heading and inserting in lieu thereof "Husband's, Parent's, Widow's, or Widower's"; and

(2) by striking out "husband's, or parent's" each time it appears in paragraphs (1) and (2) and inserting in lieu thereof "husband's, parent's, widows, or widower's.".

(f) In the case of an individual who is entitled (without the application of section 202(j)(1) and 223(b)) to widow's or widower's insurance benefits for the month of December 1970, if such individual's entitlement to such benefits began with a month after the month he attained age 62, the Secretary shall redetermine the amount of such benefits under the provisions of this section as if these provisions had been in effect for the first month of such individual's entitlement to such benefits.

(g) The amendments made by this section shall be effective for monthly benefits for months after December 1970.

COST ESTIMATES

SEPTEMBER 25, 1969.

Memorandum.
To: Mr. Robert M. Ball, Commissioner of Social Security.
From: Robert J. Myers, Chief Actuary.
Subject: Summary results of new cost estimates for present OASDI and HI systems and for President's proposal.

This memorandum will summarize the results of the new cost estimates for the old-age, survivors, and disability insurance system that have just now been completed. At the same time, it is essential that the current actuarial situation of the Hospital Insurance system should be considered simultaneously. Although the revision of the HI cost estimates has not yet been completed, preliminary estimates have been made, and these should be close to the final results that will be produced subsequently. Information will also be presented as to the cost aspects of the proposal just made by President Nixon.

It will be recalled that the cost estimates for the OASDI system which were contained in the 1969 Trustees Report showed a positive long-range actuarial balance (that is, a financial surplus) of 53 percent of taxable payroll. The new cost estimates show that this positive balance is increased to 1.16 percent of taxable payroll. The principal reasons for this change, and the amount that each contributes to the increase of .63 percent of taxable payroll in the financial surplus, are as follows:

(1) The use of a higher earnings-level assumption (namely, 1969 earnings as against 1968 earnings)—.22 percent of taxable payroll.

(2) The use of a higher interest-rate assumption (namely, 4¾ percent as against 4¼ percent)—.11 percent of taxable payroll.

(3) The use of higher labor-force participation rates for both men and women (based on recent actual experience), which, because of the weighted benefit formula and the provision preventing, in essence, receipt of benefits on more than one earnings record, results in a greater increase in estimated income than in estimated outgo—.23 percent of taxable payroll.

(4) Update of other factors—.07 percent of taxable payroll.

Now, turning to the cost estimates for the HI system, it will be recalled that the estimates contained in the 1969 Trustees Report showed a negative long-range actuarial balance (that is, a financial deficit) of .29 percent of taxable payroll. The preliminary new cost estimates show that this negative balance has become larger—namely, —.77 percent of taxable payroll. The principal reasons for this change are as follows:

(1) The use of higher hospital utilization rates as the initial 1969 base and the introduction of an assumption that these rates will increase gradually over the next decade (at an average annual rate of about 1 percent), both of which assumptions are

based on an extensive analysis of recent operating experience.

(2) The use of higher assumed increases in hospital per diem costs than previously assumed (namely, 15 percent for 1969, 14 percent for 1970, 13 percent for 1971, grading down to 4 percent after 1977, as compared with the previous assumption of 12 percent for 1969, 9 percent for 1970, 7½ percent for 1971, grading down to 3½ percent after 1974), which assumption is based on analysis and projection of recent operating and other experience.

Offsetting slightly the foregoing increased-cost assumptions for the HI cost estimates are several other changed assumptions, including the following:

(1) The use of a higher interest rate (namely, 5 percent as against 4½ percent).

(2) A reduction in the estimated cost of the extended care facility benefits (since the previous estimate seems to have included the assumption of too rapid an increase in the utilization of such benefits).

(3) As in the OASDI estimates, higher labor-force participation rates and a higher initial payroll-tax base and higher assumed increases in future earnings levels (for example, ultimately, 4 percent per year as against 3½ percent used previously).

Finally, I might point out that an increase in the taxable earnings base from the present $7,800 per year would have a favorable effect on the financing of both the OASDI and HI systems. For example, a change to $9,000 would increase the positive actuarial balance of the OASDI system by .23 percent of taxable payroll and would decrease the negative actuarial balance of the HI system of .17 percent of taxable payroll.

President Nixon has proposed that the benefit provisions of the OASDI system should be changed in the following manner:

(1) An across-the-board benefit increase of 10 percent.

(2) A modification of the retirement test, so that the annual exempt amount would be increased from $1,680 to $1,800, and the "$1 for $2" reduction would apply to all earnings in excess of the annual exempt amount (instead of only to the first $1,200 above the normal exempt amount, as in present law).

(3) Payment of dependent parent's benefits with respect to old-age beneficiaries and disability beneficiaries.

(4) Increase from age 18 to age 22 the limit before which adult children must have been disabled in order to receive child's benefits.

(5) Modify the retirement test as it applies to the year of attainment of age 72, so that earnings in and after the month of attainment are not counted against the annual test.

(6) Have an age-62 computation point for men, instead of age 65 (that is, having the same point for men that women have under present law).

(7) Pay widow's benefits of 100 percent of the PIA when first payable at or after age 65, graded down to 82½ percent when first claimed at age 62.

(8) Increase in the taxable earnings base from $7,800 to $9,000, effective for 1972; thereafter, automatic adjustment of the earnings base in accordance with changes in the level of wages in covered employment.

(9) Automatic adjustment of the OASDI benefits in accordance with changes in the cost of living and automatic adjustment of the annual exempt amount of the retirement test in accordance with changes in the level of wages in covered employment; insofar as the OASDI system is concerned, the cost of these benefit changes would be financed by the automatic adjustment of the earnings base, while insofar as the HI system is concerned, the additional financing due to the automatic adjustment of the earnings base would have a significant effect on its actuarial status.

(10) Changes in the contribution schedules, as shown in table I.

Under the President's proposal, the long-range actuarial balance of the OASDI system is estimated to be −.09 percent of taxable payroll, while the corresponding figure for the HI program is +.06 percent of taxable payroll. Both of these relatively small balances are within the limits generally acceptable, and so the proposal is in actuarial balance.

Table 2 shows the progress of the combined OASI and DI trust funds and of the HI trust fund for fiscal years 1970–73 under present law. Table 3 gives similar data for the President's proposal.

ROBERT J. MYERS.

TABLE 1.—COMPARISON OF PRESENT AND PROPOSED CONTRIBUTION SCHEDULES

[In percent]

Period	Combined employer-employee		Self-employed	
	Present	Proposed	Present	Proposed
OASDI rate:				
1970	8.4	8.4	6.3	6.3
1971–72	9.2	8.4	6.9	6.3
1973–74	10.0	8.4	7.0	6.3
1975–76	10.0	9.2	7.0	6.9
1977–79	10.0	9.6	7.0	7.0
1980–86	10.0	9.8	7.0	7.0
1987 and after	10.0	10.0	7.0	7.0
HI rate:				
1970	1.2	1.2	.6	.6
1971–72	1.2	1.8	.6	.9
1973–74	1.3	1.8	.65	.9
1975	1.3	1.8	.7	.9
1976–79	1.4	1.8	.7	.9
1980–86	1.6	1.8	.8	.9
1987 and after	1.8	1.8	.9	.9
Combined OASDI–HI rate:				
1970	9.6	9.6	6.9	6.9
1971–72	10.4	10.2	7.5	7.2
1973–74	11.3	10.2	7.65	7.2
1975	11.3	11.0	7.65	7.8
1976	11.4	11.0	7.7	7.8
1977–79	11.4	11.4	7.7	7.9
1980–86	11.6	11.6	7.8	7.9
1987 and after	11.8	11.8	7.9	7.9

TABLE 2.—ESTIMATED SHORT-RANGE PROGRESS OF TRUST FUNDS UNDER PRESENT LAW

[In billions]

Fiscal year	Contribution income	Other income [1]	Benefit outgo	Other outgo [2]	Net income	Fund at end of year
OASDI trust funds:						
1970	$33.4	$1.8	$27.3	$1.2	$6.8	$38.7
1971	36.3	2.3	28.4	1.2	8.9	47.6
1972	40.3	2.8	29.6	1.2	12.3	59.9
1973	43.9	3.5	30.7	1.3	15.4	75.3
HI trust fund:						
1970	4.7	.8	5.2	.1	.2	2.2
1971	4.9	1.0	6.2	.1	−.5	1.7
1972	5.2	.8	7.3	.1	−1.5	.2
1973	5.6	.7	8.5	.1	−2.2	----------

[1] Interest income, payments from general fund for noninsured persons and military service wage credits, and (for HI) payments from railroad retirement system.
[2] Administrative expenses and (for OASDI) payments to railroad retirement system.

TABLE 3.—ESTIMATED SHORT-RANGE PROGRESS OF TRUST FUNDS UNDER PROPOSAL

[In billions]

Fiscal year	Contribution income	Other income [1]	Benefit outgo	Other outgo [2]	Net income	Fund at end of year
OASDI trust funds:						
1970	$33.4	$1.8	$28.0	$1.2	$6.1	$38.0
1971	34.7	2.1	31.6	1.3	3.9	41.9
1972	37.0	2.3	34.0	1.4	3.9	45.7
1973	40.8	2.6	35.2	1.4	6.8	52.6
HI trust fund:						
1970	4.7	.8	5.2	.1	.2	2.2
1971	6.0	1.1	6.2	.1	.7	2.9
1972	7.8	.9	7.3	.1	1.2	4.2
1973	8.6	1.0	8.5	.1	1.0	5.2

[1] Interest income, payments from general fund for noninsured persons and military service wage credits, and (for HI) payments from railroad retirement system.
[2] Administrative expenses and (for OASDI) payments to railroad retirement system.

Explanation of the Bill

STATEMENT OF SECRETARY OF HEALTH, EDUCATION, AND WELFARE ROBERT H. FINCH IN EXPLANATION OF THE PROPOSED FAMILY ASSISTANCE ACT OF 1969

The family assistance plan is a revolutionary effort to reform a welfare system in crisis. With this program and the administration's proposed food stamp plan, the Federal Government launches a new strategy—an income strategy—to deal with our most critical domestic problems. For those among the poor who can become self-supporting, this strategy offers an avenue to greater income through expanded work incentives, training, and employment opportunities. For those who cannot work, there is a more adequate level of Federal support.

If the family assistance and food stamp proposals are enacted, we will have reduced the poverty gap in this country by some 59 percent. In other words, these two programs taken together will cut by almost 60 percent the difference between the total income of all poor Americans and the total amount they would have to earn in order to rise out of poverty. In one particular category of the poor, that of couples over 65 years of age, the family assistance plan will in fact raise recipients' incomes above the poverty line altogether. This income strategy includes an administration proposal for a 10-percent increase in social security benefits, coupled with an automatic cost of living escalator. This is a real war on poverty and not just a skirmish.

I. THE FAILURE OF WELFARE

In August 8 the President addressed the Nation and called the present welfare system a failure. He said:

"Whether measured by the anguish of the poor themselves, or by the drastically mounting burden on the taxpayer, the present welfare system has to be judged a colossal failure. * * *

"What began on a small scale in the depression 1930's has become a huge monster in the prosperous 1960's. And the tragedy is not only that it is bringing States and cities to the brink of financial disaster, but also that it is failing to meet the elementary human, social, and financial needs of the poor."

The failure of the system is most evident in the recent increases in welfare costs and caseloads. In this decade alone, total costs for the four federally aided welfare programs have more than doubled, to a level now of about $6 billion.

In the aid for families with dependent children program (AFDC), costs have more than tripled since 1960 (to about $4 billion at the present time) and the number of recipients has more than doubled (to some 6.2 million persons). Even more disturbing is the fact that the proportion of persons on AFDC is growing. In the 15 years since 1955, the proportion of children receiving assistance has doubled—from 30 children per 1,000 to about 60 per 1,000 at present.

Prospects for the future show no likelihood for relief from the present upward spiral. By conservative estimates, AFDC costs will double again by fiscal year 1975, and caseloads will increase by 50 to 60 percent. Yet, the great irony is that despite these crushing costs, benefits remain below adequate levels in most States.

Moreover, the present AFDC program is built to fail. It embodies a set of inequities which help to cause its own destruction. First, it is characterized by unjustifiable discrepancies as between regions of the country. With no national standards for benefit levels and eligibility practices, AFDC payments now vary from an average of $39 per month for a family of four in Mississippi to $263 for such a family in New Jersey.

Second, it is inequitable in its treatment of male-headed families as opposed to those headed by a female. In no State is a male-headed family, where the mother is also in the home and the father is working full time for poverty wages, eligible for AFDC. In half the States, even families headed by unemployed males are still not eligible under the AFDC–UF program. On the other hand, families in poverty headed by women working full or part time are almost universally covered. The result of this unfortunate discrimination is the creation of a powerful economic incentive for the father to leave home so that the State may better support his family than he can. For example, if a father employed full time in a low wage job is able to earn only $2,000 per year, and welfare in the State would pay a fatherless family $3,000 per year, his wife and children are financially 50 percent better off if he leaves home. And this financial incentive has taken its toll. In 1940, only 30 percent of the families on AFDC had absent fathers, but today the figure stands at over 70 percent.

Third, AFDC imposes inequities between those who work and those who do not. Because families in poverty headed by working men are not covered, it is easily possible for such a working family to be less well off than the welfare family. And what could be more debilitating to the motivation to work to see the opportunity for one's family to be better off on welfare? Moreover, the present system further undercuts the incentive to work by reducing welfare payments too rapidly and by too much as the head of the household begins to work.

II. THE FAMILY ASSISTANCE PLAN

This administration began its formal inquiries into welfare reform even before the inauguration. From the report of the transition task force on welfare to the present time, a number of reform proposals have been considered. The final result reflects the best efforts of many different people in and out of government and in different Federal agencies.

This analysis led us to the conclusion that revolutionary structural reform in the system is required. The first priority of the family assistance plan has been to remove, or at least minimize the inequities of present welfare policies. It is designed to strengthen family life and incentives for employment. This strategy may not pay off immediately, but unless this investment is made now, fundamental reform will be even more expensive in the future.

The family assistance plan provides fiscal relief for hard-pressed States and at the same time raises benefit levels for recipients in those

areas where they are lowest. Of the $2.9 billion made available in new funds under the plan for benefits to families and to aged, blind and disabled adults, an estimated $700 million will have the effect of providing fiscal relief for the States and about $300 million will be for benefit increases for present recipients. But these goals, it must be said, cannot be our first priority at the present time. There are others who would invest more of our available resources in benefit increases or in a federalization of the program designed to provide maximum fiscal relief to the States. These are not easy priorities to weigh and balance, but we have concluded that—while those other approaches might be politically more popular in many respects—they only pour more Federal money into a system doomed to failure. The system must be changed, not just its payment levels or the division of labor between the Federal and State governments within it.

The technical operation of the family assistance plan is described in the attached summary. This memorandum will review its major purposes.

First, it combines powerful work requirements and work incentives for employable recipients. By including the working poor—families in poverty headed by men working full time—the new plan much reduces and in many cases eliminates the inequity of treatment between those who work and those who do not. Second, by making it possible for a family to earn $60 per month without any reduction of benefits, a recipient will have a strong financial incentive to enter employment and will be able to recoup his expenses of going to work without a drop in total income. Third, the program includes a strong work requirement: those able-bodied persons who refuse a training or suitable job opportunity lose their benefits. For this reason, the program is not a guaranteed annual income. It does not guarantee benefits to persons regardless of their attitudes; its support is reserved to those who are willing to support themselves. The work requirement is made effective by a new obligation of work registration. In order to be eligible for benefits, applicants must first register with their employment service office so that training and job opportunities can be efficiently communicated to them. Mothers with children under 6 are, however, exempted from this requirement of work and work registration and may elect to stay at home with their children without any loss in benefits.

Second, the family assistance plan treats male and female-headed families equally. All families with children, whether headed by a male or female, will receive benefits if family income and resources are below the national eligibility levels. From this structural change in coverage flows one of the key advantages of the program in terms of family stability. No longer would an unemployed father have to leave the home for his family to qualify for benefits. In fact, the family is better off with him at home since its benefits are increased by his presence. And for employed men, the system greatly reduces and in some cases reverses the financial incentive to desert. In the example cited above of the father earning $2,000 in a State where his family would receive $3,000 on welfare, the family assistance plan would supplement his wages by $960, giving the family $2,960 in income and eliminating the financial incentive for the father to leave home.

Third, the program establishes a national minimum payment and national eligibility standards and methods of administration. For a dependent family of four, the Federal benefit floor will be $1,600 per year. When benefits under the President's food stamp proposal are also taken into account, the assistance package for such a family is about $2,350 per year, or more than two-thirds of the poverty line as it has been most recently redefined. This is not, of course, a sufficient amount to sustain an adequate level of life for those who have no other income; it is, nevertheless, a substantial improvement and can be made more adequate as budget conditions permit. As a result of the establishment of the Federal benefit floor of $1,600, payment levels will be raised in 10 States and for about 20 percent of present recipients.

For the aged, blind, and disabled, a nationwide income floor would be set at $90 per month per person of benefits plus other income. This comes on a yearly basis to $2,160 for two persons, an amount which is actually above the poverty line for an aged couple. This represents an important change which we have made in the program since the President announced it on August 8, when the minimum for the adult categories was set at $65.

Perhaps at least as important as the establishment of national minimum benefit levels, however, is the provision of national eligibility standards and administrative procedures to govern the family assistance and State supplementary payment programs. For the first time, a single set of rules will apply throughout the Nation, although the States will remain free to administer their supplementary payment programs under these uniform rules if they so desire. (The preexisting State standards of need and payment levels will still continue to control in the supplementary payment programs with regard to eligibility and amount of benefits.)

States will be given the option, for both the supplementary payment and the adult category programs, to contract with the Social Security Administration for Federal assumption of some or all of the administrative burdens under these programs. In this way, we should be able to move toward a single administrative mechanism for transfer payments, taking advantage of all the economies of scale which such an automated and nationally administered system can have. The eventual transfer of the food stamp program to the Department of Health, Education, and Welfare—as previously proposed by the administration—should further enhance this administrative simplification.

Fourth, the plan includes over $600 million for a major expansion of training and day care opportunities. Some 150,000 new training opportunities will be funded under the legislation, which, when combined with the proposed Manpower Training Act in a simplified and decentralized framework, should greatly broaden the opportunities for self-support for recipients. Some 450,000 quality child care positions are also funded in a new and flexible program which further extends the administration's commitment to the first 5 years of life.

Fifth, the family assistance plan provides major fiscal relief for the States. An estimated $700 million of the $2.9 billion in new Federal money being made available for expanded cash assistance will go to the States in the form of savings on their existing welfare costs. For

5 years from the date of enactment, every State is assured fiscal relief at least equal to 10 percent of what its costs would have been under the old welfare program. When these savings are combined with the new money going to the States through the training and child care components and through the separate revenue sharing program, major relief for State governments is produced. In particular, by including the working poor within the family assistance plan, we are establishing a wholly Federal responsibility for a category of potential recipients which an increasing number of States are beginning to assist at their own initiative. Some seven States now have statewide programs of relief for the working poor and another eight States have local or experimental programs directed to these people—all entirely at State expense. By establishing a Federal program to cover the working poor, we are relieving the States of what seems to be the next likely increase in costs and coverage.

III. IMPACT ON OTHER PROGRAMS

The family assistance plan has a major impact on several other Federal programs bearing on the poor.

First, we have changed the treatment of unearned income compared to the present welfare system so that the recipient of family assistance benefits loses only 50 cents from his benefit for each dollar of unearned income received. This results in the elimination of an important inequity which, for example, would make a female-headed family of four ineligible for family assistance benefits if it received $1,700 per year in alimony or support payments, but would pay that family a benefit if the husband were at home and earning $1,700 per year. It also has an important impact on other Federal programs such as Old Age, Survivors and Disability Insurance, and Unemployment Insurance by eliminating the dollar-for-dollar loss in benefits under welfare as income from these other programs is received.

Second, this legislation amends title XIX (medicaid) to extend mandatory coverage under that program to the AFDC-UF category. It is not possible at this time to include the working poor adults in medicaid even though they are added to public assistance coverage under family assistance.

Third, family assistance has been carefully harmonized with the food stamp program. As has already been stated, the benefits under these two programs are additive, so that a family of four receives a package of family assistance and food stamp subsidies totaling about $2,350. Moreover, the eligibility ceilings have been set at virtually the same point—$4,000 for a family of four—and both programs would now extend coverage to the working poor.

Finally, certain changes in the programs of services for AFDC recipients under title IV of the Social Security Act are necessitated as a result of the family assistance plan. The Department of Health, Education, and Welfare will be submitting more comprehensive amendments on the service program shortly. These amendments will include an expanded program of assistance to the States for foster care. In the meantime, however, we are leaving the present AFDC services provisions intact and retaining the 75 percent Federal matching for the financing of these programs.

Summary of the Bill

SUMMARY OF PROPOSED FAMILY ASSISTANCE ACT OF 1969

TITLE I—FAMILY ASSISTANCE PLAN

ESTABLISHMENT OF PLAN

Section 101 of the bill adds new parts D, E, and F to title IV of the Social Security Act, establishing a new family assistance plan providing for payment of family assistance benefits by the Secretary of Health, Education, and Welfare and supplementary payments by the States.

Eligibility and amount

The new part D of title IV of the Social Security Act authorizes benefits to families with children payable at the rate of $500 per year for each of the first two members of a family plus $300 for each additional member.

The family assistance benefit would be reduced by nonexcluded income, so that families with more nonexcludable income than these benefits ($1,600 for a family of four) would not be eligible for any benefits.

A family with more than $1,500 in resources, other than the home, household goods, personal effects, and other property essential to the family's capacity for self-support, would also not be eligible.

Countable income would include both earned income (remuneration for employment and net earnings from self-employment) and unearned income.

In determining income the following would be excluded (subject, in some cases, to limitations by the Secretary):

(1) All income of a student;
(2) Inconsequential or infrequent or irregular income;
(3) Income needed to offset necessary child care costs while in training or working;
(4) Earned income of the family at the rate of $720 per year plus one-half the remainder;
(5) Food stamps and other public assistance or private charity;
(6) Special training incentives and allowances;
(7) The tuition portion of scholarships and fellowships;
(8) Home produced and consumed produce;
(9) One-half of other unearned income.

Veterans pensions, farm price supports, and soil bank payments would not be excludable income to any extent and would, therefore, result in reduction of benefits on a dollar-for-dollar basis.

Eligibility for and amount of benefits would be determined quarterly on the basis of estimates of income for the quarter, made in the light of the preceding period's income as modified in the light of changes in circumstances and conditions.

Definition of family and child

To qualify for family assistance plan benefits a family must consist of two or more related individuals living in their own home and residing in the United States and one must be an unmarried child (i.e., under the age of 18, or under the age of 21 and regularly attending school).

Payment of benefits

Payment may be made to any one or more members of the qualified family. The Secretary would prescribe regulations regarding the filing of applications and supplying of data to determine eligibility of a family and the amounts for which the family is eligible. Beneficiaries would be required to report events or changes of circumstances affecting eligibility or the amount of benefits.

When reports by beneficiaries are delayed too long or are too inaccurate, part or all of the resulting benefit payments could be treated as recoverable overpayments.

Registration for work and referral for training

Eligible adult family members would be required to register with public employment offices for manpower services and training or employment unless they belong to specified excepted groups. However, a person in an excepted group may register if he wishes.

The exceptions are: (1) ill, incapacitated, or aged persons; (2) the caretaker relative (usually the mother) of a child under six; (3) the mother or other female caretaker of the child if an adult male (usually the father) who would have to register is there; (4) the caretaker for an ill household member; and (5) full-time workers.

Where the individual is disabled, referral for rehabilitation services would be made. Provision is also made for child care services to the extent the Secretary finds necessary in case of participation in manpower services, training, or employment.

Denial of benefits

Family assistance benefits would be denied with respect to any member of a family who refuses without good cause to register or to participate in suitable manpower services, training, or employment. If the member is the only adult, he would be included as a family member but only for purposes of determining eligibility of the family. Also, in appropriate cases, the remaining portion of the family assistance benefit would be paid to an interested person outside the family.

On-the-job training

The Secretary would transfer to the Department of Labor funds which would otherwise be paid to families participating in employer-compensated on-the-job training if they were not participating. These funds would be available to pay the training costs involved.

STATE SUPPLEMENTATION OF FAMILY ASSISTANCE BENEFITS

Required supplementation

The individual States would have to agree to supplement the family assistance benefits under a new part E of title IV of the Social Se-

curity Act wherever the family assistance benefit level is below the previously existing Aid to Families with Dependent Children (AFDC) payment level. This supplementation is a condition which the State must meet in order to continue to receive Federal payments with respect to maternal and child health and crippled children's services (title V) and with respect to their State plans for aid to the aged, blind, and disabled (title XVI), medical assistance (title XIX), and services to needy families with children (part A of title IV). Such "supplementation" would be required to families eligible for family assistance benefits other than families where both parents are present, neither is incapacitated, or the father is not unemployed. The States would thus be required to supplement in the case of individuals eligible under the old AFDC and AFDC–UF provisions; they would not have to supplement in case of the working poor.

Amount of supplementation

Except as indicated below and, except for use of the State standard of need and payment maximums, eligibility for and amount of supplementary payments would be determined by use of the rules applicable for family assistance benefits.

In applying the family assistance rules to the disregarding of income under the supplementary payment program—

(1) in the case of earned income of the family, the State would first disregard income at the rate of $720 per year, and would then be permitted to reduce its supplementary payment by 16⅔ cents for every dollar of earnings over the range of earnings between $720 per year and the cutoff point for family assistance (i.e., $3,920 for a family of four), and could further reduce its supplementary payments by an amount equal to not more than 80 cents for every dollar of earnings beyond that family assistance cutoff point.

(2) in the case of unearned income, these same percentage reductions would apply, although the initial $720 exclusion would not apply.

Requirements for agreements

Some of the State plan requirements now applicable in the case of Aid and Services to Needy Families with Children would be made applicable to the agreement. These include the requirements relating to:

(1) statewideness;
(2) administration by a single State agency;
(3) fair hearing to dissatisfied claimants;
(4) methods of administration needed for proper and efficient operation, including personnel standards, training, and effective use of subprofessional staff;
(5) reporting to Secretary as required;
(6) confidentiality of information relating to applicants and recipients;
(7) opportunity to apply for and prompt furnishing of supplementary payments.

Payments to States

A State agreeing to make the supplementary payments would be guaranteed that its expenditures for the first 5 full fiscal years after

enactment would be no more than 90 percent of the amount they would have been if the family assistance plan amendments had not been enacted. This would be accomplished by Federal payment to each State, for each year, of the excess of—

(1) the total of its supplementary payments for the year plus the State share of its expenditures called for under its existing State plan approved under title XVI plus the additional expenditures required by the new title XVI, over

(2) 90 percent of the State share of what its expenditures would have been in the form of maintenance payments for such year if the State's approved plans under titles I, IV (A), X, XIV, and XVI had continued in effect (assuming in the case of the part A of title IV plan, payments for dependent children of unemployed fathers).

On the other hand, any State spending less than 50 percent of the State share, referred to in clause (2) above, for supplementary payments and its title XVI plan would be required to pay the amount of the deficiency to the Federal treasury.

A State would also receive one-half of its cost of administration under its agreement.

ADMINISTRATION

Agreements with States

Sufficient latitude is provided to deal with the individual administrative characteristics of the States. Provision is made under which the Secretary can agree to administer and disburse the supplementary payments on behalf of the States. Similarly the States can agree to administer portions of the family assistance plan on behalf of the Secretary, with respect to all or specified families in the States.

Evaluation, research, training

The Secretary would make an annual report to Congress on the new family assistance plan, including an evaluation of its operation. He would also have authority to make periodic evaluations of its operation and to use part of the program funds for this purpose.

Research into and demonstrations of better ways of carrying out the purposes of the new plan, as well as technical assistance to the States and training of their personnel who are involved in making supplementary payments, would also be authorized.

Special provisions for Puerto Rico, the Virgin Islands, and Guam

There are special provisions for these areas under which the amount of family assistance benefits, the $720 of earned income to be disregarded, and several other amounts under the family assistance plan and the new title XVI of the Social Security Act (aid to the aged, blind, and disabled) would be reduced to the extent that the per capita income of these areas is below that of that one of the 50 States which had the lowest per capita income.

TRAINING, EMPLOYMENT, AND DAY-CARE PROGRAMS

Section 102 of the administration bill would replace part C of title IV of the Social Security Act in its entirety.

Purpose

The purpose of the revised part C is to provide manpower services, training, and employment, and child care and related services for in-

dividuals eligible for the new family assistance plan benefits (new part D) or State supplementary payments (new part E) to help them secure or retain employment or advancement in employment. The intent is to do this in a manner which will restore families with dependent children to self-supporting, independent, and useful roles in the community.

Operation

The Secretary of Labor is required to develop an employability plan for each individual required to register under the new part D or receiving supplementary payments pursuant to the new part E. The plan would describe the manpower services, training, and employment to be provided and needed to enable the individual to become self-supporting or attain advancement in employment.

Allowances

The Secretary of Labor would pay an incentive training allowance of $30 per month to each member of a family participating in manpower training. Where training allowances for a family under another program would be larger than their benefits under the family assistance plan and supplementary State payments, the incentive allowances for the family would be equal to the difference, or $30 per member, whichever is larger.

Allowances for transportation and other expenses would also be authorized.

These incentive and other allowances would be in lieu of allowances under other manpower training programs.

Allowances would not be payable to individuals participating in employer compensated on-the-job training.

Denial of allowances

Allowances would not be payable to an individual who refuses to accept manpower training without good cause. The individual would receive reasonable notice and have an opportunity for a hearing if dissatisfied with the denial.

Utilization of other programs

In order to avoid the creation of duplicative programs, maximum use of authorities under other acts would be made by the Secretary of Labor in providing the manpower training and related services under the revised part C, but subject to all duties and responsibilities under such other programs. Part C appropriations could be used to pay the cost of services provided by other programs and to reimburse other public agencies for services they provided to persons under part C. The emphasis is on an integrated and comprehensive manpower training program involving all sectors of the economy and all levels of government to make maximum use of existing manpower and manpower-related programs.

Appropriations and administration

Appropriations to the Secretary of Labor would be authorized for carrying out the revised part C, including payment of up to 90 percent of the cost of training and employment services provided individuals registered under the family assistance plan. The Secretary would seek to achieve equitable geographical distribution of these funds.

In developing policies and programs for manpower services, training and employment for individuals registered under the family assistance plan, the Secretary of Labor would have to first obtain the concurrence of the Secretary of Health, Education, and Welfare with regard to all programs under the usual and traditional authority of the Department of Health, Education, and Welfare.

Child care and support services

Appropriations to the Secretary of Health, Education, and Welfare would be authorized for grants and contracts for up to 90 percent of the cost of projects for child care and related services for persons registered under the family assistance plan and in manpower training or employment. The grants would go to any public or nonprofit private agency or organization, and the contracts could be with any public or private agency or organization. The cost of these services could include alteration, remodeling, and renovation of facilities, but no provision is made for wholly new construction. The Secretary of Health, Education, and Welfare could allow the non-Federal share of the cost to be provided in the form of services or facilities.

These provisions (unlike other provisions of the bill) would become effective on enactment of the bill.

Advance funding

To afford adequate notice of available funds, appropriations for 1 year to pay the cost of the program during the next year would be authorized.

Evaluation and research

A continuing evaluation of the program under part C and research for improving it are authorized.

Annual report and Advisory Council

The Secretary of Labor is required to report annually to Congress on the manpower training and related services.

ELIMINATION OF PRESENT PROVISIONS ON CASH ASSISTANCE FOR FAMILIES WITH DEPENDENT CHILDREN

Section 103 of the bill revises part A of title IV of the Social Security Act which relates to cash assistance and services for needy families with children. The new part A is called services to needy families with children, reflecting the elimination of the provisions on cash assistance. The cash assistance part is no longer necessary because of the family assistance plan in the new part D of title IV.

The revised part A provides for continuation of the present program of services for these families. Foster care for children and emergency assistance, as included under existing law, are also continued.

Requirements for State plans

Section 402 of the Social Security Act which sets forth the requirements to be met by State plans before they are approved and qualify the State for Federal financial participation in expenditures, would be revised as appropriate in the light of the elimination of the cash assistance provisions.

Payments to States

The provisions on payments to States for expenditures under approved State plans remain the same as existing law with respect to services, emergency assistance, and foster care. The matching formulas continue to vary, as in existing law, according to the kinds of services involved.

Definitions

The definitions of "family services" and "emergency assistance to needy families with children" have not been substantially changed.

The definitions of "dependent child", "aid to families with dependent children", and "relative with whom any dependent child is living" have been replaced (as no longer applicable) by definitions of—

(1) "child"—which refers to the definition in the new part D, establishing the family assistance plan; this in effect substitutes a requirement that the child be a member of a "family" (as defined in the new part D) instead of having to live with particularly designated relatives;

(2) "needy families with children" (and "assistance to such families")—this being defined as families receiving family assistance benefits under the new part D, if they are also receiving supplementary State payments pursuant to the new part E or would have been eligible for aid under the existing State plan for aid to needy families with children if it had continued in effect.

Foster care and emergency assistance

The provisions on payments for foster care of children and emergency assistance remain virtually the same as under existing law.

Assistance by Internal Revenue Service in locating parents

The provision on this subject remains the same and allows use of the master files of the Internal Revenue Service to locate missing parents in certain cases.

Title II—Aid to the Aged, Blind, and Disabled

This title revises the current title XVI of the Social Security Act and sets forth the revised title XVI in its entirety. One of the major changes is the removal of the provisions relating to medical assistance for the aged which, under existing law, would terminate at the end of calendar 1969. All medical assistance for which the Federal Government shares costs will now be provided under approved title XIX State plans.

Requirements for State plans

Few changes are made in this section (sec. 1602), aside from deleting the provisions relating to medical assistance for the aged. The section retains, without substantial change, the requirements relating to—

(1) administration by a single State agency (except where a separate agency is permitted for the blind as under existing law);

(2) financial participation by the State;

(3) statewideness;

(4) opportunity for fair hearing;

(5) methods of administration, including personnel standards, training, and effective use of subprofessional staff;

(6) reporting to the Secretary as required;

(7) confidentiality of information relating to recipients;

(8) opportunity for application and furnishing of assistance with reasonable promptness;

(9) establishment and maintenance by the State of standards for institutions in which there are individuals receiving aid;

(10) description of services provided for self-support or self-care; and

(11) determination of blindness by an ophthalmologist or an optometrist.

The present prohibition against payment to persons in receipt of assistance under title I, IV, X, or XIV would be applicable instead to cases of receipt of family security benefits under the new part D of title IV.

The provision on inclusion of reasonable standards for determining eligibility and amount of aid would be replaced by one requiring a minimum benefit of $90 per month, less any other income, and by another requiring that the standard of need not be lower than the standard applied under the State plan approved under the existing title XVI or (in case the State had not had such a plan) the appropriate one of the standards of need applied under the plans approved under titles I, X, and XIV.

While the requirement relating to the determination of need and disregarding of certain income in connection therewith has been continued (although without the authorization to disregard $7.50 per month of any income, in addition to other income which may or must be disregarded), it has been expanded in a manner parallel to family assistance benefits to include disregarding as resources the home, household goods, personal effects, other property which might help to increase the family's ability for self-support, and, finally, any other personal or real property the total value of which does not exceed $1,500. There would also be a new requirement for not considering the financial responsibility of any other individual for the applicant or recipient unless the applicant is the individual's spouse or child under the age of 21 or blind or severely disabled, and a prohibition against imposition of liens on account of benefits correctly paid to recipients.

Other new requirements relate to provision for the training and effective use of social service personnel, provision of technical assistance to State agencies and local subdivisions furnishing assistance or services, and provision for the development, through research or demonstrations, of new or improved methods of furnishing assistance or services. Also added is a requirement for use of a simplified statement for establishing eligibility and for adequate and effective methods of verification thereof. Finally, there are new requirements for periodic evaluation of the State plan at least annually, with reports thereof being submitted to the Secretary together with any necessary modifications of the State plan; for establishment of advisory committees, including recipients as members; and for observing priorities and performance standards set by the Secretary in the administration of the State plan and in providing services thereunder.

The present prohibitions against any age requirement of more than 65 years and against any citizenship requirement excluding U.S. citizens would be continued.

In place of the present provision on residency, there is a new one which prohibits any residency requirement excluding any resident of the State. Also there would be new prohibitions against any disability or age requirement which excludes a severely disabled individual aged 18 or older, and any blindness or age requirement which excludes any person who is blind (determined under criteria by the Secretary).

Payments

In place of the present provision on the Federal share of expenditures under the approved State plan there is a new formula which provides for payment as follows with respect to expenditures under State plans for aid to the aged, blind, and disabled approved under the new title XVI:

With respect to cash assistance, the Federal Government will pay (1) 100 percent of the first $50 per recipient, plus (2) 50 percent of the next $15 per recipient, plus (3) 25 percent of the balance of the payment per recipient which does not exceed the maximum permissible level of assistance per person set by the Secretary (which may be lower in the case of Puerto Rico, the Virgin Islands, and Guam than for other jurisdictions).

With respect to services for which expenditures are made under the approved State plan, the Federal Government would pay the same percentages as are provided under existing law, that is, 75 percent in the case of certain specified services and training of personnel and 50 percent in the case of the remainder of the cost of administration of the State plan.

Payment by Federal Government to individuals

The revised title XVI includes authority for the Secretary to enter into agreements with any State under which the Secretary will make the payments of aid to the aged, blind, and disabled directly to individuals in the State who are eligible therefor. In that case, the State would reimburse the Federal Government for the State's share of those payments and for one-half the additional cost to the Secretary of carrying out the agreement, other than the cost of making the payments themselves.

Definition

The new title XVI defines aid to the aged, blind, and disabled as money payments to needy individuals who are 65 or older or are blind or are severely disabled.

Transitional and related provisions

Titles I, X, and XIV of the Social Security Act would be repealed.

Provision is made for making adjustments under the new title XVI on account of overpayments and underpayments under the existing public assistance titles.

Provision is also made for according States a grace period during which they can be eligible to participate in the new title XVI without changing their tests of disability or blindness. The grace period would end for any State with the June 30 following the close of the first

regular session of its State legislature beginning after enactment of the bill.

Conforming amendments

The bill also contains a number of conforming amendments in other provisions of the Social Security Act in order to take account of the substantive changes made by the bill. Thus, the changes in the medicaid program (title XIX of the Social Security Act) would require the States to cover individuals eligible for supplementary State payments pursuant to the new part E of title IV or who would be eligible for cash assistance under an existing State plan for aid to families with dependent children if it continued in effect and included dependent children of unemployed fathers.

Effective date

The amendments made by the bill would become effective on the first January 1 following the fiscal year in which the bill is enacted. However, if a State is prevented by statute from making the supplementary payments provided for under the new part E of title IV of the Social Security Act, the amendments would not apply to individuals in that State until the first July 1 which follows the end of the State's first regular session of its legislature beginning after the enactment of the bill—unless the State certified before this date that it is no longer prevented by State statute from making the payments. In the latter case the amendments would become effective at the beginning of the first calendar quarter following the certification.

Also, in the case of a State which is prevented by statute from meeting the requirements in the revised section 1602 of the Social Security Act, the amendments made in that title would not apply until the first July 1 following the close of the State's first regular session of its legislature beginning after the enactment of the bill—unless the State submitted before this date a State plan meeting these requirements. In the latter case the amendments would become effective on the date of submission of the plan.

Another exception to this effective date provision is made in the case of the new authorization, in the revised part C of title IV of the Social Security Act, for provision of child care services for persons undergoing training or employment—which would be effective on enactment of the bill.

PROPOSED WELFARE REFORM BILL

A BILL To authorize a family assistance plan providing basic benefits to low-income families with children, to provide incentives for employment and training to improve the capacity for employment of members of such families, to achieve greater uniformity of treatment of recipients under the Federal-State public assistance programs and to otherwise improve such programs, and for other puposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following Table of Contents, may be cited as the "Family Assistance Act of 1969".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. (a) The Congress hereby finds and declares that—

(1) the present federally assisted welfare program provides benefits which vary widely throughout the country and which are unconscionably low in many States;

(2) the program for needy families with children is often administered in ways which are costly, inefficient, and degrading to personal dignity, and is characterized by intolerable incentives for family breakup, by inadequate encouragements to and opportunities for those on the welfare rolls to enter job training and employment so that they may become self-supporting, and by the inequitable exclusion from assistance of working families in poverty, especially families headed by a male;

(3) the growth of the welfare rolls threatens the fiscal stability of the States and the Federal-State partnership; and

(4) in the light of the harm to individual and family development and well-being caused by lack of income adequate to sustain a decent level of life, and the consequent damage to the human resources of the entire Nation, the Federal Government has a positive interest and responsibility in assuring the correction of these problems.

(b) It is therefore the purpose of this Act to fulfill the responsibility of the Federal Government to expand the training and employment incentives and opportunities, including necessary child care services, for those public assistance recipients who are members of needy families with children and who can become self-supporting; to provide a more adequate level and quality of living through income support and services for dependent persons and families who, through no fault of their own, require public assistance; to provide this financial assistance in a manner designed to strengthen family life and to establish more nearly uniform national standards of eligibility and aid; and to move to greater assumption by the Federal Government of the financial burden of these activities.

TITLE I—FAMILY ASSISTANCE PLAN

ESTABLISHMENT OF FAMILY ASSISTANCE PLAN

SEC. 101. Title IV of the Social Security Act (42 U.S.C. 601, et seq.) is amended by adding after part C the following new parts:

"PART D—FAMILY ASSISTANCE PLAN

"APPROPRIATIONS

"SEC. 441. For the purposes of providing a basic level of financial assistance throughout the Nation to needy families with children, in a manner which will strengthen family life, encourage work training and self-support, and enhance personal dignity, there is authorized to be appropriated for each fiscal year a sum sufficient to carry out this part.

"ELIGIBILITY FOR AND AMOUNT OF FAMILY ASSISTANCE BENEFITS

"Eligibility

"SEC. 442. (a) Each family, as defined in section 445—

"(1) whose income, other than income which is excluded pursuant to section 443, is less than $500 per year for each of the first 2 members of the family plus $300 per year for each additional member, and

"(2) whose resources, other than resources excluded pursuant to section 444, are less than $1,500.

shall, in accordance with and subject to the other provisions of this title, be a paid family assistance benefit.

"Amount

"(b) The family assistance benefit for a family shall be payable at the rate of $500 per year for each of the first two members of the family plus $300 per year for each additional member thereof, reduced by the amount of income, not excluded pursuant to section 443, of the members of the family.

"Puerto Rico, the Virgin Islands, and Guam

"(c) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 464.

"Period for Determination of Benefits

"(d)(1) A family's eligibility for and its amount of family assistance benefits shall be determined for each quarter of a calendar year. Such determination shall be made on the basis of the Secretary's estimate of the family's income for such quarter, after taking into account income for a preceding period and any modifications in income which are likely to occur on the basis of changes in conditions or circumstances. Eligibility for and the amount of benefits of a family for any quarter shall be redetermined at such time or times as may be provided by the Secretary, such determination to be effective prospectively.

"(2) The Secretary shall by regulation prescribe the cases in which and extent to which the amount of a family assistance benefit for any quarter shall be reduced by reason of the time elapsing since the beginning of such quarter and before the date of filing of the application for the benefit.

"(3) The Secretary may, in accordance with regulations, prescribe the cases in which and the extent to which income received in one period (or expenses incurred in one period in earning income) shall, for purposes of determining eligibility for and amount of family assistance benefits, be considered as received (or incurred) in another period or periods.

"Special Limits on Gross Income

"(e) The Secretary may, in accordance with regulations, prescribe the circumstances under which the gross income from a trade or business (including farming), will be considered sufficiently large to make such family ineligible for such benefits.

"INCOME

"Exclusions from Income

"SEC. 443. (a) In determining the income of a family there shall be excluded—

"(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, the earned income of each child in the family who is, as determined by the Secretary under regulations, a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment;

"(2)(A) the total unearned income of all members of a family which is, as determined in accordance with criteria prescribed by the Secretary, too inconsequential, or received too infrequently or irregularly, to be included, and (B) subject to limitations prescribed by the Secretary any earned income which, as determined in accordance with such criteria, is received too infrequently or irregularly to be included;

"(3) an amount of earned income of a member of the family equal to all, or such part (and according to such schedule) as the Secretary may prescribe, of the cost incurred by such member for child care which the Secretary deems necessary to securing or continuing in manpower training, vocational rehabilitation, employment, or self-employment.

"(4) the first $720 per year (or proportionately smaller amounts for shorter periods) of the total of earned income (not excluded by the preceding clauses of this section) of all members of the family plus one-half of the remainder thereof;

"(5) food stamps or any other assistance which is based on need and furnished by any State or political subdivision of a State or any Federal agency or by any private charitable agency or organization (as determined by the Secretary);

"(6) allowances under section 432(a);

"(7) any portion of a scholarship or fellowship received for use in paying the cost of tuition and fees at any educational (including technical or vocational education) institution;

"(8) home produce of a member of the family utilized by the household for its own consumption; and

"(9) one-half of all unearned income (not excluded by the preceding clauses of this subsection) of all members of the family

The preceding provisions of this subsection shall not apply to veterans' pensions or to payments to farmers for price support, diversion, or conservation. For special provisions applicable to Puerto Rico, the Virgin Islands, or Guam, see section 464.

"Meaning of Earned and Unearned Income

"(b) For purposes of this part—

"(1) earned income shall include only—

"(A) remuneration for employment, other than remuneration to which section 209 (b), (c), (d), (f), or (k) applies;

"(B) net earnings from self-employment, as defined in section 211 other than the second and third sentences following clause (C) of subsection (a)(9) and other than clauses (A), (C), and (E) of paragraph (2) and paragraphs (4), (5), and (6), of subsection (c);

"(2) unearned income shall include among other things—

"(A) any payments received as an annuity, pension, retirement, or disability benefit, including veteran's or workmen's compensation and old-age, survivors, and disability insurance, railroad retirement, and unemployment benefits;

"(B) prizes and awards;

"(C) the proceeds of any life insurance policy;

"(D) gifts (cash or otherwise), support and alimony payments, and inheritances; and

"(E) rents, dividends, interest, and royalties.

"RESOURCES

"Exclusions from Resources

"SEC. 444. (a) In determining the resources of a family there shall be excluded:

"(1) the home, household goods, and personal effects;

"(2) other property which, as determined in accordance with and subject to limitations in regulations of the Secretary, is so essential to the family's means of self-support as to warrant its exclusion.

"Disposition of Resources

"(b) The Secretary shall prescribe regulations applicable to the period or periods of time within which, and the manner in which, various kinds of property must be disposed of in order not to be included in determining the family's eligibility for family assistance benefits. Any portion of thes family's benefits paid for such period or periods shall be conditioned on such disposal.

"MEANING OF FAMILY AND CHILD

"Composition of Family

"SEC. 445. (a) Two or more individuals—

"(1) who are related by blood, marriage, or adoption,

"(2) who are living in a place of residence maintained by one or more of them as his or her own home,

"(3) who are residents of the United States, and

"(4) at least one of whom is a child who is not married to another of such individuals,

shall be regarded as a family for purposes of this part and parts A, C, and E.

"Definition of Child

"(b) For purposes of this part and parts C and E, the term 'child' means an individual who is (1) under the age of 18 or (2) under the age of 21 and (as determined by the Secretary under regulations) a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment.

"Members of the Armed Forces

"(c) If an individual is in the Armed Forces of the United States, then, for purposes of determining eligibility for and the amount of family assistance benefits under this part, (1) he shall not be regarded as a member of a family, and (2) the spouse and children of such individual, and such other individuals living in the same place of residence as such spouse and children as may be specified in accordance with regulations of the Secretary, shall not be considered members of a family.

"Determination of Family Relationship

"(d) In determining whether an individual is related by blood, marriage, or adoption, appropriate State law, as determined in accordance with regulations of the Secretary, shall be applied.

"Income and Resources of Noncontributing Adult

"(e) For purposes of determining eligibility for and the amount of family assistance benefits for any family there shall be excluded the income and resources of any individual, other than a child or a parent of a child (or a spouse of a child or parent), which, as determined in accordance with criteria prescribed by the Secretary, is not available to other members of the family; and for such purposes, any such individual shall not be considered a member of such family.

"Recipients of Aid to the Aged, Blind, and Disabled Ineligible

"(f) If any individual is receiving aid to the aged, blind and disabled under a State plan approved under title XVI, or if his needs are taken into account in determining the need of another person receiving such aid, then, for the period for which such aid is received, such individual shall not be regarded as a member of a family for

purposes of determining the amount of the family assistance benefits of the family.

"PAYMENTS AND PROCEDURES

"Payments of Benefits

"SEC. 446. (a)(1) Family assistance benefits shall be paid at such time or times and in such installments as the Secretary determines will best effectuate the purposes of this title.

(2) Payment of the family assistance benefit of any family may be made to any one or more members of the family.

"(3) The Secretary may by regulation establish ranges of incomes within which a single amount of family assistance benefit shall apply.

"Overpayments and Underpayments

"(b) Whenever the Secretary finds that more or less than the correct amount of family assistance benefits has been paid with respect to any family, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments of the family or by recovery from or payment to any one or more of the individuals who are or were members thereof. The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to a family with a view to avoiding penalizing members of the family who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this part, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this part.

"Hearings and Review

"(c)(1) The Secretary shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be a member of a family and is dissatisfied with any determination under this part with respect to eligibility of the family for family assistance benefits, the number of members of the family, or the amount of the benefits.

"(2) Final determination of the Secretary after such hearings shall be subject to judicial review as provided in section 205(g) to the same extent as the Secretary's final determinations under section 205.

"Procedures; Prohibition of Assignments

"(d) The provisions of sections 206 and 207 and subsections (a), (d), (e), and (f) of section 205 shall apply with respect to this part to the same extent as they apply in the case of title II.

"Applications and Furnishing of Information by Families

"(e)(1) The Secretary shall prescribe regulations applicable to families or members thereof with respect to the filing of applications, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary to determine eligibility for and amount of family assistance benefits.

"(2) In order to encourage prompt reporting of events and changes in circumstances relevant to eligibility for or amount of family assistance benefits, and more accurate estimates of expected income or expenses by members of families for purposes of such eligibility and amount of benefits, the Secretary may prescribe the cases in which and the extent to which—

"(A) failure to so report or delay in so reporting, or

"(B) inaccuracy of information which is furnished by the members and on which the estimates of income or expenses for such purposes are based,

will result in treatment as overpayments of all or any portion of payments of such benefits for the period involved.

"Furnishing of Information by Other Agencies

"(f) The head of any Federal agency shall provide such information as the Secretary needs for purposes of determining eligibility for or amount of family assistance benefits, or verifying other information with respect thereto. The Secretary may from time to time pay to the head of such agency, in advance or by way of reimbursement, as may be agreed upon, the cost of providing such information.

"REGISTRATION AND REFERRAL OF FAMILY MEMBERS FOR MANPOWER SERVICES, TRAINING, AND EMPLOYMENT

"SEC. 447. (a) Every individual who is a member of a family which is found to be eligible for family assistance benefits, other than a member to whom the Secretary finds clause (1), (2), (3), (4), (5), or (6) of subsection (b) applies, shall register for manpower services, training, and employment with the local public employment office of the State as provided by regulations of the Secretary of Labor. If and for so long as any such individual is found by the Secretary of Health, Education, and Welfare to have failed (after a reasonable period of time), without good cause as determined by the Secretary of Labor, to so register, he shall not be regarded as a member of a family but his income which would otherwise be counted under this part as income of a family shall be so counted; except that if such individual is the only member of the family other than a child, such individual shall be regarded as a member for purposes of determination of the family's eligibiilty for family assistance benefits, but not (except for counting his income) for purposes of determination of the amount of such benefits. No part of the family assistance benefits of any such family may be paid to such individual during the period for which the preceding sentence is applicable to him; and the Secretary may, if he deems it appropriate, provide for payment of such benefits during such period to any person, other than a member of such family, who is interested in or concerned with the welfare of the family.

"(b) An individual shall not be required to register pursuant to subsection (a) if the Secretary determines that such individual is:

"(1) ill, incapacitated, or of an advanced age;

"(2) a mother or other relative of a child under the age of 6 who is caring for such child;

"(3) the mother, or other female caretaker of a child, if the father or another adult male relative is in the home and not excluded by clauses (1), (2), (4), or (5) of this subsection;

"(4) a child,

"(5) one whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household;

"(6) working full time, as determined in accordance with criteria prescribed by the Secretary of Labor.

An individual who would, but for the preceding sentence, be required to register pursuant to part A, may, if he wishes, register as provided in such subsection.

"(c) The Secretary shall made provision for the furnishing of child care services in such cases and for so long as he deems appropriate in the case of individuals registered pursuant to subsection (a) who are, pursuant to such registration, participating in manpower services, training, or employment.

"(d) In the case of any member of a family receiving family assistance benefits who is not required to register pursuant to subsection (a) because of such member's disability or handicap, the Secretary shall make provision for referral of such member to the appropriate State agency administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act.

"DENIAL OF BENEFITS IN CASE OF REFUSAL OF MANPOWER SERVICES, TRAINING, OR EMPLOYMENT

"SEC. 448. For purposes of determining eligibility for and amount of family assistance benefits under this part, an individual who has registered as required under section 447(a) shall not be regarded as a member of a family, but his income which would otherwise be counted as income of the family under this part shall be so counted, if and for so long as he has been found by the Secretary of Labor, after reasonable notice and opportunity for hearing, to have refused without good cause to participate in suitable manpower services, training, or employment, or to have refused without good cause to accept suitable employment in which he is able to engage which is offered through the public empolyment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the Secretary of Labor, after notification by such employer or otherwise, to be a bona fide offer of employment; except that if such individual is the only member of the family other than a child, such individual shall be regarded as a member of the family for purposes of determination of the family's eligibility for benefits, but not (except for counting his income) for the purposes of determination of the amount of its benefits. No part of the family assistance benefits of any such family may be paid to such individual during the period for which the preceding sentence is applicable to him; and the Secretary may, if he deems it appropriate, provide for payment of such benefits during such period to any person, other than a member of such family, who is interested in or concerned with the welfare of the family.

"TRANSFER OF FUNDS FOR ON-THE-JOB TRAINING PROGRAMS

"SEC. 449. The Secretary shall, pursuant to and to the extent provided by agreement with the Secretary of Labor, pay to the Secretary of Labor amounts which he estimates would be paid as family assistance benefits under this part to individuals participating in public or private employer compensated on-the-job training under a program of the Secretary of Labor if they were not participating in such training. Such amounts shall be available to pay the costs of such programs.

"PART E—STATE SUPPLEMENTATION OF FAMILY ASSISTANCE BENEFITS

"PAYMENTS UNDER TITLES IV, V, XVI, AND XIX CONDITIONED ON SUPPLEMENTATION

"SEC. 451. In order for a State to be eligible for payments pursuant to title V, XVI, or XIX or, part A or B of this title, with respect to expenditures for any quarter beginning on or after the date this part becomes effective with respect to such State, it must have in effect an agreement with the Secretary under which it will make supplementary payments, as provided in this part, to any family other than a family in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed.

"AMOUNT OF SUPPLEMENTARY PAYMENTS

"SEC. 452. (a) Eligibility for and amount of supplementary payments under the agreement with any State under this part shall, subject to the succeeding provisions of this section, be determined by application of the provisions of, and rules and regulations under, section S. 442 (a) (2) and (d), 443, 444, 445, 446 (to the extent the Secretary deems appropriate), 447, and 448, and by application of the standard for determining need under the plan of such State as in effect for July 1969 and complying with the requirements for approval under part A as in effect on such date (but subject to such maximums and percentage reductions as were imposed under such plan on the amount of aid paid and, then, with the resulting amount of the supplementary payment to any individual further reduced by the family assistance benefit payable under part D with respect to him).

"(b) In applying the provisions of section 443 for purposes of supplementary payments pursuant to an agreement under this part—

"(1) in the case of earned income to which clause (4) of subsection (a) of such section 443 applies, the amount to be disregarded shall be $720 per year (or proportionately smaller amounts for shorter periods), plus—

"(A) one-third of the portion of the remainder of earnings which does not exceed twice the amount of the family assistance benefits that would be payable to the family if it had no income (thereby resulting in reduction of the supplementary payment by one-sixth of that portion of such remainder of the earnings), plus

"(B) one-fifth (or more if the Secretary by regulation so prescribes) of the balance of the earnings (thereby resulting in further reduction of the supplementary payment by four-

fifths, or proportionately less if the Secretary has prescribed such a regulation, of that balance of the earnings) ; and

"(2) in the case of income to which clause (9) of subsection (a) of such section 443 applies, the amount to be disregarded shall be—

"(A) one-third of such income which does not exceed twice the amount of the family assistance benefits that would be payable to the family if it had no income (thereby resulting in reduction of the supplementary payment by one-sixth of that portion of such income), plus

"(B) one-fifth (or more if the Secretary by regulation so prescribes) of the balance of such income (thereby resulting in further reduction of the supplementary payment by four-fifths, or proportionately less if the Secretary has prescribed such a regulation, of that balance of the income) ; and

"(3) the family assistance benefit of a family payable under part D shall not be counted to any extent.

For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 464.

"(c) The agreement with a State under this part shall—

"(1) provide that it shall be in effect in all political subdivisions of the State;

"(2) provide for the establishment or designation of a single State agency to carry out or supervise the carrying out of the agreement in the State;

"(3) provide for granting an opportunity for a fair hearing before the State agency carrying out the agreement to any individual whose claim for supplementary payments is denied or is not acted upon with reasonable promptness;

"(4) provide (A) 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 agreement in the State, and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients of supplementary payments and other persons of low income, as community services aides, in carrying out the agreement and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants for and recipients of supplementary payments and in assisting any advisory committees established by the State agency;

"(5) provide that the State agency carrying out the agreement 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;

"(6) provide safeguards which restrict the use or disclosure of information concerning applicants for and recipients of sup-

plementary payments to purposes directly connected with the administration of this title; and

"(7) provide, that all individuals wishing to make application for supplementary payments shall have opportunity to do so, and that supplementary payments shall be furnished with reasonable promptness to all eligible individuals.

"PAYMENTS TO STATES

"SEC. 453. (a) (1) The Secretary shall pay to any State which has in effect an agreement under this part for any fiscal year in the period ending with the close of the fifth full fiscal year for which this part is effective with respect to such State the excess of—

"(A) (i) the total of its payments for such year pursuant to its agreement under this part which are required under section 452, plus (ii) the difference between (I) the total of the expenditures for such fiscal year under its plan approved under title XVI as aid to the aged, blind, and disabled which would have been included as aid to the aged, blind, or disabled under the plan approved thereunder and in effect for July 1969, plus so much of the rest of such expenditures as are required (as determined by the Secretary) by reason of the amendments to such title made by the Family Assistance Act of 1969 and (II) the total of the amounts determined under section 1604 for such State with respect to such expenditures for such year, over

"(B) 90 per centum of the difference between (i) the total of the expenditures which would have been made as aid or assistance (excluding emergency assistance specified in section 406 (e) (1) (A), foster care under section 408, expenditures for institutional services in intermediate care facilities referred to in section 1121, expenditures for repairs to homes referred to in section 1119, and aid or assistance in the form of medical care or any other type of remedial care) for such year under the plans of such State approved under titles I, IV (part A), X, XIV, and XVI and in effect in the month prior to the enactment of this part if they had continued in effect during such year and if they had included (if they did not already do so) payments to dependent children of unemployed fathers authorized by section 407 (as in effect on July 1, 1969), and (ii) the total of the amounts which would have been determined under sections 3, 403, 1003, 1403, and 1603, or under section 1118, of such State with respect to such expenditures for such year.

The Secretary may prescribe methods for determining the amounts referred to in clause (B) on the basis of estimates and trends in expenditures and other experience of the State for prior years.

"(2) The Secretary shall also pay to each such State an amount equal to 50 per centum of its administrative costs found necessary by the Secretary for carrying out its agreement.

"(b) Payments under subsection (a) shall be made at such time or times, in advance or by way of reimbursement, and in such installments as the Secretary may determine: and shall be made on such conditions as may be necessary to assure the carrying out of the purposes of this title.

"(c) In the case of any State with respect to which the amount determined under clause (A) of subsection (a) (1) for any year is less than 50 per centum of the difference referred to in clause (B) of such subsection for such year, such State shall pay to the Secretary, at such time or times and in such installments as he may prescribe, the sum by which such amount determined under clause (A) of subsection (a) (1) is less than such 50 per centum. If such State does not pay any part of such amount at the time or times prescribed, the Secretary shall withhold such part from sums to which the State is entitled under part A or B of this title or under title V, XVI, or XIX; but the amounts so withheld shall be deemed to have been paid to the State under such part or title. The withholding of amounts pursuant to the preceding sentence shall be effected at such time or times and in such installments as the Secretary may deem appropriate.

"FAILURE BY STATE TO COMPLY WITH AGREEMENT

"SEC. 454. If the Secretary, after reasonable notice and opportunity for hearing to a State with which he has an agreement under this part, finds that such State is failing to comply therewith, he shall withhold all, or such portion as he deems appropriate, of the payments to which such State is otherwise entitled under part A or B of this title or under title V, XVI, or XIX; but the amounts so withheld shall be deemed to have been paid to the State under such part or title. Such withholding shall be effected at such time or times and in such installments as the Secretary may deem appropriate.

"PART F—ADMINISTRATION

"AGREEMENTS WITH STATES

"SEC. 461. (a) The Secretary may enter into an agreement with any State under which the Secretary will make, on behalf of the State, the supplementary payments provided for pursuant to part E or will perform such other functions of the State in connection with such payments as may be agreed upon. In any such case, the agreement shall also provide for payment by the State to the Secretary of an amount equal to the supplementary payments the State would otherwise make under part E, less any payments which would be made to the State under section 453(a), together with one-half of the additional cost of the Secretary involved in carrying out such agreement, other than the cost of making the payments.

"(b) The Secretary may also enter into an agreement with any State under which such State will make, on behalf of the Secretary, the family assistance benefit payments provided for under part D with respect to all or specified families in the State who are eligible for such benefits or will perform such other functions in connection with the administration of part D as may be agreed upon. The cost of carrying out any such agreement shall be paid to the State in advance or by way of reimbursement and in such installments as may be agreed upon.

"PENALTIES FOR FRAUD

"SEC. 462. The provisions of section 208, other than paragraph (a), shall apply with respect to benefits under part D and allowances

under part C, of this title, to the same extent as they apply to payments under title II.

"REPORT, EVALUATION, RESEARCH AND DEMONSTRATIONS, AND TRAINING AND TECHNICAL ASSISTANCE

"SEC. 463. (a) The Secretary shall make an annual report to the President and the Congress on the operation and administration of parts D and E, including an evaluation thereof in carrying out the purposes of such parts and recommendations with respect thereto. The Secretary is authorized to conduct evaluations directly or by grants or contracts of the programs authorized by such parts.

"(b) The Secretary is authorized to conduct, directly or by grants or contracts, research into or demonstrations of ways of better providing financial assistance to needy persons or of better carrying out the purposes of part D, and in so doing to waive any requirements or limitations in such part with respect to eligibility for or amount of family assistance benefits for such family, members of families, or groups thereof as he deems appropriate.

"(c) The Secretary is authorized to provide such technical assistance to States, and to provide, directly or through grants or contracts, for such training of personnel of States, as he deems appropriate to assist them in more efficiently and effectively carrying out their agreements under this part and part E.

"(d) In addition to funds otherwise available therefor, such portion of any appropriation to carry out part D or E as the Secretary may determine, but not in excess of one-half of 1 per centum thereof, shall be available to him to carry out this section.

"SPECIAL PROVISIONS FOR PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

"SEC. 464. (a) In applying the provisions of sections 442 (a) and (b), 443(a)(4), 452(b)(1), 1603 (a)(1) and (b)(1), and 1604 (1) and (2) with respect to Puerto Rico, the Virgin Islands, or Guam, the amounts to be used shall (instead of the $500, $300, and $1,500 in such section 442 (a) and (b) and section 1603(a)(1), the $720 in section 443(a)(4) and section 452(b)(1), the $90 in section 1603(b)(1), the $65 in section 1604(2), and the $50 in section 1604(1)) bear the same ratio to such $500, $300, $1,500, $720, $90, $65, and $50 as the per capita incomes of Puerto Rico, the Virgin Islands, and Guam, respectively, bear to the per capita income of that one of the fifty States which has the lowest per capita income; except that in no case may the amounts so used exceed such $500, $300, $1,500, $720, $90, $65, and $50.

"(b)(1) The amounts to be used under such sections in Puerto Rico, the Virgin Islands, and Guam shall be promulgated by the Secretary between July 1 and September 30 of each even-numbered year, on the basis of the average per capita income of each State and of the United States for the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for fiscal year beginning July 1 next succeeding such promulgation: *Provided*, That the Secretary shall promulgate such amounts as soon as possible after the enactment of this part, which promulgation shall be conclusive for six calendar

quarters in the period beginning with the January 1 following the fiscal year in which this part is enacted, and ending with the close of the second June 30 thereafter.

"(2) The term 'United States', for purposes of paragraph (1) only, means the fifty States and the District of Columbia.

"(c) If the amounts which would otherwise be promulgated for any year for any of the three States referred to in subsection (a) would be lower than the amounts promulgated for such State for the immediately preceding period, the amounts for such fiscal year shall be increased to the extent of the difference; and the amounts so increased shall be the amounts promulgated for such year.

"MANPOWER SERVICES, TRAINING, EMPLOYMENT, AND CHILD-CARE PROGRAMS

"SEC. 102. Part C of title IV of the Social Security Act (42 U.S.C. 630, et seq.) is amended to read as follows:

"PART C—MANPOWER SERVICES, TRAINING, EMPLOYMENT, AND DAY CARE PROGRAMS FOR RECIPIENTS OF FAMILY ASSISTANCE OR SUPPLEMENTARY BENEFITS

"PURPOSE

"SEC. 430. The purpose of this part is to authorize provision, for individuals who are members of a family receiving benefits under part D or supplementary payments pursuant to part E, of manpower services, training, employment, and child care and related services necessary to train such individuals, prepare them for employment, and otherwise assist them in securing and retaining regular employment and having the opportunity for advancement in employment, to the end that needy families with children will be restored to self-supporting, independent, and useful roles in their communities.

"OPERATION OF MANPOWER SERVICES, TRAINING, AND EMPLOYMENT PROGRAMS

"SEC. 431. (a) The Secretary of Labor (hereinafter in this part referred to as the 'Secretary') shall, for each person registered pursuant to part D, in accordance with priorities prescribed by him, develop or assure the development of an employability plan describing the manpower services, training, and employment which the Secretary determines each person needs in order to enable him to become self-supporting and secure and retain employment and opportunities for advancement.

"(b) The Secretary shall, in accordance with the provisions of this part, establish and assure the provision of manpower services, training, and employment programs in each State for persons registered pursuant to part D or receiving supplementary payments pursuant to part E. The Secretary shall, through such programs, provide or assure the provision of manpower services, training, and employment and opportunities necessary to prepare such persons for and place them in regular employment, including such services and opportunities which the Secretary is authorized to provide under any other Act, and including counseling, testing, institutional and on-the-job training, work experi-

ence, up-grading, program orientation, relocation assistance (including grants, loans, and the furnishing of such services as will aid in involuntarily unemployed individual to relocate in an area where he may obtain suitable employment), incentives to public or private employers to hire and train these persons (including reimbursement for a limited period when an employee may not be fully productive), special work projects, job development, coaching, job placement and follow up services required to assist in securing and retaining employment and opportunities for advancement.

"ALLOWANCES FOR INDIVIDUALS UNDERGOING TRAINING

"SEC. 432. (a) (1) The Secretary shall pay to each individual who is a member of a family and is participating in manpower training under this part an incentive allowance of $30 per month. If such members of a family would (but for the receipt of payments pursuant to this title) be eligible in such month, under any other statute providing for manpower training, for allowances which in total would be in excess of the sum of the family assistance benefit and supplementary payments pursuant to part E payable with respect to such month to the family, the total of the incentive allowances per month under this section for such members shall be equal to such excess, or to $30 for each such member, whichever is greater.

"(2) The Secretary shall, in accordance with regulations, also pay to any member of a family participating in manpower training under this part, allowances for transportation and other costs to him directly related to his participation in training.

"(3) The Secretary shall by regulation provide for such smaller allowances under this subsection as he deems appropriate for individuals in Puerto Rico, the Virgin Islands, and Guam.

"(b) Such allowances shall be in lieu of allowances provided for participants in manpower training programs under any other Act.

"(c) Subsection (a) shall not apply to any member of a family who is participating in a program of the Secretary providing public or private employer compensated on-the-job training.

"DENIAL OF ALLOWANCES FOR REFUSAL TO UNDERGO TRAINING

"SEC. 433. (a) If and for so long as the Secretary determines that an individual who is a member of a family and has been required to register under part D for manpower training or employment has, without good cause, ceased to participate in manpower training under this part, no allowance under this part shall be payable to such individual.

"(b) The Secretary shall provide reasonable notice and opportunity for hearing to any individual with respect to whom such a determination has been made.

"(c) Final determinations of the Secretary after such hearings shall be subject to judicial review as provided by section 205(g) for final determinations under title II, and the provisions of sections 205 (a), (d), (e), and (f), 206, and 207 shall apply with respect to this part to the same extent as they apply to title II.

"UTILIZATION OF OTHER PROGRAMS

"SEC. 434. In providing the manpower training and employment services and opportunities required by this part the Secretary, to the maximum extent feasible, shall assure that such services and opportunities are provided in such manner, through such means, and using all authority available to him under any other Act (and subject to all duties and responsibilities thereunder) as will further the establishment of an integrated and comprehensive manpower training program involving all sectors of the economy and all levels of government and as will make maximum use of existing manpower and manpower related programs and agencies. To such end the Secretary may use the funds appropriated to him under this part to provide the programs required by this part through such other Act, to the same extent and under the same conditions as if appropriated under such other Act and in making use of the programs of other Federal, State, or local agencies, public or private, the Secretary may reimburse such agencies for services rendered to persons under this part to the extent such services and opportunities are not otherwise available on a nonreimbursable basis.

"RULES AND REGULATIONS

"SEC. 435. The Secretary may issue such rules and regulations as he finds necessary to carry out the purposes of this part: *Provided*, That in developing policies and programs for manpower services, training, and employment, the Secretary shall first obtain the concurrence of the Secretary of Health, Education, and Welfare with regard to such policies and programs which are under the usual and traditional authority of the Secretary of Health, Education, and Welfare (including basic education, institutional training, health, child care and other supportive services, new careers and job restructuring in the health, education, and welfare professions, and work-study programs), and shall consult with the Secretary of Health, Education, and Welfare with regard to all such other policies and programs.

"APPROPRIATIONS

"SEC. 436. There is authorized to be appropriated to the Secretary for each fiscal year a sum sufficient for carrying out the purposes of this part (other than section 437), including payment of not to exceed (except in such cases as the Secretary may determine) 90 per centum of the cost of manpower services, training, and employment and opportunities provided for individuals registered pursuant to section 447. The Secretary of Labor shall establish criteria to achieve an equitable apportionment among the States of Federal expenditures for carrying out the programs authorized by section 431. In developing these criteria the Secretary shall consider the number of registrations under section 447 and other relevant factors.

"CHILD CARE AND SUPPORTIVE SERVICES

"SEC. 437. (a) There are authorized to be appropriated for each fiscal year such sums as may be necessary to enable the Secretary of Health, Education, and Welfare to make grants to any public or nonprofit

private agency or organization, and contracts with any public or private agency or organization, for not to exceed (except in such cases as the Secretary of Health, Education, and Welfare may determine) 90 per centum of the cost of projects for the provision of child care and related services, including necessary alteration, remodeling, and renovation of facilities, which may be necessary or appropriate in order to better enable an individual who has been registered pursuant to part D or is receiving supplementary payments pursuant to part E to undertake or continue manpower training or employment under this part or to enable a member of a family, which is or has been (within such period of time as the Secretary may prescribe) eligible for benefits under such part D or payments pursuant to such part E, to undertake or continue manpower training or employment under this part; or, with respect to the period prior to the date when part D becomes effective for a State, to better enable an individual receiving aid to families with dependent children, or whose needs are taken into account in determining the need of any one claiming or receiving such aid, to participate in manpower training or employment.

"(b) Such sums shall also be available to enable the Secretary of Health, Education, and Welfare to make grants to any public or nonprofit private agency or organization, and contracts with any public or private agency or organization for evaluation, training of personnel, technical assistance or research or demonstration projects to determine more effective methods of providing any such care and other services.

"(c) To the extent permitted by the Secretary of Health, Education, and Welfare, the non-Federal share of the cost of any such project may be provided in the form of services or facilities.

"(d) The Secretary of Health, Education, and Welfare may provide, in any case in which a family is able to pay for part or all of the cost of day care or other services provided under a project assisted under this section, for payment by the family of such fees for the care or services as may be reasonable in the light of such ability.

"ADVANCE FUNDING

"SEC. 438. (a) For the purpose of affording adequate notice of funding available under this part, appropriations for grants, contracts, or other payments with respect to individuals registered pursuant to section 447 are authorized to be included in the appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation.

"(b) In order to effect a transition to the advance funding method of timing appropriation action, the amendment made by subsection (a) shall apply notwithstanding that its initial application will result in enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

"EVALUATION AND RESEARCH; REPORT TO CONGRESS

"SEC. 439. (a) The Secretary shall (jointly with the Secretary of Health, Education, and Welfare) provide for the continuing evaluation of the manpower training and employment programs provided under this part, including their effectiveness in achieving stated goals

and their impact on other related programs. The Secretary may conduct research regarding, and demonstrations of, ways to improve the effectiveness of the manpower training and employment programs so provided and may also conduct demonstrations of improved training techniques for upgrading the skills of the working poor. The Secretary may, for these purposes, contract for independent evaluations of and research regarding such programs or individual projects under such programs, and establish a data collection, processing, and retrieval system.

"(b) The Secretary shall report to the Congress on or before the end of each fiscal year (with the first such report being made on or before the July 1 following the first full year after the date on which part D becomes effective with respect to any States) on the manpower training and employment programs provided under this part."

ELIMINATION OF PRESENT PROVISIONS ON CASH ASSISTANCE FOR FAMILIES WITH DEPENDENT CHILDREN

SEC. 103. (a) Section 401 of the Social Security Act (42 U.S.C. 601) is amended by striking out "financial assistance and" in the first sentence.

(b) Section 402(a) of such Act (42 U.S.C. 602) is amended by—

(1) striking out "aid and" in so much thereof as precedes clause (1);

(2) inserting, at the beginning of clause (1), "except to the extent permitted by the Secretary,";

(3) striking out clause (4);

(4) in clause (5)(B), striking out "recipients and other persons" and inserting in lieu thereof "persons" and striking out "providing services to applicants and recipients" and inserting in lieu thereof "providing services under the plan";

(5) striking out clauses (7) and (8);

(6) in clause (9), striking out "aid to families with dependent children" and inserting in lieu thereof "the plan";

(7) striking out clauses (10), (11), and (12);

(8) in clause (14), striking out "for each child and relative who receives aid to families with dependent children, and each appropriate individual (living in the same home as a relative and child receiving such aid whose needs are taken into account in making the determination under clause (7))" and inserting in lieu thereof "for each member of a family receiving assistance to needy families with children, each appropriate individual (living in the same home as such family) whose needs would be taken into account in determining the need of any such member under the State plan (approved under this part) as in effect prior to the enactment of part D, and each individual who would have been eligible to receive aid to families with dependent children under such plan" and striking out "such child, relative, and individual" and inserting in lieu thereof "such member or individual";

(9) striking out clause (15) and inserting in lieu thereof:

"(15)(A) provide for the development of a program, for appropriate members of such families and such other individuals, for preventing

or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing such program by assuring that in all appropriate cases family planning services are offered to them, but acceptance of family planning services provided under the plan shall be voluntary on the part of such members and individuals and shall not be a prerequisite to eligibility for or the receipt of any other service under the plan; and (B) to the extent that services provided under this clause or clause (14) are furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;"

(10) striking out "aid" in clause (16) and "aid to families with dependent children" in clause (17)(A)(i) and inserting in lieu thereof "assistance to needy families with children" and striking out "aid" in clause (17)(A)(ii) and inserting in lieu thereof "assistance";

(11) striking out clause (19);

(12) striking out "aid to families with dependent children in the form of foster care" in clause (20) and inserting in lieu thereof "payments for foster care"; striking out "dependent child or children with respect to whom aid is being provided under the State plan" in clause (21)(A) and inserting in lieu thereof "child or children with respect to whom assistance to needy families with children or foster care is being provided";

(13) striking out "aid is being provided under the plan of such other State" in clause (A) and clause (B) of clause (22) and inserting in lieu thereof "assistance to needy families with children or foster care payments are being provided in such other State";

(14) striking out clause (23) and striking out "; and" at the end of clause (22) and inserting in lieu thereof a period.

(c) Section 402(b) of such Act is amended to read as follows:

"(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 services under it, a residence requirement which denies services or foster care payments with respect to any individual residing in the State.

(d) Such section 402 is further amended by striking out subsection (c) thereof.

(e) Subsection (a) of section 403 of such Act (42 U.S.C. 603) is amended by—

(1) striking out "aid and services" and inserting in lieu thereof "services" in so much thereof as precedes paragraph (1);

(2) amending paragraph (1) to read:

"(1) an amount equal to the sum of the following proportions of the total amounts expended during such quarter as payments for foster care in accordance with section 408—

"(A) five-sixths of such expenditures, not counting so much of any expenditures as exceeds the product of $18 multiplied by the number of children receiving such foster care in such month; plus

"(B) the Federal percentage of the amount by which such

expenditures exceeds the maximum which may be counted under subparagraph (A), not counting so much of any expenditures with respect to such month as exceeds the product of $100 multiplied by the number of children receiving such foster care for such month."

(3) striking out paragraph (2);

(4) in paragraph (3), striking out "in the case of any State," in so much thereof as precedes subparagraph (A), striking out in clause (i) of such subparagraph "or relative who is receiving aid under the plan, or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section" and inserting in lieu thereof "receiving foster care or any member of a family receiving assistance to needy families with children or to any other individual (living in the same home as such family) whose needs would be taken into account in determining the need of any such member under the State plan approved under this part as in effect prior to the enactment of part D, striking out in clause (ii) of such subparagraph "child or relative who is applying for aid to families with dependent children or" and inserting in lieu thereof "member of a family" and striking out in such clause (ii) "likely to become an applicant for or recipient of such aid" and inserting in lieu thereof "likely to become eligible to receive such assistance";

(5) striking out the sentences of such subsection (a) which follow paragraph (5);

(f) Subsection (b) of such section 403 is amended by striking out "records showing the number of dependent children in the State and (C)" in paragraph (1) thereof and by striking out, in paragraph (2) thereof, "(A)" and everything beginning with ", and (B)" and all that follows down to but not including the period.

(g) Section 404 of such Act (42 U.S.C. 604) is amended by striking out "(a) In the case of any State plan for aid and services" and inserting in lieu thereof "In the case of any State plan for services" and by striking out subsection (b) thereof.

(h) Section 405 of such Act (42 U.S.C. 605) is repealed.

(i) Section 406 of such Act (42 U.S.C. 606) is amended by—

(1) striking out subsections (a) and (b) and inserting in lieu thereof:

"(a) The term 'child' means a child as defined in section 445(b).

"(b) The term 'needy families with children' means families who are receiving family assistance benefits under part D and who (1) are receiving supplementary payments under part E, or (2) would be eligible to receive aid to families with dependent children, under a State plan (approved under this part) as in effect prior to the enactment of part D, if the State plan had continued in effect and if it included assistance to dependent children of unemployed fathers pursuant to section 407 as it was in effect prior to such enactment; and 'assistance to needy families with children' means family assistance benefits under such part D, paid to such families."

(2) striking out subsection (c);

(3) in subsection (e)(1), striking out "living with any of the relatives specified in subsection (a)(1) in a place of residence

maintained by one or more of such relatives as his or their own home" and inserting in lieu thereof "a member of a family (as defined in section 445(a))" and striking out "because such child or relative refused" and inserting in lieu thereof "because such child or another member of such family refused."

(j) Section 407 of such Act (42 U.S.C. 607) is repealed.

(k) Section 408 of such Act (42 U.S.C. 608) is amended by—

(1) amending so much (including the heading) thereof as preceeds subparagraph (1) of paragraph (b) to read as follows:

"FOSTER CARE

"SEC. 408. For purposes of this part—

"(a) Foster care shall include only such care which is provided in behalf of a child (1) who would, except for his removal from the home of a family as a result of a judicial determination to the effect that continuation therein would be contrary to his welfare, be a member of such family receiving assistance to needy families with children, (2) whose placement and care are the responsibility of (A) the State or local agency administering the State plan approved under section 402, or (B) any other public agency with whom the State agency administering or supervising the administration of such State plan has made an agreement which is still in effect and which includes provision for assuring development of a plan, satisfactory to such State agency, for such child as provided in paragraph (f)(1) and such other provisions as may be necessary to assure accomplishment of the objectives of the State plan approved under section 402, (3) who has been placed in a foster family home or child-care institution as a result of such determination, and (4) who (A) received assistance to needy families with children in or for the month in which court proceedings leading to such determination were initiated, or (B) would have received such assistance to needy families with children in or for such month if application had been made therefore, or (C) in the case of a child who had been a member of a family (as defined in section 445(a)) within 6 months prior to the month in which such proceedings were initiated, would have received such assistance in or for such month if in such month he had been a member of (and removed from the home of) such a family and application had been made therefor;

"(b) but only if such care is provided—";

(2) in paragraph (b)(2), striking out "'aid to families with dependent children'" and inserting in lieu thereof "foster care" and striking out "such foster care" and inserting in lieu thereof "foster care";

(3) striking out subsection (c);

(4) striking out "aid" and inserting in lieu thereof "services" in subsection (e);

(5) in subsection (f)(1), striking out "relative specified in section 406(a)" and inserting in lieu thereof "family (as defined in section 445(a))";

(6) in subsection (f)(2), striking out "522" and inserting in lieu thereof "422" and striking out "part 3 of title V" and inserting in lieu thereof "part B of this title".

CHANGE IN HEADING

SEC. 104.(a) The heading of title IV of the Social Security Act (42 U.S.C. 601, et seq.) is amended to read as follows:

"TITLE IV—FAMILY ASSISTANCE BENEFITS, STATE SUPPLEMENTAL PAYMENTS, WORK INCENTIVE PROGRAMS, AND GRANTS TO STATES FOR FAMILY AND CHILD WELFARE SERVICES"

(b) The heading of part A of such title IV is amended to read as follows:

"PART A—SERVICES TO NEEDY FAMILIES WITH CHILDREN"

TITLE II—AID TO THE AGED, BLIND, AND DISABLED

GRANTS TO STATES FOR AID TO THE AGED, BLIND, AND DISABLED

SEC. 201. Title XVI of the Social Security Act (42 U.S.C. 1381 et seq.) is amended to read as follows:

"TITLE XVI—GRANTS TO STATES FOR AID TO THE AGED, BLIND, AND DISABLED

"APPROPRIATIONS

"SEC. 1601. For the purpose of enabling each State to furnish financial assistance to needy individuals who are 65 years of age or over, blind, or disabled and for the purpose of encouraging each State to furnish rehabilitation and other services to help such individuals attain or retain capability for self-support or self-care, there are authorized to be appropriated for each fiscal year sums sufficient to carry out these purposes. The sums made available under this section shall be used for making payments to States having State plans approved under section 1602.

"STATE PLANS FOR FINANCIAL ASSISTANCE AND SERVICES TO THE AGED, BLIND, AND DISABLED

"SEC. 1602. (a) A State plan for aid to the aged, blind, and disabled must—

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

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

"(3) provide for the training and effective use of social service personnel in the administration of the plan, for the furnishing of technical assistance to units of State government and of po-

litical subdivisions which are furnishing financial assistance or services to the aged, blind, and disabled, and for the development through research or demonstration projects of new or improved methods of furnishing assistance or services to the aged, blind, and disabled;

"(4) provide for the training and effective use of paid subprofessional staff (with particular emphasis on the full-time or part-time employment of recipients and other persons of low-income as community service aides) in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency;

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

"(6) provide for the use of a simplified statement, conforming to standards prescribed by the Secretary, to establish eligibility, and for adequate and effective methods of verification of eligibility of applicants and recipients through the use, in accordance with regulations prescribed by the Secretary, of sampling and other scientific techniques;

"(7) provide that, except to the extent permitted by the Secretary with respect to services, the State plan shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

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

"(9) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in the diseases of the eye or by an optometrist, whichever the individual may select;

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

"(11) provide for periodic evaluation of the operations of the State plan, not less often than annually, in accordance with standards prescribed by the Secretary, and the furnishing of annual reports of such evaluations to the Secretary together with any necessary modifications of the State plan resulting from such evaluations;

"(12) 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;

"(13) provide safeguards which restrict the use of disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the plan (consistent with section 618 of the Revenue Act of 1951);

"(14) provide, if the plan includes aid to or on behalf of individuals in private or public institutions, for the establish-

ment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions;

"(15) provide a description of the services which the State makes available to applicants for or recipients of aid under the plan to help them attain self-support or self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of all available services that are similar or related;

"(16) provide for periodic evaluation of the operation of the plan by persons interested in or expert in matters related to assistance and services to the aged, blind, and disabled, including persons who are recipients of aid to the aged, blind, and disabled; and

"(17) assure that, in administering the State plan and providing services thereunder, the State will observe priorities established by the Secretary and comply with such performance standards as the Secretary may, from time to time, establish.

Notwithstanding paragraph (1), if on January 1, 1962, and on the date on which a State submits (or submitted) its plan for approval under this title, the State agency which administered or supervised the administration of the plan of such State approval under title X was different from the State agency which administered or supervised the administration of the plan of such State approved under title I and the State agency which administered or supervised the administration of the plan of such State approved under title XIV, then the State agency which administered or supervised the administration of such plan approved under title X may be designated to administer or supervise the administration of the portion of the State plan for aid to the aged, blind, and disabled which relates to blind individuals and a separate State agency may be established or designated to administer or supervise the administration of the rest of such plan; and in such case the part of the plan which each such agency administers, or the administration of which each such agency supervises, shall be regarded as a separate plan for purposes of this title.

"(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a) and in section 1603, except that he shall not approve any plan which imposes, as a condition of eligibility for aid under the plan—

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

"(2) any residency requirement which excludes any individual who resides in the State;

"(3) any citizen requirement which excludes any citizen of the United States;

"(4) any disability or age requirement which excludes any persons under a severe disability, as determined in accordance with criteria prescribed by the Secretary, who are eighteen years of age or older; or

"(5) any blindness or age requirement which excludes any persons who are blind as determined in accordance with criteria prescribed by the Secretary.

In the case of any State to which the provisions of section 344 of the Social Security Act Amendments of 1950 were applicable on Janu-

ary 1, 1962, and to which the sentence of section 1002(b) following paragraph (2) thereof is applicable on the date on which its State plan was or is submitted for approval under this title, the Secretary shall approve the plan of such State for aid to the aged, blind, and disabled for purposes of this title, even though it does not meet the requirements of section 1603(a) if it meets all other requirements of this title for an approved plan for aid to the aged, blind, and disabled; but payments to the State under this title shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of this title under a plan approved under this section without regard to the provisions of this sentence.

"DETERMINATION OF NEED

"SEC. 1603. (a) A State plan must provide that, in determining the need for aid under the plan, the State agency shall take into consideration any other income or resources of the individual claiming such aid as well as any expenses reasonably attributable to the earning of any such income; except that, in making such determination with respect to any individual—

"(1) the State agency shall not consider as resources (A) the home, household goods, and personal effects of the individual, (B) other personal or real property, the total value of which does not exceed $1,500, or (C) other property which as determined in accordance with and subject to limitations in regulations of the Secretary, is so essential to the family's means of self-support as to warrant its exclusion, but shall apply the provisions of section 442(e) and regulations thereunder;

"(2) the State agency shall not consider the financial responsibility of any individual for any applicant or recipient unless the applicant or recipient is the individual's spouse, or the individual's child who is under the age of 21 or is blind or severely disabled;

"(3) if such individual is blind, the State agency (A) shall disregard the first $85 per month of earned income plus one-half of earned income in excess of $85 per month, and (B) shall, for a period not in excess of twelve months, and may, for a period not in excess of thirty-six months, disregard such additional amounts of other income and resources, in the case of any such individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of such plan;

"(4) if the individual is not blind but is severely disabled, the State agency may disregard (A) not more than the first $20 of the first $80 per month of earned income plus one-half of the remainder thereof and (B) such additional amounts of other income and resources, for a period not in excess of thirty-six months, in the case of any such individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of the plan, but only with respect to the part or parts of such period during substantially all of which he is undergoing vocational rehabilitation:

"(5) if such individual has attained age 65 and is neither blind nor severely disabled, the State agency may disregard not more

than the first $20 of the first $80 per month of earned income plus one-half of the remainder thereof.

"(b) A State plan must also provide that—

"(1) each eligible individual, other than one who is a patient in a medical institution or is receiving institutional services in an intermediate care facility to which section 1121 applies, shall receive financial assistance in such amount as, when added to his income which is not disregarded pursuant to subsection (a), will provide a minimum of $90 per month.

"(2) the standard of need applied for determining eligibility for an amount of aid for the aged, blind, and disabled shall not be lower than (A) the standard applied for this purpose under the State plan (approved under this title) as in effect on the date of enactment of part D of title IV of this Act, or (B) if there was no such plan in effect for such State on such date, the standard of need which was applicable under

"(i) the State plan which was in effect on such date and was approved under title I, in the case of any individual who is 65 years of age or older,

"(ii) the State plan in effect on such date and approved under title X, in the case of an individual who is blind, or

"(iii) the State plan in effect on such date and approved under title XIV, in the case of an individual who is severely disabled,

except that if 2 or more of clauses (i), (ii), and (iii) are applicable to an individual, the standard of need applied with respect to such individual may not be lower than the higher (or highest) of the standards under the applicable plans, and except that if none of such clauses is applicable to individuals, the standard of need applied with respect to such individual may not be lower than higher of the standards under the State plans approved under title I, X, or XIV, which was in effect on such date, and

"(3) no aid will be furnished to any individual under the State plan for any period with respect to which he is considered a member of a family receiving family assistance benefits under part D of title IV or training allowances under part C thereof for purposes of determining the amount of such benefits or allowances (but this paragraph shall not prevent payments with respect to other members of his family pursuant to title IV of this Act).

"(4) no lien will be imposed against the property of any individual or his estate on account of aid paid to him under the plan (except pursuant to the judgement of a court on account of benefits incorrectly paid to such individual), and that there will be no adjustment or any recovery of aid correctly paid to him under the plan.

"(c) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 464.

"PAYMENTS TO STATES FOR AID TO THE AGED, BLIND, AND DISABLED

"SEC. 1604. From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under this title, for each calendar quarter, an amount equal to the sum of the following

proportions of the total amounts expended during each month of such quarter as aid to the aged, blind, and disabled under the State plan—

"(1) 100 per centum of such expenditures, not counting so much of any expenditures as exceeds the product of $50 multiplied by the total number of recipients of such aid for such month; plus

"(2) 50 per centum of the amount by which such expenditures exceed the maximum which may be counted under paragraph (1), not counting so much of any expenditures with respect to such month as exceeds the product of $65 multiplied by the total number of recipients of such aid for such month; plus

"(3) 25 per centum of the amount by which such expenditures exceed the maximum which may be counted under paragraph (2), not counting so much of any expenditures with respect to such month as exceeds the product of the amount which, as determined by the Secretary, is the maximum permissible level of assistance per person in which the Federal Government will participate financially, multiplied by the total number of recipients of such aid for such month.

In the case of any individual in Puerto Rico, the Virgin Islands, or Guam, the maximum permissible level of assistance under paragraph (3) may be lower than in the case of individuals in the other States. See also, section 464 for other special provisions applicable to Puerto Rico, the Virgin Islands, and Guam.

"ALTERNATE PROVISION FOR DIRECT FEDERAL PAYMENTS TO INDIVIDUALS

"SEC. 1605. The Secretary may enter into an agreement with a State under which he will, on behalf of the State, pay aid to the aged, blind, and disabled directly to individuals in the State under the State's plan approved under this title and perform such other functions of the State in connection with such payments as may be agreed upon. In such case payments shall not be made as provided in section 1604 and the agreement shall also provide for payment to the Secretary by the State of its share of such aid, together with one-half of the additional cost to the Secretary involved in carrying out the agreement, other than the cost of making the payments.

"OVERPAYMENTS AND UNDERPAYMENTS

"SEC. 1606. Whenever the Secretary finds that more or less than the correct amount of payment has been made to any person as a direct Federal payment pursuant to section 1605, proper adjustment or recovery shall, subject to the succeeding provisions of this section, be made by appropriate adjustments in future payments of the overpaid individual or by recovery from him or his estate or payment to him. The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with a view to avoiding penalizing individuals who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this title, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration.

"OPERATION OF STATE PLANS

"SEC. 1607. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this title, finds—

"(1) that the plan no longer complies with the provisions of sections 1602 or 1603; or

"(2) that in the administration of the plan there is a failure to comply substantially with any such provision;

the Secretary shall notify such State agency that all, or such portion as he deems appropriate, of any further payments will not be made to the State or individuals within the State under this title (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure), until the Secretary is satisfied that there will no longer be any such failure to comply. Until he is so satisfied he shall make no such further payments to the State or individuals in the State under this title (or shall limit payments to categories under or parts of the State plan not affected by such failure).

"PAYMENTS TO STATES FOR SERVICES AND ADMINISTRATION

"SEC. 1608. (a) If the State plan of a State approved under section 1602 provides that the State agency will make available to applicants for or recipients of aid to the aged, blind, and disabled under the State plan at least those services to help them attain or retain capability for self-support or self-care which are prescribed by the Secretary, such State shall qualify for payments for services under subsection (b) of this section.

"(b) In the case of any State whose State plan approved under section 1602 meets the requirements of subsection (a), the Secretary shall pay to the State from the sums appropriated therefor an amount equal to the sum of the following proportions of the total amounts expended during each quarter, as found necessary by the Secretary for the proper and efficient administration of the State plan—

"(1) 75 per centum of so much of such expenditures as are for—

"(A) services which are prescribed pursuant to subsection (a) and are provided (in accordance with subsection (c)) to applicants for or recipients of aid under the plan to help them attain or retain capability for self-support or self-care, or

"(B) other services, specified by the Secretary as likely to prevent or reduce dependency, so provided to the applicants or recipients of aid, or

"(C) any of the services prescribed pursuant to subsection (a), and any of the services specified in subparagraph (B) of this paragraph, which the Secretary may specify as appropriate for individuals who, within such period or periods as the Secretary may prescribe, have been or are likely to become applicants for or recipients of aid under the plan, if such services are requested by the individuals and are provided to them in accordance wtih subsection (c), or

"(D) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

"(2) one-half of so much of such expenditures (not included under paragraph (1)) as are for services provided (in accordance with subsection (c)) to applicants for or recipients of aid under the plan, and to individuals requesting such services who (within such period or periods as the Secretary may prescribe) have been or are likely to become applicants for or recipients of such aid; plus

"(3) one-half of the remainder of such expenditures.

"(c) The services referred to in paragraphs (1) and (2) of subsection (b) shall, except to the extent specified by the Secretary, include only—

"(1) services provided by the staff of the State agency, or the local agency administering the State plan in the political subdivision (but no funds authorized under this title shall be available for services defined as vocational rehabilitation services under the Vocational Rehabilitation Act (A) which are available to individuals in need of them under programs for their rehabilitation carried on under a State plan approved under that Act, or (B) which the State agency or agencies administering or supervising the administration of the State plan approved under that Act are able and willing to provide if reimbursed for the cost thereof pursuant to agreement under paragraph (2), if provided by such staff), and

"(2) subject to limitations prescribed by the Secretary, services which in the judgment of the State agency cannot be as economically or as effectively provided by the staff of that State or local agency and are not otherwise reasonably available to individuals in need of them, and which are provided, pursuant to agreement with the State agency, by the State health authority or the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act or by any other State agency which the Secretary may determine to be appropriate (whether provided by its staff or by contract with public (local) or nonprofit private agencies).

Services described in clause (B) of paragraph (1) may be provided only pursuant to agreement with the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act.

"(d) The portion of the amount expended for administration of the State plan to which paragraph (1) of subsection (b) applies and the portion thereof to which paragraphs (2) and (3) of subsection (b) apply shall be determined in accordance with such methods and procedures as may be permitted by the Secretary.

"(e) In the case of any State whose plan approved under section 1602 does not meet the requirements of subsection (a) of this section, there shall be paid to the State, in lieu of the amount provided for under subsection (b), an amount equal to one-half the total of the sums expended during each quarter as found necessary by the Secre-

tary for the proper and efficient administration of the State plan, including services referred to in subsections (b) and (c) and provided in accordance with the provisions of those subsections.

"(f) In the case of any State whose State plan included a provision meeting the requirements of subsection (a), but with respect to which the Secretary finds, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the plan, that—

"(1) the provision no longer complies with the requirements of subsection (a), or

"(2) in the administration of the plan there is a failure to comply substantially with such provision,

the Secretary shall notify the State agency that all, or such portion as he deems appropriate, of any further payments will not be made to the State under subsection (b) until he is satisfied that there will no longer be any such failure to comply. Until the Secretary is so satisfied, no such further payments with respect to the administration of and services under the State plan shall be made, subject to the other provisions of this title, under subsection (e) instead of subsection (b).

"COMPUTATION OF PAYMENTS TO STATES

"SEC. 1609. (a)(1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsections 1604 and 1608 for that quarter, such estimates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in that quarter in accordance with the provisions of sections 1604 and 1608, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in that quarter, and, if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such other investigation as the Secretary may find necessary.

"(2) The Secretary shall then pay in such installments as he may determine, the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to the State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

"(b) The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered during any quarter by a State or political subdivision thereof with respect to aid furnished under the State plan, but excluding any amount of such aid recovered from the estate of a deceased recipient which is not in excess of the amount expended by the State or any political subdivision thereof for the funeral expenses of the deceased, shall be considered an overpayment to be adjusted under subsection (a)(2).

"(c) Upon the making of any estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.

"DEFINITION

"SEC. 1610. For purposes of this title, the term 'aid to the aged, blind, and disabled' means money payments to needy individuals who are 65 years of age or older, are blind, or are severely disabled, but such term does not include—

"(1) any such payments to any individual who is an inmate of a public institution (except as a patient in a medical institution); or

"(2) any such payments to any individual who has not attained 65 years of age and who is a patient in an institution for tuberculosis or mental diseases.

Such term also includes payments which are not included within the meaning of such term under the preceding sentence, but which would be so included except that they are made on behalf of such a needy individual to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such needy individual, but only with respect to a State whose State plan approved under section 1602 includes provision for—

"(A) determination by the State agency that the needy individual has, by reason of his physical or mental condition, such inability to manage funds that making payments to him would be contrary to his welfare and, therefore, it is necessary to provide such aid through payments described in this sentence;

(B) making such payments only in cases in which the payment will, under the rules otherwise applicable under the State plan for determining need and the amount of aid to the aged, blind, and disabled to be paid (and in conjunction with other income and resources), meet all the need of the individuals with respect to whom such payments are made;

"(C) undertaking and continuing special efforts to protect the welfare of such individuals and to improve, to the extent possible, his capacity of self-care and to manage funds;

"(D) periodic review by the State agency of the determination under clause (A) to ascertain whether conditions justifying such determination still exist, with provision for termination of the payments if they do not and for seeking judicial appointment of a guardian, or other legal representative, as described in section 1111, if and when it appears that such action will best serve the interests of the needy individual; and

"(E) opportunity for a fair hearing before the State agency on the determination referred to in clause (A) for any individual with respect to whom it is made.

Whether an individual is blind or severely disabled, shall be determined for purposes of this title in accordance with criteria prescribed by the Secretary."

REPEAL OF TITLES I, X, AND XIV OF THE SOCIAL SECURITY ACT

SEC. 202. Titles I, X, and XIV of the Social Security Act (42 U.S.C. 301, et seq., 1201, et seq., 1351, et seq.) are hereby repealed.

TRANSITION PROVISION RELATING TO OVERPAYMENTS AND UNDERPAYMENTS

SEC. 203. In the case of any State which has a State plan approved under title I, X, XIV, or XVI of the Social Security Act as in effect prior to the enactment of this section, any overpayment or underpayment which the Secretary determines was made to such State under section 3, 1003, 1403, or 1603 of such Act with respect to a period before the approval of a plan under title XVI as amended by this Act, and with respect to which adjustment has not already been made under subsection (b) of such section 3, 1003, 1403, or 1603, shall, for purposes of section 1609(a) of such Act as herein amended be considered an overpayment or underpayment (as the case may be) made under title XVI of such Act as herein amended.

TRANSITION PROVISION RELATING TO DEFINITIONS OF BLINDNESS AND DISABILITY

SEC. 204. In the case of any State which has in operation a plan of aid to the blind under title X, aid to the permanently and totally disabled under title XIV, or aid to the aged, blind, or disabled under title XVI, of the Social Security Act as in effect prior to the enactment of this Act, the State plan of such State submitted under title XVI of such Act as amended by this Act shall not be denied approval thereunder, with respect to the period ending with the first July 1 which follows the close of the first regular session of the legislature of such State which begins after the enactment of this Act, by reason of its failure to include therein a test of disability or blindness different from that included in the State's plan (approved under such title X, XIV, or XVI of such Act) as in effect on the date of the enactment of this Act.

TITLE III—MISCELLANEOUS CONFORMING AMENDMENTS

SEC. 301. Section 228(d)(1) of the Social Security Act is amended by striking out "I, X, XIV, or" and by striking out "part A" and inserting in lieu thereof "receives payments with respect to such month pursuant to part D or E".

SEC. 302. Title XI of the Social Security Act is amended as follows:

(1) in section 1101(a)(1) by striking out "I,", "X,", and "XIV,";

(2) in section 1106(c)(1)(A) by striking out "I, X, XIV,";

(3) in section 1108 by striking out "I, X, XIV, and XVI" and inserting in lieu thereof "XVI" in subsection (a) and by striking out "section 402(a)(19)" and inserting in lieu thereof "part A of title IV" in subsection (b);

(4) by amending section 1109 to read as follows:

"SEC. 1109. Any amount which is disregarded (or set aside for future needs) in determining the eligibility for and amount of aid or assistance for any individual under a State plan approved under title XVI or XIX, or eligibility for and amount of payments pursuant to part D or E of title IV, shall not be taken into consideration in determining the eligibility for and amount of such aid, assistance, or

payments for any other individual under such other State plan or such part D or E.";

(5) in section 1111 by striking out "I, X, XIV, and" and by striking out "part A" and inserting in lieu thereof "parts D and E";

(6) in section 1115 by striking out "I, X, XIV," and by striking out "part A" and inserting in lieu thereof "parts A and E" in so much thereof as precedes clause (a), by striking out "of section 2, 402, 1002, 1402," and inserting in lieu thereof "of or pursuant to section 402, 452," in clause (a) thereof, and by striking out "3, 403, 1003, 1403, 1603," and inserting in lieu thereof "403, 453, 1604, 1608," in clause (b) thereof;

(7) in section 1116 by striking out "I, X, XIV," in subsections (a)(1), (b), and (d), and by striking out "4, 404, 1004, 1404, 1604," in subsection (a)(3) and inserting in lieu thereof "404, 1607, 1608,";

(8) by repealing section 1118;

(9) in section 1119 by striking out "I, X, XIV," and by striking out "part A" and inserting in lieu thereof "services under a State plan approved under part A", and by striking out "3(a), 403(a), 1003(a), 1403(a), or 1603(a)" and inserting in lieu thereof "403(a) or 1604"; and

(10) in section 1121(a) by striking out "a plan for old-age assistance, approved under title I, a plan for aid to the blind, approved under title X, a plan for aid to the permanently and totally disabled, approved under title XIV, or a plan for aid to the aged, blind, or disabled" and inserting in lieu thereof "a plan for aid to the aged, blind, and disabled", and by inserting "(other than a public nonmedical facility)" after "intermediate care facilities" the first time it appears therein.

SEC. 303. Title XVIII of the Social Security Act is amended as follows:

(1) in section 1843(b) by striking out "title I or" in paragraph (1), by striking out "all of the plans" in paragraph (2) and substituting in lieu thereof "the plan", and by striking out "titles I, X, XIV, and XVI, and part A" in paragraph (2) and inserting in lieu thereof "title XVI and under part E";

(2) in section 1843(f) by striking out "title I, X, XIV, or XVI or part A" both times it appears and inserting in lieu thereof "title XVI and under part E", and by striking out "title I, XVI, or XIX" and inserting in lieu thereof "title XVI or XIX"; and

(3) in section 1863 by striking out "I, XVI", and inserting in lieu thereof "XVI".

SEC. 304. Title XIX of the Social Security Act is amended as follows:

(1) in clause (1) of the first sentence of section 1901 by striking out "families with dependent children" and "permanently and totally" and inserting in lieu thereof, respectively, "needy families with children" and "severely";

(2) in section 1902(a)(5) by striking out "I or";

(3) in section 1902(a)(10) by amending so much thereof as precedes clause (A) to read:

"(10) provide for making medical assistance available to all individuals receiving assistance to needy families with children as defined in section 406(b), receiving payments under an agreement pursuant to part E of title IV, or receiving aid to the aged, blind, and disabled under a State plan approved under title XVI; and—"

and by amending clauses (A) and (B) by inserting "or payments under such part E" after "such plan" each time it appears therein;

(4) by amending section 1902(a)(13)(B) to read:

"(B) in the case of individuals receiving assistance to needy falimies with children as defined in section 406(b), receiving payments under an agreement pursuant to part E of title IV, or receiving aid to the aged, blind, and disabled under a State plan approved under title XVI, for the inclusion of at least the care and services listed in clauses (1) through (5) of section 1905(a), and";

(5) in section 1902(a)(14)(A) by striking out "aid or assistance under State plans approved under title I, X, XIV, XVI, and part A of title IV," and inserting in lieu thereof "assistance to needy families with children as defined in section 406(b), receiving payments under an agreement pursuant to part E of title IV, or receiving aid to the aged, blind, and disabled under a State plan approved under title XVI,";

(6) in section 1902(a)(17) by striking out in so much thereof as precedes clause (A) "aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV," and inserting in lieu thereof "assistance to needy families with children as defined in section 406(b), payments under an agreement pursuant to part E of title IV, or aid under a State plan approved under title XVI," by striking out in clause (B) thereof "aid or assistance in the form of money payments under a State plan approved under title I, X, XIV, or XVI, or part A of title IV" and inserting in lieu thereof "assistance to needy families with children as defined in section 406(b), payments under an agreement pursuant to part E of title IV, or aid to the aged, blind, and disabled under a State plan approved under title XVI", and by striking out in such clause (B) "and or assistance under such plan" and inserting in lieu thereof "assistance, and, or payments";

(7) in section 1902(a)(20)(C) by striking out "section 3(a)(4)(A)(i) and (ii) or section 1603(a)(4)(A)(i) and (ii)" and inserting in lieu thereof "section 1608(b)(1)(A) and (B)";

(8) in the last sentence of section 1902(a) by striking out "title X (or title XVI, insofar as it relates to the blind) was different from the State agency which administered or supervised the administration of the State plan approved under title I (or title XVI, insofar as it relates to the aged), the State agency which administered or supervised the administration of such plan approved under title X (or title XVI, insofar as it relates to the blind)" and inserting in lieu thereof, "title XVI, insofar as it relates to the blind, was different from the agency which administered or supervised the administration of such plan insofar as it relates to the aged, the agency which administered or supervised the administration of the plan insofar as it relates to the blind";

(9) in section 1902(b)(2) by striking out "section 406(a)(2)" and inserting in lieu thereof "section 406(b)";

(10) in section 1902(c) by striking out "I, X, XIV, or XVI, or part A" and inserting in lieu thereof "XVI or under an agreement under part E";

(11) in section 1903(a)(1) by striking out "I, X, XIV, or XVI, or part A" and inserting in lieu thereof "XVI or under an agreement under part E";

(12) by repealing subsection (c) of section 1903;

(13) in section 1903(f)(1)(B)(i) by striking out "highest amount which would ordinarily be paid to a family of the same size without any income or resources, in the form of money payments, under the plan of the State approved under part A of title IV of this Act" and inserting in lieu thereof, "highest total amount which would ordinarily be paid under parts D and E of title IV to a family of the same size without income or resources, eligible in that State for money payments under part E of title IV of this Act";

(14) in section 1903(f)(3) by striking out "the 'highest amount which would ordinarily be paid' to such family under the State's plan approved under part A of title IV of this Act" and inserting in lieu thereof "the 'highest total amount which would ordinarily be paid' to such family";

(15) in section 1903(f)(4)(A) by striking out "I, X, XIV, or XVI, of part A" and inserting in lieu thereof "XVI or under an agreement under part E"; and

(16) by amending section 1905(a)—

(A) by striking out "aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV who are—" in so much thereof as precedes clause (i) and inserting in lieu thereof "payments under part E of title IV or aid under a State plan approved under title XVI, who are—",

(B) by amending clause (ii) to read: "(ii) receiving assistance to needy families with children as defined in section 406(b), or payments pursuant to an agreement under part E of title IV,",

(C) by amending clause (v) to read: "(v) severely disabled as defined by the Secretary in accordance with section 1602(b)(4)," and

(D) by striking out "or assistance" and "I, X, XIV, or" in clause (vi) and in the second sentence of such section 1905(a).

TITLE IV—GENERAL

EFFECTIVE DATE

SEC. 401. The amendments and repeals made by the preceding provisions shall become effective, and section 9 of the Act of April 19, 1950 (25 U.S.C. 639) is repealed effective, on the first January 1 following the fiscal year in which this Act is enacted; except that—

(1) in the case of any State a statute of which prevents it from making the supplementary payments provided for in part E of

title IV of the Social Security Act, as amended by this Act, the amendments made by this Act and such repeal shall not apply with respect to individuals in such State until (if later than the date referred to above) the first July 1 which follows the close of the first regular session of the legislature of such State which begins after the enactment of this Act or until (if earlier than July 1) the first calendar quarter following the date on which the State certifies it is no longer so prevented from making such payments; and

(2) in the case of any State a statute of which prevents it from complying with the requirements of section 1602 of the Social Security Act, as amended by this Act, the amendments made by title II of this Act shall not apply until (if later than the January 1 referred to above) the first July 1 which follows the close of the first regular session of the legislature of such State which begins after the enactment of this Act or on the earlier date on which such State submits a plan meeting such requirements of section 1602;

and except that section 437 of the Social Security Act, as amended by this Act, shall be effective upon enactment of this Act.

MEANING OF SECRETARY AND FISCAL YEAR

SEC. 402. As used in this Act and in the amendments made by this Act, the term "Secretary" means, unless the context otherwise requires and except in part C of title IV of the Social Security Act, the Secretary of Health, Education, and Welfare; and the term "fiscal year" means a period beginning with any July 1 and ending with the close of the following June 30.

THE PRESIDENT'S MESSAGE ON WELFARE REFORM

THE WHITE HOUSE.

To the Congress of the United States:

A measure of the greatness of a powerful nation is the character of the life it creates for those who are powerless to make ends meet.

If we do not find the way to become a working nation that properly cares for the dependent, we shall become a welfare state that undermines the incentive of the working man.

The present welfare system has failed us—it has fostered family breakup, has provided very little help in many States and has even deepened dependency by all too often making it more attractive to go on welfare than to go to work.

I propose a new approach that will make it more attractive to go to work than to go on welfare, and will establish a nationwide minimum payment to dependent families with children.

I propose that the Federal Government pay a basic income to those American families who cannot care for themselves in whichever State they live.

I propose that dependent families receiving such income be given good reason to go to work *by making the first $60 a month they earn completely their own, with no deductions from their benefits.*

I propose that we *make available an addition to the incomes of the "working poor,"* to encourage them to go on working and to eliminate the posssibility of making more from welfare than from wages.

I propose that these payments be made upon certification of income. with demeaning and costly investigations replaced by simplified reviews and spot checks and with *no eligibility requirement that the household be without a father.* That present requirement in many States has the effect of breaking up families and contributes to delinquency and violence.

I propose that all employable persons who choose to accept these payments be required to register for work or job training and *be required to accept that work or training*, provided suitable jobs are available either locally or if transportation is provided. Adequate and convenient day care would be provided children wherever necessary to enable a parent to train or work. The only exception to this work requirement would be mothers of preschool children.

I propose *a major expansion of job training and day care facilities*, so that current welfare recipients able to work can be set on the road to self-reliance.

I propose that we also *provide uniform Federal payment minimums for the present three categories of welfare aid to adults*—the aged, the blind, and the disabled.

This would be total welfare reform—the transformation of a system frozen in failure and frustration into a system that would work and would encourage people to work.

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Accordingly, we have stopped considering human welfare in isolation. The new plan is part of an overall approach which includes a comprehensive new Manpower Training Act, and a plan for a system of revenue sharing with the States to help provide all of them with necessary budget relief. Messages on manpower training and revenue sharing will follow this message tomorrow and the next day, and the three should be considered as parts of a whole approach to what is clearly a national problem.

Need for new departures

A welfare system is a success when it takes care of people who cannot take care of themselves and when it helps employable people climb toward independence.

A welfare system is a failure when it takes care of those who *can* take care of themselves, when it drastically varies payments in different areas, when it breaks up families, when it perpetuates a vicious cycle of dependency, when it strips human beings of their dignity.

America's welfare system is a failure that grows worse every day.

First, it fails the recipient: In many areas, benefits are so low that we have hardly begun to take care of the dependent. And there has been no light at the end of poverty's tunnel. After 4 years of inflation, the poor have generally become poorer.

Second, it fails the taxpayer: Since 1960, welfare costs have doubled and the number on the rolls has risen from 5.8 million to over 9 million, all in a time when unemployment was low. The taxpayer is entitled to expect government to devise a system that will help people lift themselves out of poverty.

Finally, it fails American society: By breaking up homes, the present welfare system has added to social unrest and robbed millions of children of the joy of childhood; by widely varying payments among regions, it has helped to draw millions into the slums of our cities.

The situation has become intolerable. Let us examine the alternatives available:

> We could permit the welfare momentum to continue to gather speed by our inertia; by 1975 this would result in 4 million more Americans on welfare rolls at a cost of close to $11 billion a year, with both recipients and taxpayers shortchanged.
>
> We could tinker with the system as it is, adding to the patchwork of modifications and exceptions. That has been the approach of the past, and it has failed.
>
> We could adopt a "guaranteed minimum income for everyone," which would appear to wipe out poverty overnight. It would also wipe out the basic economic motivation for work, and place an enormous strain on the industrious to pay for the leisure of the lazy.
>
> Or, we could adopt a totally new approach to welfare, designed to assist those left far behind the national norm, and provide all with the motivation to work and a fair share of the opportunity to train.

This administration, after a careful analysis of all the alternatives, is committed to a new departure that will find a solution for the welfare problem. The time for denouncing the old is over; the time for devising the new is now.

Recognizing the practicalities

People usually follow their self-interest.

This stark fact is distressing to many social planners who like to look at problems from the top down. Let us abandon the ivory tower and consider the real world in all we do.

In most States, welfare is provided only when there is no father at home to provide support. If a man's children would be better off on welfare than with the low wage he is able to bring home, wouldn't he be tempted to leave home?

If a person spent a great deal of time and effort to get on the welfare rolls, wouldn't he think twice about risking his eligibility by taking a job that might not last long?

In each case, welfare policy was intended to limit the spread of dependency; in practice, however, the effect has been to increase dependency and remove the incentive to work.

We fully expect people to follow their self-interest in their business dealings; why should we be surprised when people follow their self-interest in their welfare dealings? That is why we propose a plan in which it is in the interest of every employable person to do his fair share of work.

The operation of the new approach

1. *We would assure an income foundation throughout every section of America for all parents who cannot adequately support themselves and their children.* For a family of four with income of $720 or less, this payment would be $1,600 a year; for a family of four with $2,000 income, this payment would supplement that income by $960 a year.

Under the present welfare system, each State provides "Aid to families with dependent children," a program we propose to replace. The Federal Government shares the cost, but each State establishes key eligibility rules and determines how much income support will be provided to poor families. The result has been an uneven and unequal system. The 1969 benefits average for a family of four is $171 a month across the Nation, but individual State averages range from $263 down to $39 a month.

A new Federal minimum of $1,600 a year cannot claim to provide comfort to a family of four, but the present low of $468 a year cannot claim to provide even the basic necessities.

The new system would do away with the inequity of very low benefit levels in some States, and of State-by-State variations in eligibility tests, by establishing a federally financed income floor with a national definition of basic eligibility.

States will continue to carry an important responsiblity. In 30 States the Federal basic payment will be less than the present levels of combined Federal and State payments. These States will be required to maintain the current level of benefits, but in no case will a State be required to spend more than 90 percent of its present welfare cost. The Federal Government will not only provide the "floor," but it will assume 10 percent of the benefits now being paid by the States as their part of welfare costs.

In 20 States, the new payment would exceed the present average benefit payments, in some cases by a wide margin. In 10 of these States, where benefits are lowest and poverty often the most severe, the payments will raise benefit levels substantially. For 5 years, every State

will be required to continue to spend at least half of what they are now spending on welfare, to suplement the Federal base.

For the *typical "welfare family"*—a mother with dependent children and no outside income—the new system would provide a basic national minimum payment. A mother with three small children would be assured an annual income of at least $1,600.

For the family headed by an employed father or working mother, the same basic benefits would be received, but $60 per month of earnings would be "disregarded" in order to make up the costs of working and provide a strong advantage in holding a job. The wage earner could also keep 50 percent of his benefits as his earnings rise above that $60 per month. A family of four, in which the father earns $2,000 in a year, would receive payments of $960, for a total income of $2,960.

For the *aged, the blind, and the disabled*, the present system varies benefit levels from $40 per month for an aged person in one State to $145 per month for the blind in another. The new system would establish a minimum payment of $65 per month for all three of these adult categories, with the Federal Government contributing the first $50 and sharing in payments above that amount. This will raise the share of the financial burden borne by the Federal Government for payments to these adults who cannot support themselves, and should pave the way for benefit increases in many States.

For the *single adult* who is not handicapped or aged, or for the *married couple without children*, the new system would not apply. Food stamps would continue to be available up to $300 per year per person, according to the plan I outlined last May in my message to the Congress on the food and nutrition needs of the population in poverty. For dependent families there will be an orderly substitution of food stamps by the new direct monetary payments.

2. *The new approach would end the blatant unfairness of the welfare system.*

In over half the States, families headed by unemployed men do not qualify for public assistance. In no State does a family headed by a father working full time receive help in the current welfare system, no matter how little he earns. As we have seen, this approach to dependency has itself been a cause of dependency. It results in a policy that tends to force the father out of the house.

The new plan rejects a policy that undermines family life. It would end the substantial financial incentives to desertion. It would extend eligibility to *all* dependent families with children, without regard to whether the family is headed by a man or a woman. The effects of these changes upon human behavior would be an increased will to work, the survival of more marriages, the greater stability of families. We are determined to stop passing the cycle of dependency from generation to generation.

The most glaring inequity in the old welfare system is the exclusion of families who are working to pull themselves out of poverty. Families headed by a nonworker often receive more from welfare than families headed by a husband working full time at very low wages. This has been rightly resented by the working poor, for the rewards are just the opposite of what they should be.

3. *The new plan would create a much stronger incentive to work.*

For people now on the welfare rolls, the present system discourages

the move from welfare to work by cutting benefits too fast and too much as earnings begin. *The new system would encourage work by allowing the new worker to retain the first $720 of his yearly earnings without any benefit reduction.*

For people already working, but at poverty wages, the present system often encourages nothing but resentment and an incentive to quit and go on relief where that would pay more than work. The new plan, on the contrary, would provide a supplement that will help a low-wage worker—struggling to make ends meet—achieve a higher standard of living.

For an employable person who just chooses not to work, neither the present system nor the one we propose would support him, though both would continue to support other dependent members in his family.

However, a welfare mother with preschool children should not face benefit reductions if she decides to stay home. It is not our intent that mothers of preschool children must accept work. Those who can work and desire to do so, however, should have the opportunity for jobs and job training and access to day-care centers for their children; this will enable them to support themselves after their children are grown.

A family with a member who gets a job would be permitted to retain all of the *first $60 monthly income*, amounting to $720 per year for a regular worker, *with no reduction of Federal payments.* The incentive to work in this provision is obvious. But there is another practical reason: Going to work costs money. Expenses such as clothes, transportation, personal care, social security taxes and loss of income from odd jobs amount to substantial costs for the average family. Since a family does not begin to *add* to its net income until it surpasses the cost of working, in fairness this amount should not be subtracted from the new payment.

After the first $720 of income, the *rest* of the earnings will result in a systematic reduction in payments.

I believe the vast majority of poor people in the United States prefer to work rather than have the Government support their families. In 1968, 600,000 families left the welfare rolls out of an average caseload of 1,400,000 during the year, showing a considerable turnover, much of it voluntary.

However, there may be some who fail to seek or accept work, even with the strong incentives and training opportunities that will be provided. It would not be fair to those who willingly work, or to all taxpayers, to allow others to choose idleness when opportunity is available. Thus, they must accept training opportunities and jobs when offered, or give up their right to the new payments for themselves. No ablebodied person will have a "free ride" in a nation that provides opportunity for training and work.

4. *The bridge from welfare to work should be buttressed by training and child care programs.* For many, the incentives to work in this plan would be all that is necessary. However, there are other situations where these incentives need to be supported by measures that will overcome other barriers to employment.

I propose that *funds be provided for expanded training and job development programs* so that an additional 150,000 welfare recipients can become jobworthy during the first year.

Manpower training is a basic bridge to work for poor people, especially people with limited education, low skills and limited job experience. Manpower training programs can provide this bridge for many of our poor. In the new manpower training proposal to be sent to the Congress this week, the interrelationship with this new approach to welfare will be apparent.

I am also requesting authority, as a part of the new system, to provide child care for the 450,000 children of the 150,000 current welfare recipients to be trained.

The child care I propose is more than custodial. This Administration is committed to a new emphasis on child development in the first 5 years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for its health and safety, and would break the poverty cycle for this new generation.

The expanded child care program would bring new opportunities along several lines: opportunities for the further involvement of private enterprise in providing high quality child care service: opportunities for volunteers; and opportunities for *training and employment in child care centers of many of the welfare mothers themselves.*

I am requesting a total of $600 million additional to fund these expanded training programs and child care centers.

5. *The new system will lessen welfare redtape and provide administrative cost savings.* To cut out the costly investigations so bitterly resented as "welfare snooping," the Federal payment will be based upon a certification of income, with spot checks sufficient to prevent abuses. The program will be administered on an automated basis, using the information and technical experience of the Social Security Administration. but, of course. will be entirely separate from the administration of the social security trust fund.

The States would be given the option of having the Federal Government handle the payment of the State supplemental benefits on a reimbursable basis, so that they would be spared their present administrative burdens and so a single check could be sent to the recipient. These simplifications will save money and eliminate indignities; at the same time, welfare fraud will be detected and lawbreakers prosecuted.

6. *This new departure would require a substantial initial investment, but will yield future returns to the Nation.* This transformation of the welfare system will set in motion forces that will lessen dependency rather than perpetuate and enlarge it. A more productive population adds to real economic growth without inflation. The initial investment is needed now to stop the momentum of work to welfare, and to start a new momentum in the opposite direction.

The costs of welfare benefits for families with dependent children have been rising alarmingly the past several years, increasing from $1 billion in 1960 to an estimated $3.3 billion in 1969, of which $1.8 billion is paid by the Federal Government, and $1.5 billion is paid by the States. Based on current population and income data, the proposals I am making today will increase Federal costs during the first year by an estimated $4 billion, which includes $600 million for job training and child care centers.

The startup costs of lifting many people out of dependency will

ultimately cost the taxpayer far less than the chronic costs—in dollars and in national values—of creating a permanent underclass in America.

From welfare to work

Since this administration took office, members of the Urban Affairs Council, including officials of the Department of Health, Education, and Welfare, the Department of Labor, the Office of Economic Opportunity, the Bureau of the Budget, and other key advisers, have been working to develop a coherent, fresh approach to welfare, manpower, training, and revenue sharing.

I have outlined our conclusions about an important component of this approach in this message; the Secretary of HEW will transmit to the Congress the proposed legislation after the summer recess.

I urge the Congress to begin its study of these proposals promptly so that laws can be enacted and funds authorized to begin the new system as soon as possible. Sound budgetary policy must be maintained in order to put this plan into effect—especially the portion supplementing the wages of the working poor.

With the establishment of the new approach, the Office of Economic Opportunity will concentrate on the important task of finding new ways of opening economic opportunity for those who are able to work. Rather than focusing on income support activities, it must find means of providing opportunities for individuals to contribute to the full extent of their capabilities, and of developing and improving those capabilities.

This would be the effect of the transformation of welfare into "workfare," a new work-rewarding system:

For the first time, all dependent families with children in America, regardless of where they live, would be assured of minimum standard payments based upon uniform and single eligibility standards.

For the first time, the more than 2 million families who make up the working poor would be helped toward self-sufficiency and away from future welfare dependency.

For the first time, training and work opportunity with effective incentives would be given millions of families who would otherwise be locked into a welfare system for generations.

For the first time, the Federal Government would make a strong contribution toward relieving the financial burden of welfare payments from State governments.

For the first time, every dependent family in America would be encouraged to stay together, free from economic pressure to split apart.

These are far-reaching effects. They cannot be purchased cheaply, or by piecemeal efforts. This total reform looks in a new direction; it requires new thinking, a new spirit and a fresh dedication to reverse the downhill course of welfare. In its first year, more than half the families participating in the program will have one member working or training.

We have it in our power to raise the standard of living and the realizable hopes of millions of our fellow citizens. By providing an equal chance at the starting line, we can reinforce the traditional American spirit of self-reliance and self-respect.

RICHARD NIXON.

THE WHITE HOUSE.
August 11, 1969

Proposed benefit schedule

APPENDIX

PROPOSED BENEFIT SCHEDULE (EXCLUDING ALL STATE BENEFITS) [1]

Earned income	New benefit	Total income
0	$1,600	$1,600
$500	1,600	2,100
$1,000	1,460	2,460
$1,500	1,210	2,710
$2,000	960	2,960
$2,500	710	3,210
$3,000	460	3,460
$3,500	210	3,710
$4,000	0	4,000

[1] For a 4-person family, with a basic payment standard of $1,600 and an earned income disregard of $720.

BACKGROUND MATERIAL

I. The Present System

A. FAILURES

The present welfare system has been a failure; all indications are that its future will be worse, not better. In the last decade, the costs of aid to families with dependent children (AFDC) have more than tripled. The caseload has more than doubled.

Even more disturbing is the fact that the proportion of persons on AFDC is growing. In the past 15 years the proportion of children receiving assistance has doubled—from 30 children per 1,000 to about 60 per 1,000 at present.

B. INEQUITIES

Serious inequities exist under AFDC between regions of the country, between male- and female-headed families, and between poor people who work to help themselves on the one hand and the welfare poor on the other hand.

Average benefits for a female-headed family of four persons vary from $39 to $263 a month.

Only 24 States provide federally matched assistance to male-headed families, and this is only done where there is an "unemployed father" in the house—one who works no more than 30 hours a week. In no State is there now federally matched assistance for a male-headed family where the father works *full time*.

The present AFDC system encourages dependency. The preferential treatment of female-headed families has led to increased family break-up. In 1940, 30 percent of AFDC families had absent fathers; today it is over 70 percent.

II. The New System

A. COVERAGE

The administration's proposed welfare reform will provide direct Federal payments to *all* families with children with incomes below stipulated amounts.

The principal new group made eligible for cash assistance under the proposal is "working poor" families headed by males employed full time. The administration's proposed system would cover *both* "dependent families," defined as those headed by a female or an unemployed father, and "working poor" families, defined as families headed by a full-time employed male.

B. BENEFIT LEVELS

1. Families with no earnings

The basic Federal benefit for a family of four would be $1,600 per year, $500 per person for the first two family members and $300 for

each family member thereafter. A seven-person family with no earnings would receive $2,500 per year.

2. Families with earnings

Families of four with earnings up to $3,920 per year would be eligible for payments. Families of seven would be eligible up to $5,720. All families would be allowed to "disregard" $60 per month ($720 per year) as work-related expenses—transportation, meals, clothing. Benefits would be reduced by 50 percent as earnings increase above $720 per year.

C. AN EXAMPLE

A family of four with earnings of $2,000 would be entitled to disregard the first $720 in earnings.

Subtracting $720 from $2,000, the remainder is $1,280. Fifty percent of this amount ($640) is subtracted from the family's entitlement for benefits, which is $1,600. The remainder ($960) is added to the family's earnings of $2,000. Its total income, therefore, would be $2,960. (See chart II.)

A family of seven, with $2,000 in income, using the same arithmetic, would be entitled to benefits of $1,860 for a total income of $3,860.

D. STATE SUPPLEMENTAL BENEFITS

In order that present benefit levels not be reduced for families aided under the existing AFDC program, the new system would require the continuation of State benefits equal to the difference between the proposed Federal minimum and a State's present benefit level. All States, however, would receive fiscal relief under the proposed welfare program.

States would not be required to supplement "working poor" families.

E. THE WORK REQUIREMENT

A basic element of the administration's welfare reform program is its emphasis on work, both a strong work requirement and the provision of incentives throughout the system for training and employment. (See chart VI.)

All applicants for benefits who are not working are required to register with the Employment Service.

Employable recipients must accept training or employment or lose their portion of the family's benefit.

F. TRAINING AND DAY CARE

To insure that employable recipients become self-sufficient, the administration's program provides a substantial increase in training opportunities and child care services. Training opportunities will be provided for an additional 150,000 welfare mothers. Child care services will be provided for an additional 450,000 children in families headed by welfare mothers.

G. ADMINISTRATION

Another important feature of the administration's welfare reform program is the national administration of the basic Federal benefit

for families. It is proposed that the administration of the system be assigned to the Social Security Administration in the Department of Health, Education and Welfare. The administration of the new system by the Social Security Administration would be handled entirely separate from its responsibility for the wage-related contributory OASDI programs.

III. Cost of the Program

The estimated cost in the first full year of operation of the proposed welfare reform program is $4 billion. This is additional to present Federal spending for public assistance, estimated at $4.20 billion in fiscal year 1970.

Major cost components of the program are:

	Billion
1. Benefits to families	$2.5
2. Adult minimum standards	.4
3. Training and day care to provide additional work opportunities for cash assistance receipts	.6
3. *Other:* Administration, effects on other programs, fiscal relief to States, and adjustments for lagged income reporting	.5
Total	4.0

A. BENEFITS TO FAMILIES

The estimate above of $2.5 billion in additional spending for benefits to families is based on an inter-agency analysis of data from the OEO Survey of Economic Opportunity. The economic model for deriving this estimate uses data on 14,000 low income families and current research findings.

B. ADULT MINIMUM STANDARD

The administration's welfare reform program also establishes a Federal minimum payment level of $65 per month for the three adult public assistance categories (aid for the blind, the disabled and the aged) and provides for the administrative combination of these programs.

Under this proposal, the Federal Government pays 100 percent of the first $50; 50 percent of the next $15; and 25 percent thereafter. Fiscal relief for State and local governments as a result of this Federal minimum for the adult categories is $400 million.

C. TRAINING AND CHILD CARE

The total cost for training an additional 150,000 welfare mothers and providing child care services for an additional 450,000 children is $623 million.

SUMMARY OF ADDED TRAINING AND CHILD CARE COSTS AND ENROLLMENTS

	Persons served (thousands)	Unit cost	Total cost (millions)
Training	150	$1,110	$165
Incentive payments	150	180	27
Child care	450	858	386
Upgrading	75	600	45
Total			623

IV. Fiscal Relief to State and Local Governments

A. UNDER THE NEW WELFARE PLAN

Under the administration's proposed welfare reform program, all States receive fiscal relief. Each State is required to spend at least 50 percent of the amount spent in the base year for the present public assistance programs. No State, however, is required to spend more than 90 percent of expenditures in the base year for the four categories.

B. REVENUE SHARING

State and local governments are also aided under the administration's proposed revenue sharing program. The first full year effect of revenue sharing is $1 billion. The amount of revenue sharing increases annually in five steps thereafter.

C. COMBINED IMPACT OF WELFARE REFORM PROPOSAL AND REVENUE SHARING

Combining the welfare reform and revenue sharing proposals, $5 billion in new first-year funds is distributed as follows:

	Billion
Cash assistance benefits for the poor	$2.2
Fiscal relief for State and local governments	1.7
Additional training and day care	.6
Other	.5
Total	5.0

The table attached provides State-by-State data on fiscal relief under both the administration's proposed welfare and revenue sharing reforms in their first full year of effect.

TABLE 1.—IMPACT ON STATE AND LOCAL GOVERNMENTS OF WELFARE REFORM AND REVENUE SHARING (FIRST FULL-YEAR EFFECT)

State	Revenue sharing	Fiscal relief under welfare reform	Total	State	Revenue sharing	Fiscal relief under welfare reform	Total
Alabama	16.1	11.9	28.0	Montana	3.9	1.4	5.3
Alaska	1.2	1.0	2.2	Nebraska	6.6	3.4	10.0
Arizona	10.1	3.4	13.5	Nevada	2.5	.9	3.4
Arkansas	9.5	6.2	15.7	New Hampshire	3.1	.9	4.0
California	112.5	179.5	292.0	New Jersey	31.1	25.2	56.3
Colorado	11.6	13.0	24.6	New Mexico	5.7	3.2	8.9
Connecticut	12.8	8.8	21.6	New York	117.1	43.9	161.0
Delaware	2.4	1.6	4.0	North Carolina	24.2	10.4	34.6
District of Columbia	3.4	4.1	7.5	North Dakota	3.5	.4	3.9
Florida	30.8	8.5	39.3	Ohio	41.2	32.0	73.2
Georgia	20.8	12.5	33.3	Oklahoma	12.6	19.3	31.9
Hawaii	4.8	3.3	8.1	Oregon	10.4	6.1	16.5
Idaho	4.0	1.0	5.0	Pennsylvania	53.3	43.2	96.5
Illinois	44.5	49.6	94.1	Rhode Island	4.3	5.2	9.5
Indiana	24.2	5.0	29.2	South Carolina	12.1	2.2	14.3
Iowa	14.6	7.0	21.6	South Dakota	3.9	1.2	5.1
Kansas	12.1	6.6	18.7	Tennessee	18.1	8.6	26.7
Kentucky	14.8	10.6	25.4	Texas	47.4	25.1	72.8
Louisiana	20.3	18.9	39.2	Utah	5.7	2.9	8.6
Maine	5.1	2.0	7.1	Vermont	2.4	1.2	3.6
Maryland	18.1	14.4	32.5	Virginia	20.4	4.7	25.1
Massachusetts	29.6	30.1	59.7	Washington	16.2	13.6	29.8
Michigan	40.8	35.5	76.3	West Virginia	9.0	4.5	13.5
Minnesota	21.5	9.3	37.8	Wisconsin	24.2	12.4	36.6
Mississippi	12.6	.9	13.5	Wyoming	2.1	.9	3.0
Missouri	20.4	18.3	38.7	Total	1,000.0	735.8	1,735.8

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Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 96 October 31, 1969

HEARINGS ON SOCIAL SECURITY, WELFARE REFORM, AND HEALTH COSTS

To Administrative, Supervisory,
and Technical Employees

On Wednesday, October 15, the Committee on Ways and Means began public hearings on H. R. 14080, the "Social Security Amendments of 1969," and H. R. 14173, the "Family Assistance Act of 1969." Secretary Finch gave the opening testimony, which presented the Administration's position on needed improvements in the social security program and on welfare reform. Following the Secretary's testimony, I presented a series of charts explaining the provisions of H. R. 14080. Enclosed is a pamphlet printed by the Committee on Ways and Means which includes the Secretary's statement, the charts that I used in my presentation, and a statement which Secretary of Labor Shultz presented to the Committee on October 16.

Secretary Finch, Miss Mary E. Switzer, Administrator, Social and Rehabilitation Service, and I, together with other officials of the Department of Health, Education, and Welfare and of the Department of Labor, again appeared before the Committee on October 21 to answer additional questions on the proposed legislation. Public witnesses representing organizations interested in the areas covered by the hearings began testifying on October 22. It is expected that the public hearings will continue through November 13.

During his testimony on October 15, Secretary Finch announced that the Administration was forwarding to the Congress that day a proposed bill, the "Health Cost Effectiveness Amendments of 1969." The enclosed summary briefly outlines the specific proposals in this bill which the Committee will also be considering (although it has not been formally introduced by a member of the Congress).

We will keep you informed about important developments in the congressional consideration of the legislative proposals.

Robert M. Ball
Commissioner

Enclosures 2

Summary of Legislative Proposals to Effect Cost Controls under the Medicare, Medicaid, and Maternal and Child Health Programs

Proposal No. 1 would authorize the Secretary to withhold or reduce reimbursement amounts to providers of services under title XVIII for depreciation, interest, equity capital, or other expense related to capital expenditures for plant and equipment in excess of $50,000 that have been specifically disapproved by the State agency established or designated pursuant to section 314(a)(2)(A) of the Public Health Service Act as not being in conformance with the over-all plan of such agency. Providers of services proposing to make such capital expenditures would be required to give at least 60-day prior notice to the State agency. Similar authority would be provided with respect to the Federal share of payments for inpatient hospital care under titles V and XIX of the Social Security Act.

Proposal No. 2 would require providers of services, as a condition of participation under the Medicare program, to have a written plan reflecting an operating budget and a capital expenditures budget. The plan would be expected to contain information outlining the services to be provided in the future, the estimated costs of providing such services (including proposed capital expenditures for replacement of equipment, and modernization and expansion of the plant and equipment), and the proposed methods of financing such costs. It would have to be prepared and reviewed and updated at least annually by a committee appointed by the governing body of the institution and comprised of representatives of the administrative staff and, if any, the medical staff.

Under proposal No. 3, the Secretary, after consultation with the several recognized associations representing hospitals or other providers in a given area, could institute areawide experiments or demonstration projects with hospitals or other providers in that area and could, subject to certain safeguards provided for the hospitals or providers, require the participation of all such hospitals or other providers where no more than 20 percent of such hospitals or other providers would be caused undue hardship. The proposal would also permit the Secretary, through experiments or demonstration projects, to make payment to organizations and institutions for services which are not currently covered under titles V, XVIII, and XIX and which are incidental to services covered under the programs if the inclusion of the additional services would offer the promise of program savings without any loss in the quality of care. The proposal would also authorize the Secretary to experiment with the use of rates established by a State for administration of one or more of its laws for payment or reimbursement to health facilities located in such State. Authority would also be provided under the proposal to experiment with different methods of reimbursement with respect to the services of residents, interns and supervising physicians in teaching settings.

Under proposal No. 4, the Secretary would be given authority to discontinue payments under the Medicare program for services rendered by hospitals, extended care facilities, home health agencies, persons who supply services pursuant to arrangements with these institutions, physicians, and other suppliers of health and medical services found to be guilty of program abuses; e.g., overcharging, furnishing excessive, inferior or harmful services, etc.

Also, there would be no Federal financial participation in any expenditure under the Medicaid and maternal and child health programs by the State with respect to services furnished by a supplier to whom the Secretary would not make Medicare payments under this proposed change.

Proposal No. 5 would authorize the Secretary to limit titles V, XVIII, and XIX reimbursement to a facility's customary charges so that total reimbursement paid under the various programs would not exceed what would have been paid if the facility's customary charges to the general public had been paid. However, where the facility was a public institution which furnished services free of charge or at nominal charges to the public, reimbursement would continue to be determined on the basis of cost.

Under proposal No. 6, payment of hospital insurance benefits for inpatient hospital services and posthospital extended care services would be limited to exclude cases where there had been a finding by a utilization review committee that either admission to the institution or the furnishing of particular professional services (including drugs and biologicals) by the institution was medically unnecessary. A similar limitation would be placed on payment of supplementary medical insurance benefits with respect to medical and other health services furnished on an inpatient basis by a hospital or an extended care facility.

Proposal No. 7 would facilitate recoupment of overpayments by authorizing the Secretary, where appropriate, to determine the amount of the overpayment on the basis of estimates and sampling procedures. The proposal would also make more explicit the Secretary's authority generally to recoup such overpayments by making adjustments in subsequent payments.

91st Congress
1st Session

COMMITTEE PRINT

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN STATEMENTS SUBMITTED BY ADMINISTRATION WITNESSES

APPEARING BEFORE THE

COMMITTEE ON WAYS AND MEANS

AT HEARINGS ON

SOCIAL SECURITY AND WELFARE PROPOSALS

BEGINNING ON OCTOBER 15, 1969

NOTE: These statements have been reproduced so as to make them generally available for the convenience of the interested public. This document is not to be construed as the statement of the Committee on Ways and Means or any Member thereof. This pamphlet does not include any interrogation by the Members of the Committee, and is strictly the unrevised prepared direct statements of the Administration witnesses.

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Statement
by
Robert H. Finch
Secretary of Health, Education, and Welfare
before the
Committee on Ways and Means
U. S. House of Representatives
Wednesday, October 15, 1969, 10 AM

Mr. Chairman and Members of the Committee:

I am pleased to testify before your Committee today. I know of the outstanding performance of this Committee during the past 34 years in connection with social security legislation. And I have had the opportunity to observe the excellent working relationship that exists between the Committee and the Department of Health, Education, and Welfare.

Over the past several months, many of us in the Department of Health, Education, and Welfare have devoted much of our time and efforts to the subject areas covered by the Social Security Act.

My presentation is not a definitive statement on the Social Security Act, but rather is an attempt to deliver an overall view of the Administration's position on necessary reforms.

President Nixon has sent several Messages to the Congress this year recommending amendments to the Social Security Act. The emphasis of these proposals is three-pronged; first and principally on jobs, second on an assured income growing out of social security and unemployment insurance when the worker's income is cut off, and finally on a supporting work-oriented family assistance program. These amendments propose: -- a sweeping and much-needed reform of assistance programs that aid families

with children -- changes in the assistance programs for the needy adults who are old, blind, or disabled -- increased social security cash benefits -- a system for automatically guaranteeing that the purchasing power of social security benefits will be kept up to date with future increases in prices -- broadened protection by social insurance programs -- a restoration of the actuarial balance of the hospital insurance trust fund.

The new Family Assistance Plan recognizes that everyone who can do so should have the opportunity to work and support himself and his family. The program provides for greatly expanded training opportunities, expanded facilities for children of working mothers, and greatly increased work incentives within the design of the assistance program itself.

Registration for work and training is a key part of the new approach, but even more important is the emphasis upon expanded opportunities for the individual. We do not want to continue a situation in which large numbers of people have little choice but to rely solely upon assistance payments for the support of their families. We want rather to develop a system which gives people the opportunity and incentive to become independent and self-supporting.

We believe too, that to the extent possible we should prevent need through social insurance rather than rely upon an assistance program to meet need after it has arisen. The worker should have the opportunity, as he works, to earn protection against the possible loss of his earnings. This is the function of social security and unemployment insurance -- to

give the worker and his family basic security against the loss of earned income arising because of unemployment, disability, old age, or death. Thus, the Administration's proposals in the areas of unemployment insurance and social security are complementary to our recommendations in the welfare area.

Medicare, Medicaid and maternal and child health programs are designed to help meet the medical needs and expenses of older people and those with low incomes and therefore are supplements to our income support program. We are proposing a number of changes in these programs which we feel will be the beginning of the control of rising costs in these programs.

Mr. Chairman, each of these proposals should be understood in context as well as individually. Therefore, I will give an overview of each of the proposals, after which other officials of the Department will present a more indepth analysis of each proposal.

I will first examine the urgently needed Family Assistance Program, then comment on social services, proceed to the social security amendments, and then finish my formal statement with a discussion of rising health costs and the immediate steps we are taking within the Department.

The Family Assistance Act of 1969

Mr. Chairman, I welcome this opportunity to discuss H.R. 14173, the Family Assistance Act of 1969.

This measure is the product of months of intensive study, beginning even before the inauguration with the President's Transition Task Force. After analyzing many proposals offered by recognized experts within and without the Federal Government, we have concluded that a radical reform of the structure of welfare is needed.

We sought, in designing the Family Assistance Plan, to identify and deal directly with the most pressing problems facing public welfare today. While it is a far-reaching and fundamental reform of public welfare, the Family Assistance Plan is a practical and pragmatic program. It is neither a universal income maintenance system, which we cannot afford at the present time, nor a guaranteed annual income, which we feel could undermine an individual's motivation and rewards for work.

This problem solving approach, rather than a theoretical approach, highlighted the following key areas which needed immediate solution and redirection:

1. The gross inequities that existed between categories of persons equally in need under the present welfare system;

2. The gross inequities from State to State;

3. The increasingly complex and controversial management crisis in welfare; and

4. The economic incentives which, in the present system, weigh more in favor of continued dependency and family break-up than the reverse.

The program we support is directed toward helping needy people to help themselves through work incentives and work requirements bolstered by expanded training and day-care opportunities, toward an elimination of the family break-up incentive, and toward the establishment of National minimum payment and eligibility standards. It would do these things in a way that will not further add to State fiscal burdens.

Public Assistance Today

In June 1969, a total of 10.2 million persons received public assistance from Federal, State and local funds. Of these, somewhat less than 800,000 were recipients of general assistance in which the Federal Government played no part. Among the 9.4 million persons receiving aid under Federally aided programs, slightly less than 1/3 were the adult categories--the aged, blind, the disabled--and nearly 6.6 million persons--over 2/3--were recipients under the program of Aid to Families with Dependent Children.

The Adult Categories

In the adult categories the situation is a relatively stable one, with the caseload increasing by about only 3.5 percent in the last year. Slightly over 2 million needy aged persons received assistance in June, an increase of only 17,000 over the preceding year. Their payments averaged $70.55 a month. However, nearly 60 percent of these persons also received social security benefits so that their total incomes were significantly higher than assistance payments alone. Old-Age Assistance

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(OAA) recipients constituted 10.4 percent of the persons in the country over age 65. However, this proportion varied widely. It was 2.7 percent in Connecticut and 40.7 percent in Louisiana.

The caseload of blind recipients has been consistently about 80,000 persons during the past year. The permanently and totally disabled numbered 755,000 in June, an increase of 85,000 over a year ago. Among the blind and disabled, about 20 percent also have social security benefits.

In view of the relatively stable caseloads in the adult programs, we felt that the major problems which they present are very low benefits in some States (less than $39.40 a month under OAA in Mississippi in June 1969, ranging up to $116.25 in New Hampshire) and differences in eligibility requirements among the various States.

We propose to continue as a Federal-State program a combined program for needy, aged, blind, and disabled persons. We propose, however, to establish for the first time a Federal floor--$90 a month--of income and assistance which would be assured to adult recipients in any State. This new Federal floor would act to raise benefits for about 1/3 of the present OAA recipients, or about 670,000 persons, and would push up benefit levels in the 13 lowest payment States, plus the District of Columbia. The $90 floor, when aggregated on a yearly basis for an aged couple, comes to $2160, an amount which is actually slightly above the poverty line of $2100 for an aged couple as that line has recently been redefined for 1968.

We make this proposal for a Federally established income floor for the adult categories in recognition of the fact that neither work incentives nor family stability incentives are the answer to the dependency of these people. We must do what we can through social and rehabilitation services to bolster self-support and self-care capacity among these recipients, but in the last analysis it must be our obligation to move toward an adequate level of income support for the aged, blind and disabled. Adequate income support where it is necessary is one of the measurements of a just and humane civilization.

We further propose to make uniform the definitions of resources, used in determining family eligibility under the program. Certain options for administration of these payments are also opened up to harmonize this system with the Family Assistance Plan, and those options will be discussed later.

In order to make these reforms possible we are proposing a liberalized formula for Federal financial participation under which the Federal Government would provide an average of $50 per month to recipients, half of the next $15, and 1/4 of additional amounts. The formula for Federal participation would, of course, apply only to payments actually made. This would provide substantial fiscal relief to most States.

THE AFDC PROGRAM

Most of the controversy around welfare programs centers around the program called AFDC--Aid to Families with Dependent Children. In this program costs have more than tripled since 1960 to an estimated total of more than 4 billion dollars in this fiscal year. The Federal Government will pay about half of this cost. During the same period, the number of recipients has more than doubled to a present total of more than 6.5 millions.

The rate of growth has been alarming and verging recently on the catastrophic. It took 15 years for AFDC payments to reach the half billion dollar mark, and another ten years to break a billion. But what took from 1935 to 1960 was duplicated in the short period from 1960 to 1967 when another billion dollars was added to payments. And in the next year alone payments soared by a half billion dollars.

Even more disturbing is the fact that the proportion of persons on AFDC is growing. In 1955, 30 children out of each thousand received aid. In June more than 60 children out of each thousand received aid. In studying the program, our estimates indicated that by the fiscal year 1975, costs would again double and numbers of persons increase by another 50-60 percent.

In spite of its growth and its cost, the program is beset by inequities. Children of a parent who has died, is incapacitated, or is absent from the home, are eligible in all States. Those with an unemployed father are eligible in about half the States. Those with a father

employed full-time are not eligible in any State. Thus a premium is placed on a home breaking up and an incentive exists for the breadwinner to leave.

Many fathers work full time but still do not earn as much as is available to families on welfare who may live nearby. The discontent of the working poor is understandable and destructive to the fabric of our society. The exclusion of the working poor is also the central structural defect of the system since it is what creates the family breakup incentive and undermines the rewards of work. This exclusion also has begun to take on ominous and socially polarizing racial overtones, for AFDC recipients--those who are helped--are about 50 percent nonwhite while the working poor--those who are excluded--are 70 percent white.

The State-to-State inequities which I described with respect to the adult programs are magnified in the AFDC program. In June, a recipient in Mississippi averaged $10.20 per month. In New Jersey, recipients got an average of $66.40. In Indiana, 22 children out of each thousand received aid. In New York, 107 children out of each thousand were helped.

In sum, in spite of the size of the effort, AFDC has engendered bitterness and resentment.

The poor who receive it have organized to fight those who administer it.

Many poor who are eligible continue to deprive themselves rather than submit to its indignities.

The middle class, far removed from the need for welfare and the people who receive it, is angry both at the cost in taxes and at the behavior attributed to some welfare recipients.

The large cities resent the flow of poor people from rural areas where welfare benefits are often inhumanely low.

State governments, staggered by the fiscal impact, cry out for relief.

Against this background, we concluded that major structural reform was necessary to correct, insofar as possible, the inequities of the old system. The first priority of the Family Assistance Plan has been to remove, or at least minimize the disincentives and inequities of present welfare policies. It is designed to strengthen family life and to provide strong and effective incentives for employment. This strategy may not pay off immediately, but unless this investment is made now, fundamental reform will be even more expensive in the future.

The Family Assistance Plan also provides some fiscal relief for hard-pressed States and at the same time raises benefit levels for recipients in those areas where they are lowest. But these goals, it must be said, cannot be our first priority at the present time. There are others who would invest more of our available resources in benefit increases or in a federalization of the program designed to provide maximum fiscal relief to the States. These are not easy priorities to weigh and balance, but we have concluded that--while those other approaches might be politically more popular in many respects--they only pour more Federal money into a system doomed to failure. The system must be

changed, not just its payment levels or the division of labor between the Federal and State governments within it.

The Family Assistance Plan

1. Help for the Working Poor

We propose to replace the present AFDC program with a new program, "The Family Assistance Plan," which would provide direct Federal payments to all needy families with children. Unlike the present program of Aid to Families with Dependent Children, the new plan would for the first time provide Federal benefit payments for families headed by full-time male workers as well as for families headed by a mother or an unemployed father. No State today provides assistance under AFDC for a family headed by a father who is working full time--even though the family may be living in poverty. This is the group of some 2 to 3 million families which we call "the working poor." A few States have already undertaken this structural reform on their own initiative by providing help through their general assistance programs to some or all of the working poor.

The Federal benefits would also be provided throughout the Nation to families headed by unemployed fathers. Today such assistance is available in only 25 of 54 jurisdictions. Eligibility of the working poor for assistance and a nationwide program for families headed by an unemployed father are the critical steps toward eliminating the harshest inequities of the present system. Without including the working poor, fundamental improvement of the work and family stability incentives is impossible.

2. The Family Unit

As indicated by the term "family assistance," the new program is based upon the existence of a family unit. The presence of a child in the household is, therefore, the key to eligibility in this proposal. When a family meets income and resources tests, payments under the plan would be made for all members who are related by blood, marriage, or adoption, as long as there is at least one family member who is under age 18, or under 21 if regularly attending school.

3. Treatment of Resources

Under the present public assistance programs, families with substantial resources are not eligible for payments because they could become at least temporarily self-supporting by converting all or part of their resources into cash or income-producing property. This concept and rationale is retained in H.R. 14173. Families with more than $1500 in resources other than their homes, household goods, personal effects, and other property essential to their means of self-support, are not eligible for assistance payments under this proposal.

4. Basic Amount of Payment

The basic yearly Federal payment for an eligible family would be at the rate of $500 a person for the first 2 family members and $300 for each additional member, less whatever nonexcluded income the family has. This would establish a Federal income floor of $1600 per year for a family of four with no other income.

5. Treatment of Income

Generally, assistance benefits would be reduced $1 for each $2 of earned or unearned income that the family has. This kind of offset would provide an incentive for the family to work and increase its earnings. The treatment of unearned income on the same basis as earned income eliminates an important inequity in the present law. Under AFDC, since unearned income is offset dollar for dollar against benefits, while benefits are reduced by 67 cents for a dollar of earned income (after the first $30 per month of earnings which are completely excluded), families with the same incomes are treated very differently in terms of eligibility and amount of benefits depending on the source of their income.

6. Incentives to Work

As an additional work incentive, and to cover the costs of going to work, the first $180 of earnings in a calendar quarter ($720 a year) would be completely excluded or disregarded in determining the amount of payments for a family. An example might be useful at this point—suppose a family of four had earnings of $2000 a year. The family would first be allowed to disregard $720. Then 50 percent of the remaining $1280 of earnings would be disregarded. The family's payment of $1600 would then be reduced by the nondisregarded earnings of $640 (50 percent of $1280), giving the family assistance payment of $960 and—combined with the earnings of $2000—a total income of $2960.

There would not be a reduction in the amount of payments for the value of food stamps and other public assistance or private charity.

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7. Families Helped to Become Self-Sufficient

The new system is designed to fulfill the mandate of the President that government has "no less of an obligation to the working poor than to the nonworking poor; and for the first time, benefits would be scaled in such a way that it would always pay to work."

But the built-in guarantee that people would always be better off by working would be bolstered by strong work requirements in the system itself. Members of families that apply for assistance payments under the plan would be required to register for employment or training with the local public employment office and to accept a training or suitable job opportunity when offered. Failure to register or accept such a job or training opportunity would result in termination of the individual's benefits. All able-bodied adult family members would be subject to these provisions, with certain defined exceptions of which the major ones involve exemptions for mothers with children under six years of age and for other mothers where the father is present in the home as the primary worker.

The rationale for these provisions is well known to this Committee, which initiated similar requirements as part of the 1967 amendments to the Social Security Act. It was well stated in the President's Message to the Congress on August 11:

> "...there may be some who fail to seek or accept work, even with the strong incentives and training opportunities that will be provided. It would not be fair to those who willingly work, or to all taxpayers, to allow others to choose idleness when opportunity is available. Thus, they must accept training opportunities and jobs when offered, or give up their right to the new payments for themselves. No able-bodied person will have a "free ride" in a nation that provides opportunities for training and work."

To make these work incentives and requirements effective, we are seeking a major expansion of our job training, employment and child care programs. Family members referred for training and accepted in a program will receive a monthly training allowance of $30 in addition to their family assistance benefits and supplementary State payments, or the normal manpower training allowance in lieu of these if it is higher. Over $600 million is being requested for these elements, of which $386 million is for the child care component, and we will be joining with the Department of Labor in a new interdepartmental mechanism to make these programs do the job.

8. Child Care

The provisions for child care and supportive services under H.R. 14173 are an essential supporting element in our efforts to make it possible for welfare recipients to obtain training and employment. It is an established fact that inadequate care of the children of a trainee or employee can result in the early withdrawal of that person from the labor market, and the absence of child care can often mean no initial participation. Past experiences in programs sponsored by the Labor Department and the Office of Economic Opportunity have

demonstrated the difficulties of lack of day care. Particularly tragic have been the cases in which women have enthusiastically entered into training programs with day care provided, only to discover that the day care disappears when they are ready to go to work.

Beyond the value of the day care to the working parent there are enormous benefits which accrue to the child who is enrolled in a comprehensive child development program. We now know that the child of poverty needs far more than custodial care if developmental deficits are to be overcome. It is this type of comprehensive child care involving educational, medical, dental, nutritional and follow-up activities, that is contemplated by the President's recommendations.

There could also be substantial benefits to those at the opposite end of the age spectrum, the Nation's elderly. Among our Nation's older population there is a tremendous reservoir of men and women talented in working with children. It has been the experience of the Department of Health, Education, and Welfare, in administering the Foster Grandparents Program and other programs employing the elderly to serve children that increased opportunities for interaction between the elderly and children can not only provide a needed income supplementation for the elderly, but can also have beneficial effects for both age groups.

A family receiving benefits will be eligible for the child care services whenever such care is necessary to permit an adult member to undertake, or continue in training or employment. This care may be provided in the child's own home, in a family day care home or in group day care.

New ground is being broken by the proposal to provide grants directly to State or local public agencies or nonprofit private agencies or organizations, and to contract with public or private agencies or organizations to provide such child care. The need for day care is so great that we believe it will be necessary to use a wide variety of competent organizations.

I believe that this provision opens the door to a wider utilization of resources than we have been able to obtain in the past. It enables the Federal Government to take the direct initiatives to get the program moving and to assure the effectiveness of the training and employment components. The same provision would also enable the Federal Government to contract with businesses, industry, and with labor unions to provide day care services for the children of their employees and members who have been involved in the Family Assistance Program. We have long been seeking ways to expand the participation of these groups in the provision of day care services, because of the obvious benefits to the employer, the employee, and the child.

H.R. 14173 would fund up to 90 percent of the cost of child care projects, and would permit the 10-percent non-Federal share to be provided in the form of services or facilities when approved by the Secretary. Our experience has been that States and local communities have all-too-often been unable to undertake day care projects because of their inability to provide the 25-percent non-Federal, or local share under present law.

In the past, programs have been jeopardized or shelved because the projects in local communities could not afford to finance the alterations, remodeling, or renovation of facilities necessary to meet local licensing standards. H.R. 14173 authorizes funds to be used for these purposes.

The proposal also authorizes the Secretary to require families to pay for all or part of the cost of child care services when there is an ability to do so. However, the Secretary may prescribe regulations which permit the family to deduct all or part of such costs from the earned income which otherwise would reduce the assistance payment.

The President has made a National commitment to the needs of children in the vital first five years of life. H.R. 14173 would help the Nation take considerable strides toward fulfilling this commitment. Calling for an expenditure of $386 million for the first year of operation, 300,000 school-aged children will be able to receive services after school and during the summer months, at an estimated cost of $400 per child. In addition, 150,000 preschool children could receive full-day services, at a cost of $1600 a child. The balance would be applied to research and demonstration projects, to the training of personnel and to alteration or renovations of facilities.

I should like to stress that in all phases of the implementation of this legislation it is our firm and committed intention to work closely with the appropriate State agencies to coordinate all day care efforts under State and local auspices.

State Supplemental Payments

We recognize that the new Federal income floor of $1600 per year for a family of four ($133.33 per month) is not adequate to support needy families without other sources of income. Nevertheless, it represents a substantial improvement in the level of payments now made in eight States, and could be made more adequate when budget conditions permit. To assure the maintenance of present payment levels for families receiving public assistance, States that now provide a level of assistance higher than the proposed Federal floor are required to continue to pay the difference between the Federal floor and what they are now paying. In eight States, the new family assistance payments would exceed the present Federal-State payments under AFDC—in some cases by a wide margin.

The AFDC payment for a family of four is $133 per month or less in the following States as of July 1969:

Alabama	$ 81.00
Arkansas	100.00
Georgia	133.00
Louisiana	119.00
Mississippi	70.00
Missouri	130.00
South Carolina	99.00
Tennessee	129.00

Accordingly, on the average, 42 States will be required to supplement families above the Federal minimum floor. This supplementation is a requirement that States must meet to continue to receive Federal funds to help finance other Federal-State welfare programs, including the adult category programs, maternal and child health and crippled childrens programs, social services, and medicaid. These States will be required to supplement in the case of families eligible under AFDC and AFDC-UF (unemployed father) programs, but they will not be required to supplement the new "working poor" recipients.

Costs of the Program

The estimated new Federal cost for all the proposals included in the Family Assistance Act is $4.4 billion per year. This estimate is based on data for calendar year 1968 and assumes 100 percent program participation by eligible families and persons. The $4.4 billion is the incremental or new cost of the program, and is in addition to the $3.2 billion in Federal funds spent on welfare in 1968.

This figure of $4.4 billion is higher than the $4.0 billion estimate in the President's Message of August 11, largely as a result of the recent decision to treat unearned income like earned income in the "disregard" provision.

The following table shows the cost estimates for each of the Act's major provisions:

Provision	Added Federal Cost (billions)
Family Assistance payments	$3.0
Adult Public Assistance changes	0.4
Federal Payment to States (Part E)	0.1
Training and Day Care	0.6
Administration and Other	0.3
Total	$4.4

Being particularly conscious of the difficulty of producing reliable cost estimates in this field, and mindful of the variations of the actual experience from the projections which have been provided to the Congress

in previous years, we have taken extreme care in arriving at these figures. The methodology used was worked out under the leadership of the Bureau of the Budget in an interagency procedure involving this Department, the Department of Labor, the Office of Economic Opportunity, the Council of Economic Advisers, and the President's Commission on Income Maintenance. The most recent survey data on personal income available to the Federal Government was used.

Nevertheless, we have thought it prudent to request that an entirely independent estimate of the critical item, the family assistance payments costs, be made by the Chief Actuary of the Social Security Administration. That estimate shows a net cost of $3.5 billion for family assistance payments for calendar year 1971, a figure reasonably close to the calendar 1968 figure of $3.0 billion produced by the interagency group. We hope to have that latter figure brought up to date in 1971 terms very shortly and will supply it to the Committee.

In light of this double-checking procedure, and given the difficulty of estimating costs on a new program of this magnitude, we feel reasonably confident in suggesting that the payment costs of the Family Assistance Plan will fall in the range of $3.0 to $3.5 billion in 1971.

Fiscal Relief to State and Local Governments

Under the Administration's proposed welfare reform system, all States would receive some fiscal relief. For each of the first five years after enactment, each State would be required to spend at least

50 percent of the amount that it would have spent under the present public assistance programs if they were continued. No State, however, would be required to spend more than 90 percent of the expenditures it would have incurred in any of these 5 years under existing law. Thus, fiscal relief to an individual State under this "50-90" rule will vary between 10 percent and 50 percent of what they would spend under existing law.

Administration of the Family Assistance Plan

The major job of administering the Family Assistance Plan will be performed by the Social Security Administration of the Department of Health, Education, and Welfare.

The Social Security Administration has developed over the past 34 years an expertise in the delivery of cash payments on a regular basis to millions of Americans. This experience and expertise will be brought to bear on many of the administrative problems in the Family Assistance Plan.

In determining initial and continuing eligibility, initial reliance would be placed upon detailed statements provided by applicants. Recipients of family assistance payments will be required to periodically report changes in income, family composition, and other factors related to eligibility and amount of benefits. The Social Security Administratic will use the regular reports of earnings it receives in the course of

administering the social security program to verify past and present earnings and estimates made in the applicant's declaration of income. In-depth verification will normally be done on a sample basis, but will be used on a wider scale if experience indicates a need to do so.

Major Effects of the Welfare Reforms

By combining powerful work incentives and requirements, by including the working poor, by allowing a family to disregard $60 per month for work expenses, and by requiring that able-bodied adults register for training or employment, the Family Assistance Plan would help families to help themselves. The plan is therefore not an income guarantee, but rather a program of support for those who demonstrate a willingness to help support themselves.

By treating male-headed and female-headed families equally, the Family Assistance Plan would remove a major incentive for a father to leave home so that his family could qualify for welfare. In fact, the Family Assistance Plan provides an incentive for the father to remain at home because his presence increases the amount of the family's total benefit. Also, the provisions creating eligibility for assistance to families headed by a working male should reduce the incentive for employed men to separate from their families.

By establishing a national minimum payment and national eligibility standards the plan would reduce the inequities of the present program. In every State, the Federal payment for a family of four with no income

would be $1600, and when benefits under the President's food stamp proposal are taken into account, the value of the assistance to such a family would be about $2350 per year. In eight States, accounting for about 20 percent of present recipients, family payment levels will be increased. The new income floor will provide the aged couples with an income slightly above the current poverty line.

The Family Assistance Plan, combined with the Manpower Training Act, would provide a simplified and decentralized framework within which expanded training and day care facilities would greatly broaden the opportunities for assistance recipients to become self-sufficient economically productive contributors to our economy. Over 150,000 new training opportunities along with 450,000 quality child-care positions would be funded under this plan.

By providing for a new and separate revenue-sharing program along with the "50-90" rule, the plan would assure the States desperately needed fiscal relief. Furthermore, creation of a Federal program to cover the working poor and prevent their slipping into dependency, the States would be relieved of what might well have been the burden of increases in the welfare costs.

In summary, the Family Assistance Plan will, for the first time, insure minimum standards of payments for families with children, wherever they live. It will establish a new minimum standard of $90 for the aged, blind, and disabled. It will help able-bodied people become self-sufficient. It will provide training and work placement opportunities.

It will provide needed fiscal relief for the States. It will remove the economic incentive in the present welfare system for families to split apart.

We believe this comprehensive plan provides the best vehicle for this Nation to help break the poverty cycle. As the President said in his August 11th message, "We have it in our power to raise the standard of living and realizable hopes of millions of our fellow citizens. By providing an equal chance at the starting line, we can reinforce the traditional American spirit of self-reliance and self-respect."

Social Services

Mr. Chairman the major emphasis in this discussion has been, properly I think, on income maintenance. We are mindful, however, of the need for social and rehabilitation services as an essential corollary to an effective income maintenance program. The complexity of the problem faced by assistance recipients and other low income persons often seriously affects their ability to work, to care for themselves, and to provide necessary care for their children.

The Family Assistance Plan amendments provide, basically, for continuing the present arrangements for services. Our experience since the 1962 and 1967 legislation, however, indicates a need for improvements. In the development and planning work now being done, we are reconsidering the principles upon which we should base our service program, and we are analyzing the community resources which could be brought into the picture. We are convinced that, at least for

services, coverage should not be limited to those who receive public assistance. There are many persons who are not public welfare recipients for whom social and rehabilitation services can be as helpful as they are for public assistance recipients. Services at an appropriate time may avert the need for assistance.

We are also very much concerned about this situation with respect to foster care and adoption services. We believe that we must find ways to provide suitable help and leadership in these basic child welfare functions.

Another matter to which we are directing our efforts is the coordinating of the services program more closely with the resources of the State and local vocational rehabilitation agencies. Those agencies have a fine record of achievement in the rehabilitation area. We want to make full use of their resources. The Family Assistance Plan recognizes this and provides for the referral of persons who are not sent to employment offices because of incapacity or disability to a vocational rehabilitation agency.

We are aware of the interest of this Committee in this matter as indicated by the 1962 and 1967 amendments. I want to assure you of the deep concern of this Administration in these fields. These problems are high on our agenda. We are now working on ways to develop a more effective service program. We will be sending you definite legislative recommendations in the near future.

Social Security

Mr. Chairman, let me turn next to the social security proposals. I will discuss the highlights of the President's recommendations for social security and then later Commissioner Robert M. Ball will give a more detailed presentation.

The Administration bill is H.R. 14080, introduced by the Minority Leader, Mr. Gerald Ford of Michigan, and companion bills H.R. 14162 and H.R. 14134, introduced by Representatives Collier and Chamberlain respectively. Mr. Byrnes and Mr. Bush have introduced identical bills except that their bills would have an effective date for the 10-percent increase in cash benefits payments of January 1970 instead of March 1970.

Social Security Benefit Increase

The President has recommended a benefit increase to bring the benefits up to date with increases in the cost of living that have occurred since the last benefit increase in February 1968.

The increase would apply to all beneficiaries, including those getting the special payments for certain people age 72 and older. Under the proposal, effective for March 1970, benefits would be increased for all the 25 million beneficiaries. The total additional benefit outlays for the first full calendar year in which the increase is effective would be approximately $3 billion.

Automatic Cost of Living Increase

Beyond the initial 10 percent increase, the President has recommended that provision be made in the law for social security benefits to be automatically adjusted for future increases in the cost of living. The platforms of both political parties recognized the need to have a way of keeping the social security program automatically up to date. Such an automatic adjustment system would increase the security of the one out of every 8 people in the country who now receive monthly social security cash benefits. The automatic provision would also adjust the benefits for the millions of future beneficiaries whose major source of income could well be their social insurance payments under social security. Because of the time lags that have occurred between past cost of living adjustments of benefits, the purchasing power of the benefits has been seriously decreased between benefit increases. With automatic adjustments, the changes necessary to restore purchasing power will be on a more current basis.

The Administration proposal finances the automatic increases in benefits without increasing social security contribution rates. This can be done so long as the contribution and benefit base, the maximum amount of annual earnings counted for social security purposes, is increased from time to time. The legislation we support contains a provision to automatically adjust this base in the future to keep pace with increases in earnings levels.

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Retirement Test

H.R. 14080 also includes important changes in the social security retirement test--the provision under which benefits are not paid in full if a beneficiary has substantial earnings. This provision has been the object of widespread criticism.

The measure provides for replacing the present dollar-for-dollar reduction in benefits which now applies for earnings above $2880 in a year with a provision under which there would be a $1 reduction for each $2 earned. With this change people would have an incentive to earn more because the more they earn the more spendable income they would have.

The President also recommends updating the retirement test to take account of increases in earnings levels. It is proposed that the amount a person can earn in a year without having any benefits withheld be raised from $1680 to $1800, and then automatically adjusted upwards in future years as earnings levels rise.

The recommended changes in the retirement test would benefit approximately 1.1 million people. Additional benefits of $330 million would be paid for months in calendar 1971.

Contribution and Benefit Base

The President is recommending that the social security contribution and benefit base be increased in 1972 from the $7800 now in effect to $9000. This change will very closely maintain the relationship between the base and the general level of earnings that has prevailed since the

early 1950's. As indicated earlier he also recommends that after 1972 the base be kept up to date with rising earnings levels in the future.

Increases in Widows Benefits

Under present law, a widow who begins receiving benefits at age 65 is entitled to 82 1/2 percent of the amount of the spouse's primary benefit. Under this proposal, such a widow would be entitled to 100 percent of the spouse's primary benefit. The 82 1/2 percent rate will continue to apply to widows going on the rolls at age 62, with graduated proportions for ages above 62 and below 65.

An estimated 2.7 million people would have their benefits increased under this provision. On the average, the increase would amount to $17 per month (in addition to what widows would get under the 10-percent general benefit increase). Additional benefit payments in the first 12 months under the provision are estimated at $580 million.

Uniform Method of Computing Benefits for Men and Women

Under present law, the number of years over which a man's average monthly earnings (on which his benefits are based) and his eligibility for benefits are determined are figured up to age 65. For women these determinations are made up to age 62.

The President has recommended that the method of computing benefits for men and women be made uniform--as of age 62. As a result, the treatment of men and women workers under the benefit provisions would be the same; and the retirement benefits payable to men, the benefits payable

to their wives, and the benefits payable to survivors of men who live beyond age 62 would be increased.

About 5 million people--workers, dependents, and survivors--would have their benefits increased because of the change in computing the average monthly wage. In addition, about 100,000 people--75,000 men age 62 and over 25,000 dependents--would become newly eligible for benefits because of the liberalized insured-status requirement for men age 62 and over. Additional benefit payments in the first 12 months are estimated at $380 million.

Other Social Security Proposals

We are also proposing a number of important but less far-reaching improvements in the social security program. The bill would provide benefits for people disabled since childhood where the disability began before age 22, rather than age 18 as under present law. The bill would also provide for the payment of benefits to the aged dependent parents of retired or disabled workers. Under present law, parent's benefits are payable only to the dependent parents of insured workers who have died. And, finally, the bill would extend the $100 a month noncontributory wage credit for military service that was provided in the 1967 social security amendments for members of the armed services after 1967. Under the bill these credits would be available for the period from 1957, when regular social security coverage of members of the armed services began, through 1967. About 190,000 people would be immediately affected by these three proposals, and additional benefit payments in the first 12 months would be about $60 million.

Financing

The President's recommendations include financing provisions that would cover the cost of the proposed improvements in the social security program and correct the present actuarial deficit in the hospital insurance program. Moreover, a revised schedule of contribution rates in the cash benefits program would reduce the very large accumulations of income over outgo that would result from the schedule in present law.

The hospital insurance trust fund requires additional income over and above that scheduled under present law in near-future years. Without the proposed increase in the earnings base and the proposed speeding up of the scheduled increases in contribution rates for hospital insurance, the trust fund for that program would be depleted during fiscal 1973. As a result of the proposal to put into effect in 1971 the 0.9 percent hospital insurance contribution rate for workers and employers (each), now scheduled for 1987, and as a result of increasing the earnings base, the hospital insurance trust fund would grow to an estimated $5.2 billion at the end of fiscal 1973.

On the other hand, the present schedule of contribution rates for old-age, survivors, and disability insurance would, even with substantial benefit increases, result in very large-scale growth in the size of the

trust funds for these parts of the social security program. Under present law the cash benefit trust funds would increase from an estimated $38.7 billion at the end of the present fiscal year to about $75 billion at the end of fiscal 1973. Under the President's proposal the trust funds would reach $52.6 billion at the end of fiscal year 1973.

The postponement of the scheduled rate increases for the cash benefit parts of the social security program is consistent with past decisions by this Committee and the Congress to delay scheduled increases in the rates to avoid unnecessarily large increases in the cash benefit trust funds.

Overall, the combined contribution rates for both hospital insurance and cash benefits would be somewhat lower than the schedule in present law through 1976 and then the same from then on.

In summary the improvements we are recommending in social security today are substantial and important measures. We propose to bring benefit payments up to date and we propose to make sure that they stay up to date, automatically tied to the cost of living. We are also proposing important improvements in benefit protection for men workers and for widows and in other ways proposing to remove inequities in the system.

We are continuing to study all aspects of the social security program. The statutory Advisory Council on Social Security that I appointed in May is now conducting an extensive review of the social

security program, and we are looking to this Council for its recommendations on what further improvements might be made in the social security program. As the President said in his message on social security on September 25, "I emphasize that the suggested changes are only first steps, and that further recommendations will come from our review process."

Health Cost Effectiveness

Medicare and Medicaid have made major contributions over the past several years toward the availability of, quality of, and access to medical care for large numbers of people who are elderly or medically needy. The rising demands for medical care from the general population, combined with the newly created ability of the elderly and medically needy to financially compete for medical care, have placed great stress on inadequately and unevenly distributed manpower, facilities, and services. This has contributed to rapidly escalating medical care costs. Public and private action is needed to arrest the inflation in the health industry and to improve the health care system so that high quality medical care will be available at prices people can afford.

We are forwarding the Health Cost Effectiveness Amendments of 1969 today to continue efforts already taken to improve utilization of existing health service capability, encourage better planning, and achieve more effective cost control.

The main provisions would encourage voluntary and State planning for health facilities and provide greater authority and flexibility to engage in incentive reimbursement experiments to create incentives for efficiency and economy. They would also strengthen our ability to control some of the abuses of the programs.

These proposals, which can be discussed in greater detail by Commissioner Ball and Arthur Hess, Deputy Commissioner of Social Security and Staff Director of the Task Force on Medicaid and Related Programs, are addressed to the following specific items:

1. Tying depreciation payments to State health planning.
2. Making corporate planning a condition of participation.
3. Expanding authority for reimbursement experimentation.
4. Barring providers and physicians who abuse the program.
5. Paying customary charges if less than cost.
6. Withholding payments where utilization review finds admission is not warranted.
7. Improving authority to recover overpayments in Medicare.

Task Force on Medicaid and Related Programs

While both Medicare and Medicaid have moved toward achievement of their goals, their problems differ significantly. Medicare is operating on a firm program and administrative base, with its major problem being one of escalating medical costs and prices. Medicaid, on the other hand, in addition to the inflation problem, has experienced serious deficiencies in management resources. Difficulties

in administration nationally are exacerbated by complexities in the Federal-State relationships, wide variations in eligibility and scope of services, and unpredictability in covered, need for, and availability of services.

In recognition of the serious and growing problems under the Medicaid program and to assist the Department in making major efforts to strengthen and improve the current program, I appointed a Task Force on Medicaid and Related Programs in July, chaired by Walter J. McNerney. The Task Force is concerned both with problems that are amenable to short-range solutions through administrative action and with technical changes in the areas of management, effectiveness of use, cost and eligibility. It will also consider solutions that might require fundamental changes in legislation.

Structural reforms in the Medicaid program are being studied and may be necessary to assure health care services for low income families and individuals. However, there are some improvements that can be made in the short run to overcome some of the problems.

The Task Force has worked closely with Departmental staff and has kept me closely informed about the nature of possible short-range recommendations. Consistent with Task Force recommendations, the Department will be moving rapidly to strengthen the management and staffing of the title XIX program, to develop the necessary policies and regulations on standards and on utilization review, to encourage the development and implementation of adequate information systems and to provide technical assistance to the States. We expect

that some of the Task Force recommendations will produce legislative proposals to improve the Medicaid program and make service more efficient and economical for assistance recipients. We will, of course, submit our proposals for congressional consideration at the earliest possible moment.

Conclusion

Mr. Chairman, in this testimony I have outlined the legislative proposals to improve and strengthen our social security and public assistance programs, as well as proposals to help control health care costs. I strongly urge the enactment of these proposals.

Thursday, October 16, 1969

Statement of George Shultz, Secretary of Labor
Before the Committee on Ways and Means
on the Family Assistance Act of
1969

Mr. Chairman and members of the Committee, I am pleased to testify on the proposed Family Assistance Act, for I believe that it is one of the most far-reaching pieces of social legislation in this area in several decades.

Let me start by saying that this is not a proposal for a guaranteed minimum income. Work is a major feature of this program. This is a program of family assistance--for families with children--and is limited to that specific group.

The Family Assistance Plan is a composite program of work incentives, training and employment opportunities, child care and income allowances.

I believe very deeply, Mr. Chairman, that the time has come to start over on providing assistance to needy families. We should not be content to just mend AFDC; the record is clear that AFDC doesn't work.

The Family Assistance Plan is a new start.

I believe the changes we propose are consistent with the forward-looking changes made recently by this Committee with regard to training opportunities, and the treatment of earned income. Family Assistance, in a sense, builds on

the foundations already laid by recent amendments to AFDC.

My responsibility lies not with the whole of the Family Assistance plan, but with its relationships to the labor market. It is my concern that the program be structured in such a way as to protect work incentives, and that the program in its total design be one that creates the strongest possible conditions for moving people from welfare into employment.

Thus, I will discuss the way the allowance motivates people to work, the role of training opportunities in reducing welfare, the operation of registration and work requirements, and our expectations for providing the necessary employment opportunities within the regular economy.

WORK INCENTIVES AND THE FAMILY ASSISTANCE STRUCTURE

I have identified seven specific ways in which the Family Assistance Plan promotes work. I will summarize each of these briefly.

1. The incentive of welfare recipients to go to work has been increased by enlarging the income disregard and limiting the reduction of Family Assistance to one-half of earnings. Employed AFDC recipients retain only the first

$30 of income plus one-third of earnings above that. Family Assistance recipients will be able to keep the first $60 of monthly earnings plus one-half of all income in excess of that amount.

The existence of a dual system in 40 States makes it necessary to compound tax rates to some extent so as to allow the States to reduce their supplemental payments as earnings increase.

However, the States would be directed to observe the same $60 earnings disregard in computing the State supplement, so that State practices do not nullify those of Family Assistance. Also the States may subtract only 17 cents of the supplement for each dollar of wages above the $60 disregard, bringing the total marginal tax rate on gross income to 67 cents on the dollar.

The disregard of the first $60 of earnings is based on Labor Department surveys of the "cost of work." This is based on budget studies made by the Bureau of Labor Statistics of outlays made for added food, transportation, clothing and personal care, medical care, payroll deductions, and occupational needs such as tools, licenses, and union dues. These costs must be recouped before the individual realizes

any additional income from working.

The result is a double incentive. When a welfare recipient goes to work, his or her combined wages and Family Assistance increase, so there is always an incentive to work. On the other hand, as earnings increase, the government saves money because the Family Assistance payment is reduced. Thus, the government has an incentive to provide the necessary training and employment opportunities.

2. The extension of coverage to the working poor eliminates the situation where those who do not work receive higher incomes than those who work. The present welfare system excludes from coverage those who work regularly but at very low wages. This sometimes creates situations where some who work may have less income than others who do not work at all. To expect them to continue work under such circumstances is to expect individuals to behave in a manner adverse to their own economic interests. This is no way to assure the public interest.

3. The incentive of the working poor to seek higher wage levels is preserved. Since there rarely will be a

State supplement for men already at work (because most State systems do not cover the working poor), the tax on earnings will be limited to 50%. This means it will always pay an individual to increase his earnings. Also, the bill contemplates a program to upgrade the skills of the working poor so they may qualify for higher wages.

4. There is a financial incentive to enter manpower training programs. When a recipient enters training, the family will receive at least a $30 increase in monthly income. If the allowance under the regular training program would be more than $30 higher than Family Assistance payments (plus State supplement), the supplement to the Family Assistance trainee will be the difference between the two allowances. So, in most cases the financial incentive to take training will be in excess of $30.

In the case of North Dakota, for example, Family Assistance plus the State supplement would equal $188 a month for a family of four. However, since the Manpower Development and Training Act allowance in that State for the head of a family of four is $255, the incentive payment would be $67 per month--the difference between $188 and $255.

In addition to the incentive payment, persons taking training will be reimbursed for necessary expenses, such as transportation.

5. The child care provided in this Act itself will be a strong employment and training incentive. The lack of adequate child care arrangements often has been the major barrier to entering training programs or seeking employment. The fact that child care will not only be available, but will be of high quality, will permit mothers to look upon child care as an opportunity for their children as well as an opportunity for the mothers to become economically self sustaining.

It should be recognized that child care is an investment in not one, but in two generations. It is an investment in the present generation in the sense that it frees the mother for training or employment. It is an investment in the next generation because it provides the child an early education, quality care, and attention to health and other needs. In looking at child care costs (and it is expensive), this double effect should be borne in mind, and we should not "charge" all these costs to helping welfare mothers get work. Much of the return will be in the

kind of education we owe our young people anyway and in reduced welfare costs in the next generation.

We have a long way to go in creating adequate child-care provisions in the United States. Yet, there is no doubt that we are capable of providing it. We did in World War II. When the Kaiser shipyards hired Rosie the Riveter, they built child care centers for Rosie's children, and kept them open 24 hours a day. Yet at the present time, only about two percent of the children of working mothers are being cared for under group care arrangements.

6. The system of financial incentives will be buttressed by requirements that certain categories of recipients register for training and employment with the local manpower agency. Every member of the family, with six exceptions specified in the law, are required to register with the Employment Service, and accept suitable employment. If a recipient refuses to register, or refuses suitable manpower services, training, or employment in which they are able to engage--without good cause--his portion of the Family Assistance payment will be denied. In such cases, the Secretary of HEW would continue to pay the remaining benefits to the rest of the family. Thus, the whole family will not be made to suffer.

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7. An "Employability Plan" will be developed for those who register for training and employment. The bill would require that such a plan be developed for all who register, while recognizing the need to set priorities if the volume of registrations is sometimes greater than available resources. This means that the manpower agency will assess the needs of the individual, ascertain what manpower services are required by that person to become self supporting, and follow through until the individual completes the plan.

THE ROLE OF TRAINING IN REDUCING WELFARE

Clearly, the Work Incentive program provided by the 1967 amendments to the Social Security Act has established a foundation on which to build a larger training program in support of the Family Assistance Act.

In reviewing the experience with that program thus far, I want to begin by saying, quite candidly, that we have some problems.

One of the most difficult problems has been the provision of child care. Public day care arrangements are still very scarce, and we could increase enrollments in WIN quickly if more were available. Secretary Finch has already discussed this problem with you. We feel that it is a

problem that can be overcome. Doing so may require some innovative approaches.

While the State Employment Service has made considerable progress, there is much to be learned about the problems of disadvantaged individuals. The restructuring that is necessary for really efficient service is slowed by delays in training and retraining personnel. State salaries are frequently too low to attract and retain the most qualified people for this important and demanding work. And, as I will emphasize later, the WIN approach is the most sophisticated we have developed to date.

Our attempts to move quickly to establish WIN has resulted in some localities opening their doors before the programs were ready to serve their clients. But these kinds of problems are being overcome with time.

So far, there has been a lack of consistency among the policies of the State welfare agencies in deciding who is "appropriate" for referral. This has created wide differences among the States in the size of WIN training programs relative to their welfare populations. For example, in New York, only 7% of those screened by the welfare agency were deemed appropriate for referral to the Employment Service.

However, in Utah 97% of the assessments were considered appropriate for referral. The proposal removes the word "appropriate," in favor of specific exceptions, and thus removes this inequity. Furthermore, since referrals will be made by the Social Security Administration, rather than State welfare agencies, a consistent nationwide policy will be achieved.

Despite attempts to coordinate the job development efforts among different manpower programs, and within the WIN program itself, there are still inefficiencies in this process. As a result, the different programs run the danger of competing for the same pool of jobs, instead of expanding that pool. And employers become irritated at being approached so many different times. The passage of the Manpower Training Act will correct many of the basic structural problems inherent in operating many programs, instead of a single comprehensive program.

In spite of these start-up problems, the WIN program is operating at a substantial level. The program opened its doors in October of 1968, enrolling almost 6,000 people

in that month. Then it grew steadily, reaching an enrollment of 64 thousand persons by the end of August of this year. Achievement of our enrollment target of 150,000 by the end of fiscal 1970 will make WIN one of the largest of the manpower programs. On a cumulative basis, 92,000 persons had been enrolled through August.

We conducted a survey of 4,600 WIN participants who had completed the program in six States. The majority were employed in clerical and sales work, service, and production, assembly, and construction occupations. The rest were spread among a variety of occupations such as, for example, motor freight transportation, materials handling, machine trades, and processing occupations.

In the States surveyed, the median earnings were $2.27 per hour. The median rate for men was $2.47 per hour, and for women, $2.02 per hour.

Effectiveness of training

The WIN program is young, for to date only 13,000 were employed following training. We cannot yet offer a firm judgment of success. However, we believe that it is a very promising program in concept and that its design is a rational one.

It provides a coherent cluster of services such as remedial medical attention, child care, job "coaches", orientation to the work world, basic education, job training, job counseling, placement, and intensive followup into employment.

All of these are fitted together in an individual employability plan, and by the team approach which brings all of the specialists together to serve a specific, assigned group of clients.

Most encouraging of all is the fact that mothers are volunteering for the WIN program, and that sanctions have been used for less than 200 persons. So far, none of them have been mothers.

Because of the importance of training to the goals of the Family Assistance Act, I would like to present this committee with the best information available on what can be expected from such training programs, by looking at the

experience of public assistance recipients trained under the Manpower Development and Training Act. About 24 thousand such recipients received training in 1968, and a total of 91 thousand were trained since the beginning of the MDTA program in 1963. MDTA provides a rough idea of what kind of success we will have under WIN.

Among public assistance recipients trained in 1967, 58 percent of those taking classroom training, and 72 percent of those receiving on-the-job training were in jobs at the time of follow-up surveys. Because WIN is a newer program with a broader range of coordinated supportive services, the success rate may be higher.

While the placement rates for public assistance trainees are lower than for others it is encouraging that public assistance recipients who did get jobs were receiving wages practically identical to those received by all MDTA trainees. In classroom training programs public assistance men earned $2.21 per hour, compared to $2.27 per hour for all graduates. And in the case of women, public assistance recipients earned $1.74 per hour, compared to $1.72 for all women graduates.

The wages were higher in on-the-job training, with public assistance men receiving $2.36 per hour, and women $1.80 per hour.

At even the lowest average wage, the $1.74 per hour, a family of four would at least be lifted to the poverty line. Moreover, current wage levels are likely to be from 8 to 10 percent higher than those received by graduates in 1967.

This does not mean that training is always going to remove people from the welfare rolls. Some don't get jobs after training, in spite of our efforts to relate to it current labor market needs. Others obtain jobs at wages insufficient to fully remove them from poverty. And still others find better paying jobs but lose them for one reason or the other.

The basic point is that training can be a significant tool for reducing welfare, but it cannot by itself do the whole job,and it will not always work for all people.

The Expansion of Training

The potential of training is great enough to warrant

a considerable expansion under the Family Assistance Program. In announcing the program, the President stated that training would be expanded by 150,000 persons during the first full year of Family Assistance. This would be in addition to the increased training levels already planned for WIN. Also, a skill upgrading program will be initiated for 75,000 of the working poor.

Registration

The Family Assistance Act requires registration for manpower services, training and employment with the local public employment office of the State. Those exempt from this requirement are as follows:

-- those ill, incapacitated, or of an advanced age
-- a mother or other relative caring for a child under six
-- the mother if the father or another adult male relative is in the home
-- a child
-- a person needed in the home to care for an ill member of the household
-- those working full time

The groups excluded from mandatory referral may register voluntarily if they choose to. The penalty for failure to register without good cause is the denial of benefits, by the Secretary of Health, Education, and Welfare, based upon notification by the Secretary of Labor that a person has not registered. In such cases, arrangements will be made so that other family members will continue to receive their allowances.

Out of the 5 million family heads covered by Family Assistance, we estimate that 1.1 million will be required to register, and that 1.8 million will already be working full time. In addition, there will be a substantial number of voluntary registrations. We believe this latter group will consist mostly of mothers with pre-school children, based on our experience with WIN.

An employability plan will be developed for each person who registers, "in accordance with priorities prescribed" by the Secretary of Labor. Our objective will be to provide such an employability plan for every person who registers. However, where the number of training opportunities are limited--whether by the availability of funds, the inability to expand training at the rate needed, or limitations on how many persons the labor market can absorb--it will be necessary to assign priorities for which groups are served first.

Your question, I am sure, is how the Employment Service is going to serve such a large number of additional people. The answer is that some new approaches are going to be needed in the way the Employment Service conducts its business. We have plans to change the method of operation. In some cases trial runs are under way. In others, such trials will commence very soon. As of now we have three major steps in mind.

The first is to introduce computers into employment service operations just as fast as it can be done. The computer enables us to establish a "job bank" which provides a daily print-out of all the jobs that are reported. This is in operation right now in Baltimore, and has greatly accelerated the ability of the Employment Service to place disadvantaged persons. For example, placement of disadvantaged applicants increased by 250 percent in Baltimore because of the wider exposure of job opportunities via the Job Bank. Then we can move on to computer matching of the man and the job, a system now in use in Utah and Wisconsin.

Our target is to have 54 job banks installed yet this fiscal year. By the end of calendar year 1970, we expect to expand this to 76.

In the next year or two a new Employment Service Automated Reporting System will be installed. This will permit us to "track" individuals through the application - employability - placement process so that we can improve the system on the basis of facts rather than intuition.

The second is to organize the local employment service office in a way that will enable it to meet its traditional responsibilities for providing job assistance to those who are not poor, at the same time that it frees its resources to provide intensive assistance to those who have really serious employability problems. For the better equipped group of clients, there is going to have to be more "self-service," and we believe that the computer will enable us to provide this in such a way that these clients are well served, without requiring the staff time now being used.

This new operating arrangement, which has the support of the Inter-State Conference of Employment Security Agencies, has already been designed, and will be tested for about a year in six cities.

The third is to provide unemployment insurance claimants, who on the average are re-employed rather quickly, with more

job information directly from the U.I. office, and thus lighten the burden on the Employment Service. The unemployment insurance office could have the list of job openings from the job bank, and supply that information directly. The information itself, of course, would have to come from the Employment Service.

This is being tried in five cities this year, including Baltimore which has the job bank. We are requesting resources to make this new system operational in the 55 largest metropolitan areas in fiscal year 1971. These areas account for about half of the total U.I. caseload.

Beyond these specific improvements in the Employment Service, an improvement is planned in the entire Federal-State system of providing all manpower services, including training. That approach is incorporated in the Administration's Manpower Training Act, which is pending before another Committee. The manpower services provisions of this bill are written to parallel the Manpower Training Act, so that when both are passed we will have an integrated manpower delivery system.

Joint Task Force

The Family Assistance Act is a major legislative proposal that requires close working relationships between the Labor Department and the Department of Health, Education, and Welfare.

Unfortunately, our two Departments have not always worked together as smoothly as they should. The study made by the Legislative Reference Service of the enactment of WIN establishes this fact. There have been gaps in communication, and a history of competition for running the work training program.

Secretary Finch and I plan to have a maximum of coordination in the administration of these joint programs. To achieve this, we are establishing a joint HEW-Labor Task Force for the implementation and conduct of the programs we are responsible for.

This Task Force will assure a commonality of objectives, and develop joint guidelines, reporting procedures, and evaluation plans.

THE WORK TEST

A Family Assistance recipient will be denied benefits if he refuses "without good cause to accept suitable employment in which he is able to engage." He must also accept suitable training and manpower services.

The key word is "suitable." It is a test that has long been used in unemployment insurance, and over the years, through agency and court interpretation, a large body of case law has established its meaning in different situations.

We expect that a similar process will occur in the case of Family Assistance. It will be applied on an individual by individual basis, under guidelines that the Secretary of Labor will be responsible for providing to the State agencies. There will be appeals, and there will be hearings on those appeals. Cases may be taken to court where matters will finally be settled.

I can be somewhat more specific than this. We intend to follow the same policy with respect to wages as we now do in WIN, and in the proposed Manpower Training Act. We do not require a person to take a job that pays less than the applicable minimum wage, or the prevailing wage, whichever is higher.

But a policy of this sort does not contain the whole story. Our objective is to move people out of poverty and off welfare. We are not going to be out looking for low wage jobs. We want the highest wages possible. And to the maximum possible extent we are going to train people for jobs at decent wages, whenever we find that they cannot get good jobs with their present skills.

There is no intention of doing anything that would undermine existing wage levels. We are not going to open up a new cheap labor supply to employers who are not paying the going rate.

Having said this, I hasten to add that the labor market itself must be recognized as a constraint on the full achievement of our expectations. It is a fact that our economy has a lot of jobs that pay low wages. We are not going to be remaking the economy in this program. We have to relate to the labor market. We can only put people in the jobs that exist.

What this means is that we will have to thread our way between our goals of providing good jobs--after training when possible--and the realities of the kinds of jobs that are available.

Although Family Assistance relies primarily on incentives to work, it does include sanctions. These sanctions should be put into perspective.

By and large we expect that people will take jobs as we eliminate the barriers that have stood in the way of employment. Studies have shown that people on welfare are little different in their attitudes toward employment than persons not on welfare.

With the strong incentives to work that are built into the Family Assistance structure, I do not believe that it will be necessary to use sanctions very frequently. It is clear, even at present, that the AFDC population is not a static one. People are leaving the rolls every day for a variety of reasons, including taking jobs. Of the 600,000 who left the rolls during 1968, 37% departed because of increased earnings of someone in the home.

The denial of benefits in the Unemployment Insurance system because of refusal to accept suitable work is a relatively infrequent occurence. In fiscal year 1969, less than .1 per cent of claimant contacts resulted in a disqualification from benefits due to refusal to accept suitable work.

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There undoubtedly will be some who will refuse work in Family Assistance, despite the strong incentives which exist. It would not be fair to those who do work, or to the Nation's taxpayers, to allow them to choose idleness and a "free ride." A work requirement is not unreasonable as a condition of receiving Family Assistance benefits.

THE WORKING POOR

By and large, the programs that have been designed thus far to fight poverty have concentrated on the unemployed or families without a breadwinner. But this is not the full face of poverty. In the majority of poor families, where the head is under 65, the family head is working. Thus, the working sector harbors as much poverty as the non-working sector.

Who and where are the working poor?

-- half live in the South

-- over one out of three of the family heads have less than 8 years of education

-- over four out of ten of the family heads do not work full time, the year round

-- one out of three is black

The Family Assistance Act covers the working poor, and thereby includes them in the efforts of the Nation to eliminate poverty. Those who are employed and still poor will have their wages supplemented as well as those who are not able to work.

We estimate that among the population covered by the Family Assistance Act, there are 1.8 million family heads who work full time, for a full year, and still suffer the affliction of poverty. This is a larger number than those who do not work at all.

It is a group, we believe, that deserves the concern of the Nation and inclusion in the legislation which is before you.

RELIANCE ON THE REGULAR ECONOMY FOR JOBS

We believe that "work experience" programs, in which people are employed for temporary periods in public service jobs, are a useful component of a comprehensive manpower system. Such programs can be helpful in cases where there is no recent experience in employment by providing an opportunity to learn the demands of work.

It is not our intent to create jobs in the public sector especially for the hard-core unemployed as a way of solving manpower problems. We believe that such jobs are not a solution to employment problems, and represent instead a failure to face up to the more difficult task of equipping individuals to compete for the ever increasing number of real jobs that our economy is producing. We estimate that there will be 2 million job openings a year in clerical, sales, and operative occupations.

The problem, as we see it, is to remove people who can work from positions of economic dependence. We believe this means they should not have to depend on government supplying their work and their wages, just as much as it means that they should strive for independence from public welfare. A welfare job is no substitute for a welfare check.

Neither do we believe that public employment should be a basis for guaranteeing jobs. Government should assume a responsibility for maintaining a healthy economy that produces enough jobs, and commit itself to preparing people to fill those jobs. We want no work inventing system that offers a way around this basic responsibility.

In fact, <u>regular</u> public employment in State and local governments is increasing every year. We have launched

efforts to channel disadvantaged persons into those jobs, in much the same way that private employers are encouraged to hire and train such workers in the JOBS program run by the National Alliance of Businessmen. We are interested in developing more of these regular public jobs for the disadvantaged.

The Manpower Training Act provides authority for the kind of work projects that I have described. The Family Assistance Act, which is written to parallel the Manpower Training Act with regard to the services offered, also includes such authority. We intend to use it where it applies, in a context of moving people into regular jobs. But we do not expect it to be a major feature of the manpower program.

Mr. Chairman, these are the main points I wanted to make in my formal statement.

We recognize that this new departure in welfare will require a substantial initial investment. But we believe that a transformed system will set in motion forces that will lessen dependency and foster economic growth. These substantial "start up" costs now will ultimately cost us

less as a Nation, both in terms of dollars expended and lives wasted and warped.

This program has had the benefit of extended analysis and discussion, at the highest levels, and throughout the Administration. We feel we are right about the need to reform welfare, and the directions we have chosen. As we remove the barriers to employment through training and child care programs, and as we build work incentives into the allowance structure--and remove the disincentives--welfare people will go to work and the upward spiral of costs will be reversed.

Through the centuries our social policies have become much more humane, but whatever the purity of our intentions, actions have often been perverse, with a tendency to punish as well as protect. The right to life for all our citizens is a matter that calls for our best effort, and our most considered judgment.

I recall to you the opening words of the President's message, that "A measure of the greatness of a powerful nation is the character of the life it creates for those who are powerless to make ends meet."

SOCIAL SECURITY CHARTS

1969 LEGISLATIVE RECOMMENDATIONS

29

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Social Security Administration

OCTOBER 1969

LEGISLATIVE CHARTS

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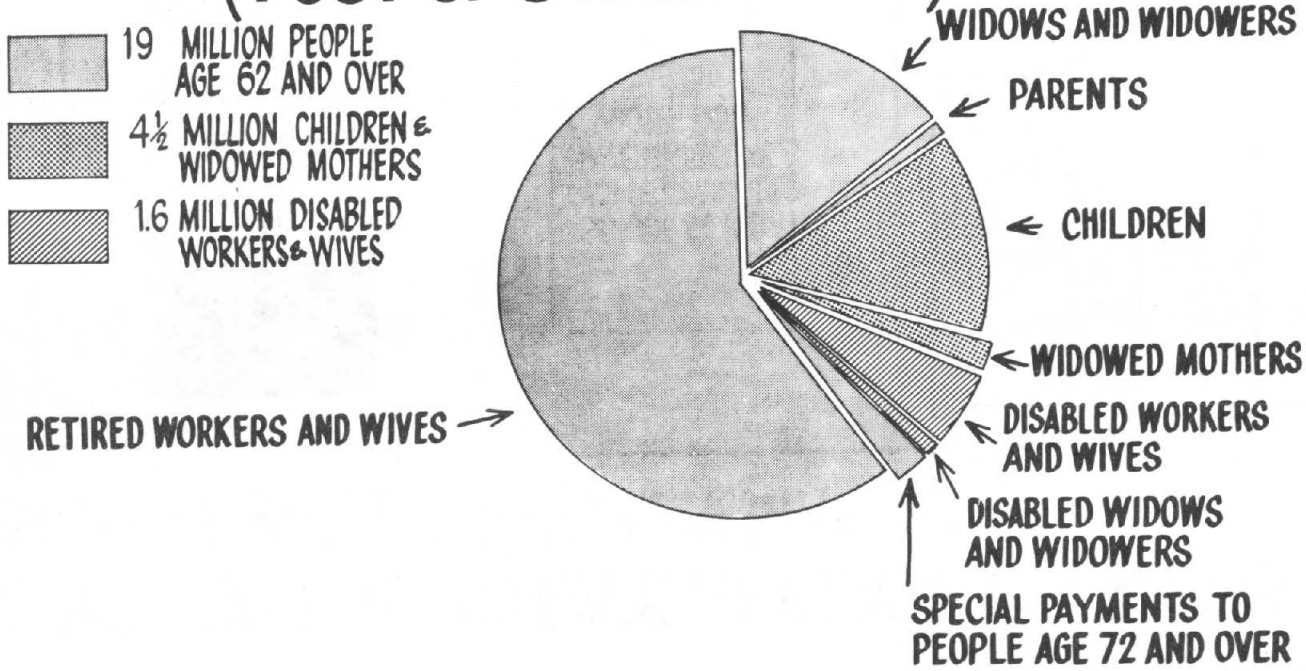
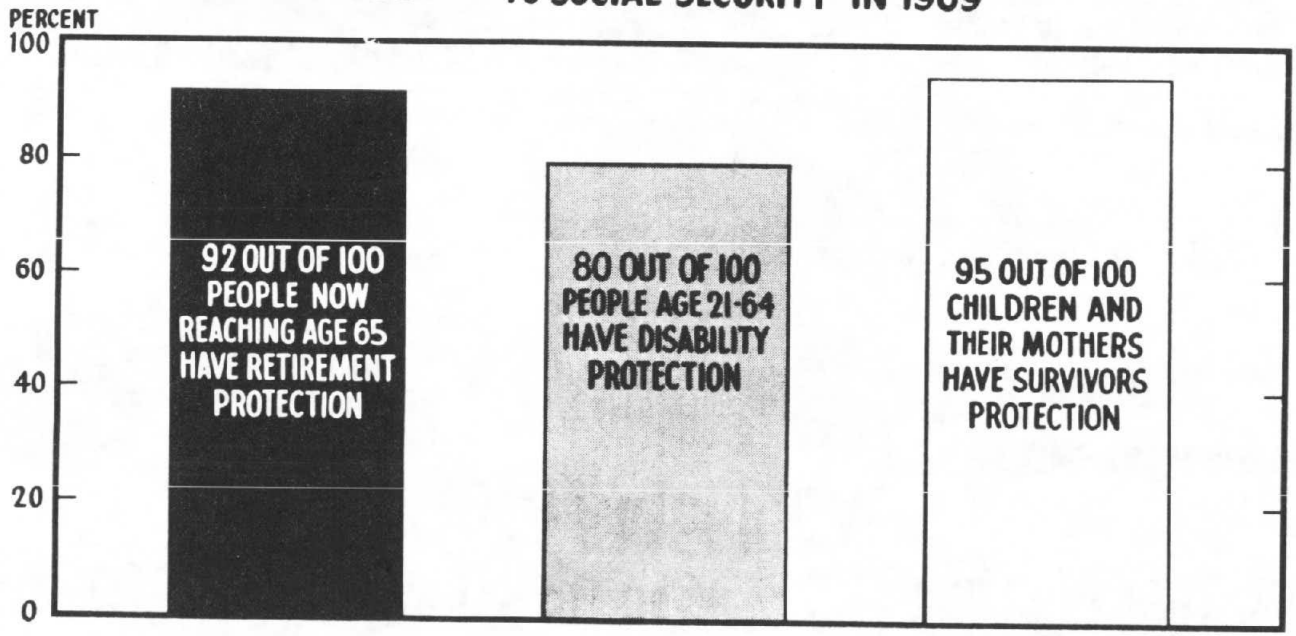
10. MODIFICATION IN CONTRIBUTION RATE SCHEDULES

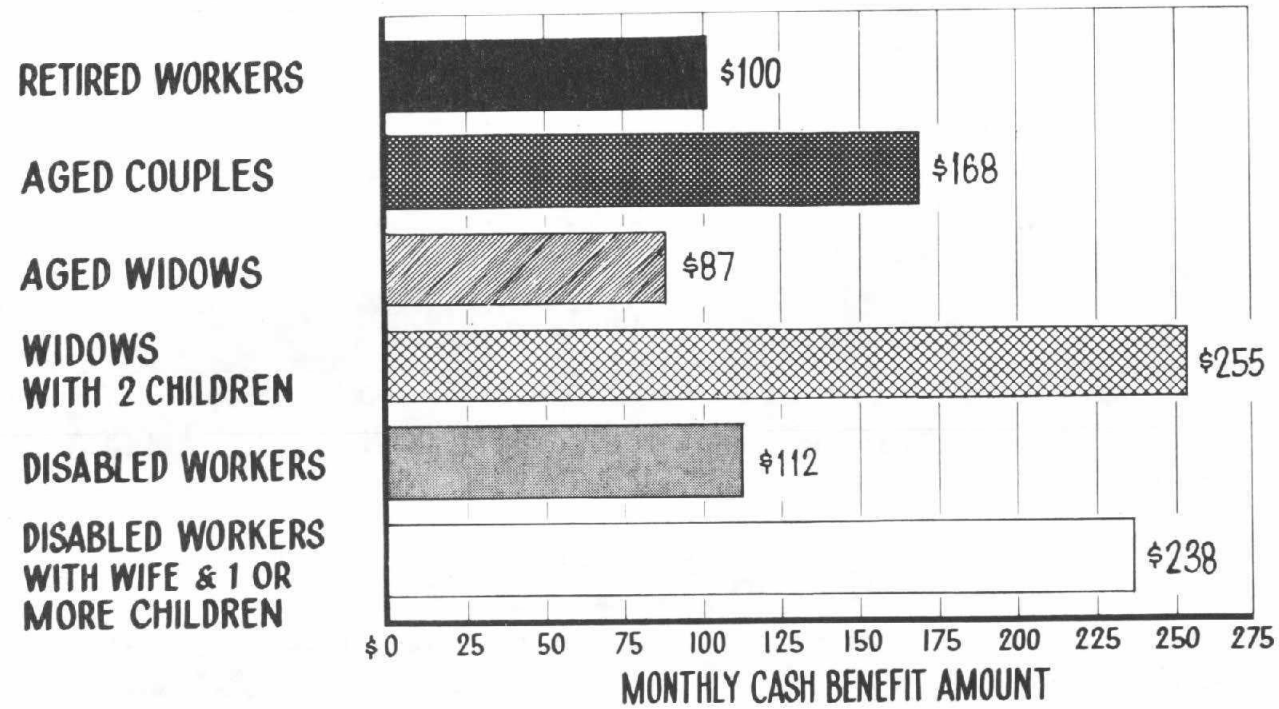
HIGHER BENEFITS FOR OVER 25 MILLION PEOPLE
(1 OUT OF 8 AMERICANS)



INCREASED SOCIAL SECURITY PROTECTION FOR NEARLY ALL WORKERS AND THEIR FAMILIES -- 92 MILLION WORKERS WILL CONTRIBUTE TO SOCIAL SECURITY IN 1969

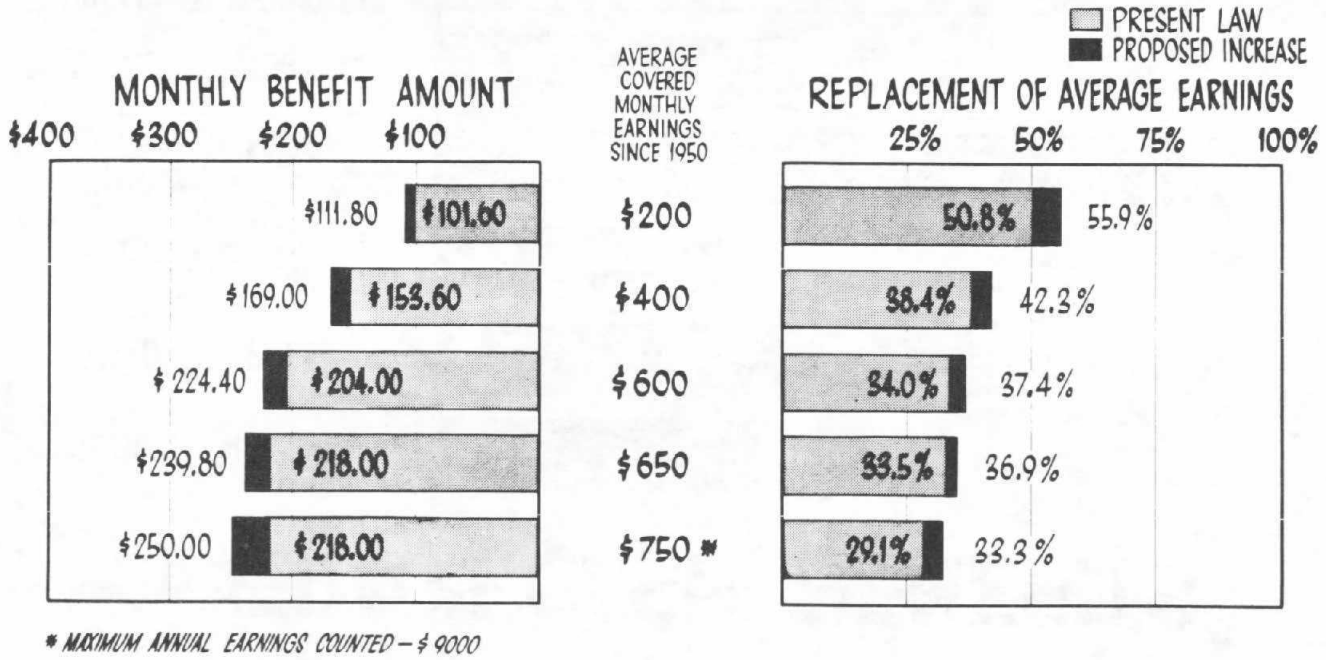


AVERAGE CASH BENEFITS*



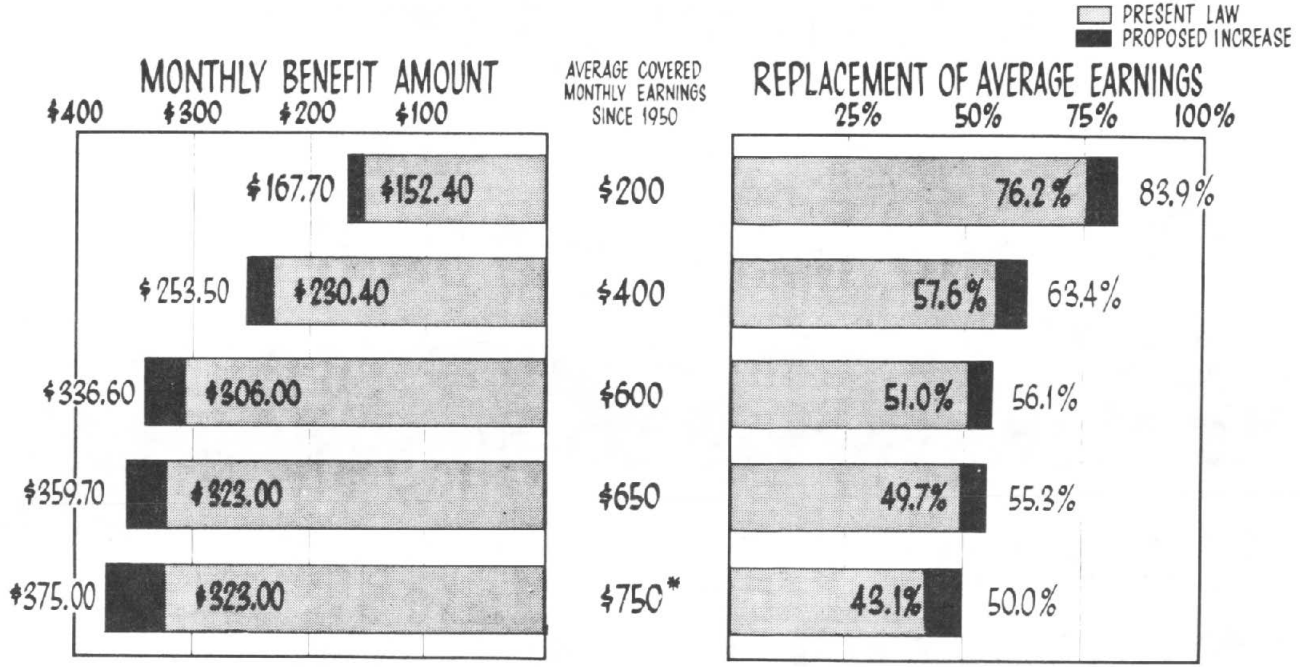
*UNDER PRESENT LAW

BENEFIT AMOUNTS INCREASED 10 PERCENT FOR A WORKER AGE 65



* MAXIMUM ANNUAL EARNINGS COUNTED — $9000

BENEFIT AMOUNTS INCREASED 10% FOR A COUPLE AGE 65



* MAXIMUM ANNUAL EARNINGS COUNTED- $9000

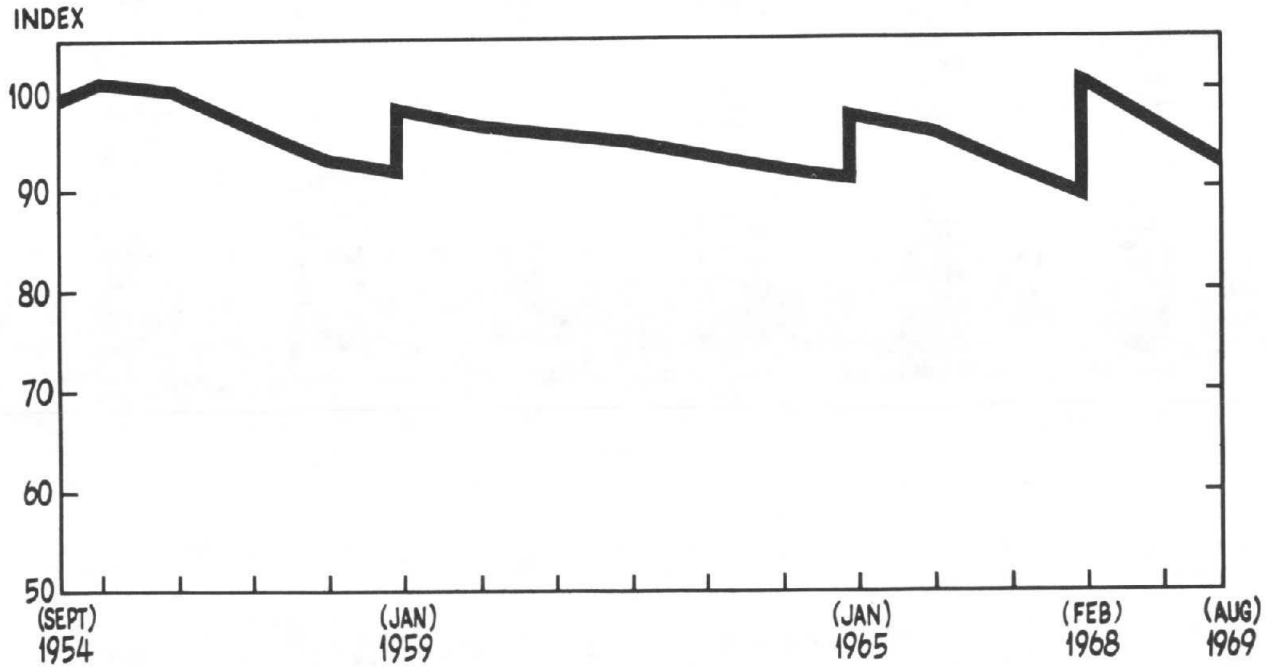
AUTOMATIC ADJUSTMENT OF BENEFITS TO PRICES

1. WHEN THE CPI INCREASES AT LEAST 3 PERCENT

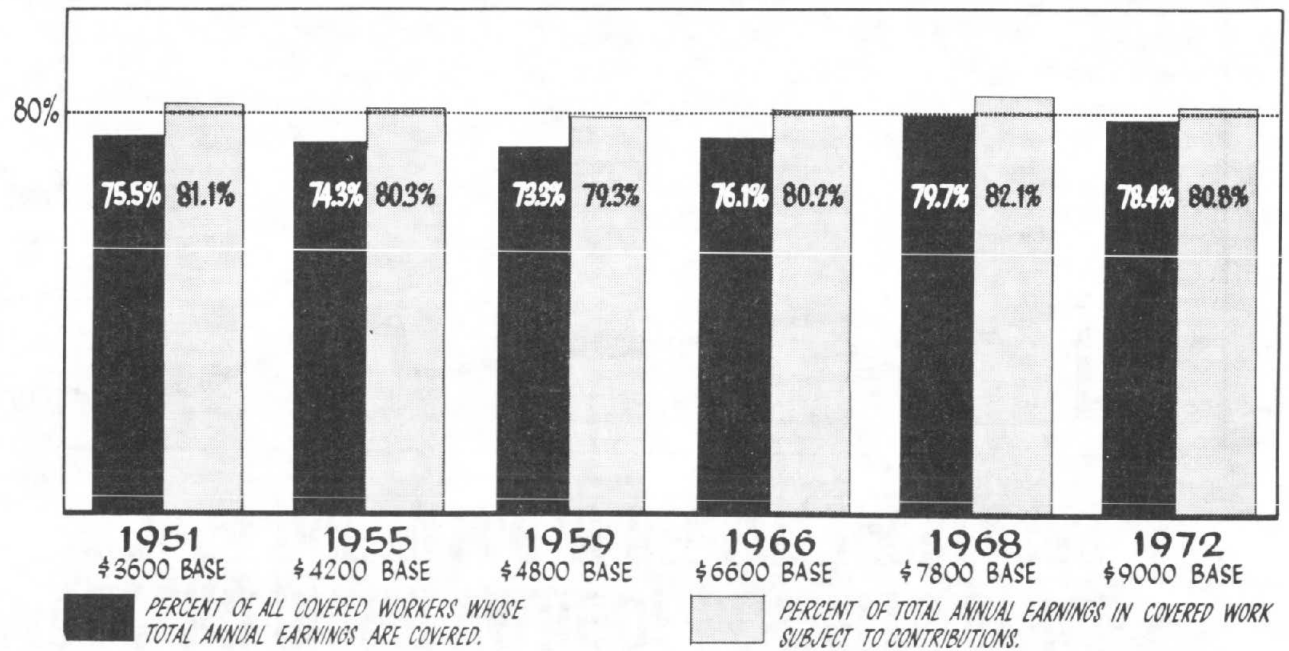
2. BUT NO MORE OFTEN THAN ONCE A YEAR

3. INCREASES EFFECTIVE FOR JANUARY, BEGINNING WITH 1971

DECLINE IN REAL VALUE OF BENEFITS SINCE 1954 DUE TO LAG IN BENEFIT INCREASES



$9000 CONTRIBUTION AND BENEFIT BASE IN 1972 MAINTAINS RELATIONSHIP OF BASE TO EARNINGS LEVELS



AUTOMATIC ADJUSTMENT OF MAXIMUM EARNINGS COUNTED

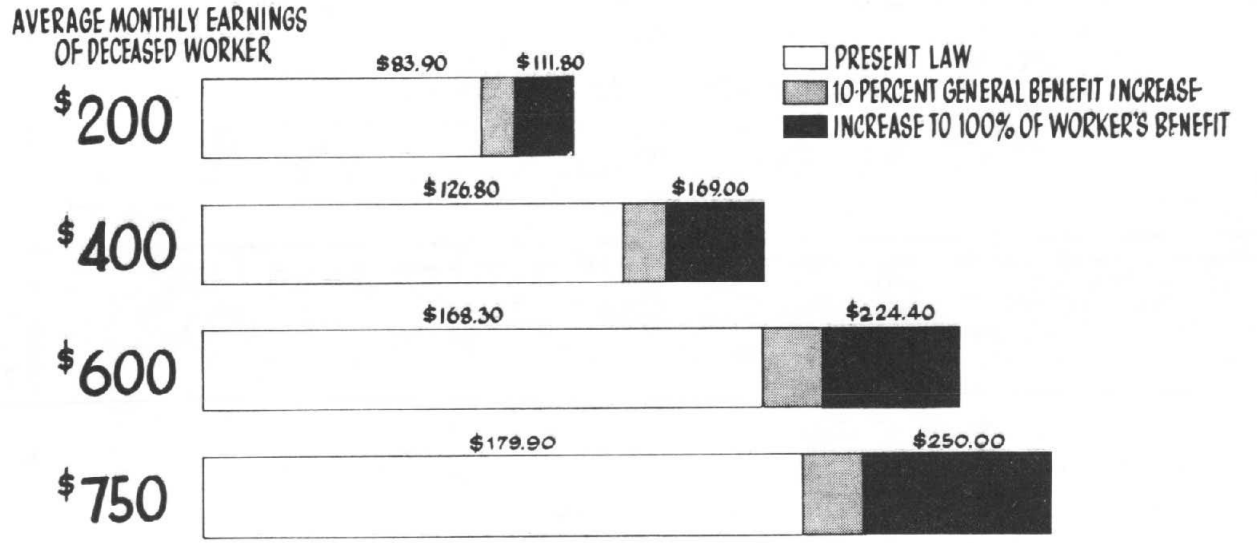
1. MAXIMUM INCREASED BY PERCENTAGE INCREASE IN AVERAGE WAGES, ROUNDED TO NEAREST $600

2. INCREASE LIMITED TO EVERY TWO YEARS, BEGINNING WITH 1974

ELIMINATING WORK DISINCENTIVES IN THE RETIREMENT TEST

	PRESENT	PROPOSED
ANNUAL EXEMPT AMOUNT	$1680	$1800
$1-for-$2 ADJUSTMENT	$1680-$2880	Above $1800
$1-for-$1 ADJUSTMENT	Above $2880	
MONTHLY MEASURE	$140	$150

WIDOW'S BENEFIT AT AGE 65 INCREASED TO 100% OF WORKER'S BENEFIT*



* INCLUDES THE EFFECT OF THE HIGHER BENEFITS PAYABLE ON THE HIGHER EARNINGS THAT ARE CREDITABLE UNDER THE BILL

BENEFIT COMPUTATION UNDER PRESENT LAW

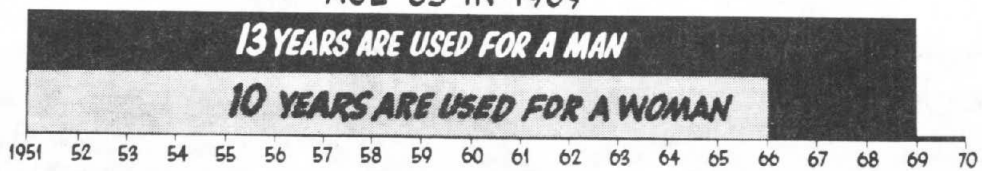
BENEFITS BASED ON AVERAGE MONTHLY EARNINGS FIGURED OVER A NUMBER OF YEARS EQUAL TO 5 LESS THAN THE NUMBER OF YEARS

AFTER
1950 OR
AGE 21

UP TO THE YEAR OF
AGE 65 FOR MEN
AGE 62 FOR WOMEN

EXAMPLE:

AGE 65 IN 1969



BENEFIT ELIGIBILITY ALSO FIGURED

UP TO AGE 65 FOR A MAN

UP TO AGE 62 FOR A WOMAN

OTHER IMPROVEMENTS IN SOCIAL SECURITY PROTECTION

- EXTEND CHILDHOOD DISABILITY BENEFITS TO PEOPLE DISABLED BETWEEN AGES 18 AND 22
- EXTEND NONCONTRIBUTORY WAGE CREDITS FOR MILITARY SERVICE TO THE PERIOD JAN. 1957 TO DEC. 1967
- EXTEND BENEFITS TO DEPENDENT PARENTS OF RETIRED AND DISABLED BENEFICIARIES

AMENDMENTS AFFECTING HEALTH BENEFIT COSTS

1. Tie depreciation payments to State health planning.
2. Make corporate planning a condition of participation.
3. Expand authority for reimbursement experimentation.
4. Bar providers and physicians who abuse the program.
5. Pay customary charges if less than cost.
6. Withhold payment where UR finds admission not warranted.
7. Authority to estimate overpayments for recoupment.

STATUS OF THE CASH-BENEFITS TRUST FUNDS

	ACTUARIAL BALANCE (PERCENT OF PAYROLL)
AFTER 1967 AMENDMENTS (FEB. 1968)	+0.01%
1969 TRUSTEES' REPORT (JAN. 1969)	+0.53
REVISED COST ESTIMATE (SEPT. 1969)	+1.16

STATUS OF THE HOSPITAL INSURANCE TRUST FUND

	ACTUARIAL BALANCE (PERCENT OF PAYROLL)
AFTER 1967 AMENDMENTS (FEB. 1968)	+0.03%
1969 TRUSTEES' REPORT (JAN. 1969)	-0.29
REVISED COST ESTIMATE (SEPT. 1969)*	-0.77

* Preliminary

CONTRIBUTION RATES FOR EMPLOYEES AND EMPLOYERS

YEAR	CASH BENEFITS		HOSPITAL INSURANCE		TOTAL	
	PRESENT LAW	PROPOSAL	PRESENT LAW	PROPOSAL	PRESENT LAW	PROPOSAL
1970	4.2 %	4.2 %	0.60 %	0.6 %	4.80%	4.8 %
1971-72	4.6	4.2	0.60	0.9	5.20	5.1
1973-74	5.0	4.2	0.65	0.9	5.65	5.1
1975	5.0	4.6	0.65	0.9	5.65	5.5
1976	5.0	4.6	0.70	0.9	5.70	5.5
1977-79	5.0	4.8	0.70	0.9	5.70	5.7
1980-86	5.0	4.9	0.80	0.9	5.80	5.8
1987 & AFTER	5.0	5.0	0.90	0.9	5.90	5.9

ESTIMATED PROGRESS OF THE HOSPITAL INSURANCE TRUST FUND
Under Present Law and under Proposal, 1970-1973
(In Billions)

FISCAL YEAR	INCOME		OUTGO		NET INCREASE IN FUNDS	
	PRESENT LAW	PROPOSAL	PRESENT LAW	PROPOSAL	PRESENT LAW	PROPOSAL
1970	$5.5	$5.5	$5.3	$5.3	$0.2	$0.2
1971	5.9	7.1	6.3	6.3	-0.5	0.7
1972	6.0	8.7	7.4	7.4	-1.5	1.2
1973	6.3	9.6	8.6	8.6	-2.2	1.0

ESTIMATED PROGRESS OF THE CASH-BENEFITS TRUST FUNDS
Under Present Law and under Proposal, 1970-1973
(In Billions)

FISCAL YEAR	INCOME		OUTGO		NET INCREASE IN FUNDS	
	PRESENT LAW	PROPOSAL	PRESENT LAW	PROPOSAL 1/	PRESENT LAW	PROPOSAL
1970	$35.2	$35.2	$28.4	$29.1	$6.8	$6.1
1971	38.6	36.8	29.6	32.9	8.9	3.9
1972	43.1	39.3	30.8	35.4	12.3	3.9
1973	47.4	43.4	32.0	36.5	15.4	6.8

1/ ASSUMES NO AUTOMATIC INCREASES IN BENEFITS UNDER THE COST-OF-LIVING PROVISION

FINANCING HOSPITAL INSURANCE BENEFITS

	PERCENT OF PAYROLL		
	LEVEL COST OF BENEFITS	LEVEL EQUIVALENT OF INCOME	BALANCE
PRESENT PROGRAM*	2.27	1.50	-0.77
PROPOSALS:			
CONTRIBUTION BASE	-0.17		
AUTOMATIC ADJUSTMENT OF BASE	-0.39		
CONTRIBUTION RATES		0.27	
PROPOSED PROGRAM	1.71	1.77	+0.06

*Preliminary

FINANCING SOCIAL SECURITY CASH BENEFITS

	PERCENT OF PAYROLL		
	LEVEL COST OF BENEFITS	LEVEL EQUIVALENT OF INCOME	BALANCE
PRESENT PROGRAM	8.72	9.88	+1.16
PROPOSALS[1]			
CONTRIBUTION BASE	-0.23		
BENEFIT INCREASE	0.79		
WIDOW'S BENEFITS	0.25		
AGE-62 COMPUTATION POINT FOR MEN	0.10		
RETIREMENT TEST LIBERALIZATION	0.08		
OTHER IMPROVEMENTS	0.01		
CONTRIBUTION RATE POSTPONEMENT		-0.25	
PROPOSED PROGRAM	9.72	9.63	-0.09

[1] *VARIOUS AUTOMATIC ADJUSTMENT FEATURES AS A WHOLE DO NOT INCREASE THE COST OF THE PROGRAM AS A PERCENT OF PAYROLL.*

ADDITIONAL PAYMENTS IN FIRST FULL CALENDAR YEAR AND NUMBER OF PEOPLE AFFECTED

PROVISION	ADDITIONAL PAYMENTS (IN MILLIONS)	BENEFICIARIES IMMEDIATELY AFFECTED (IN THOUSANDS)	NEWLY ELIGIBLE PEOPLE (IN THOUSANDS)
10 % BENEFIT INCREASE	$2,997	25,500	12 1/
MODIFICATION OF RETIREMENT TEST	350	800	300 2/
AGE-62 COMPUTATION POINT	392	5,000	100
INCREASE IN WIDOW'S BENEFITS	610	2,700	--
OTHER IMPROVEMENTS	62	150	38
TOTAL	$4,411	(3/)	(3/)

1/ NONINSURED PEOPLE AGED 72 AND OVER WHO CAN NOT GET BENEFITS UNDER PRESENT LAW.
2/ PEOPLE WHO CAN GET NO BENEFITS FOR 1971 UNDER PRESENT LAW BUT WHO WOULD GET SOME BENEFITS UNDER THE PROPOSAL.
3/ FIGURES ARE NOT ADDITIVE BECAUSE TIME PERIODS ARE NOT UNIFORM AND BECAUSE A PERSON MAY BE AFFECTED BY MORE THAN ONE PROVISION.

91ST CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
No. 91-700

SOCIAL SECURITY AMENDMENTS OF 1969

REPORT

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H.R. 15095

DECEMBER 5, 1969.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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37-006 O WASHINGTON : 1969

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CHARLES E. CHAMBERLAIN, Michigan

JOHN M. MARTIN, Jr., *Chief Counsel*
J. P. BAKER, *Assistant Chief Counsel*
RICHARD C. WILBUR, *Minority Counsel*

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 91-700

SOCIAL SECURITY AMENDMENTS OF 1969

DECEMBER 5, 1969.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MILLS, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 15095]

The Committee on Ways and Means, to whom was referred the bill (H.R. 15095) to increase benefits under the old-age, survivors, and disability insurance program, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. PURPOSE OF THE BILL

The purpose of H.R. 15095 is to provide an across-the-board increase in social security benefits of 15 percent for the 25 million elderly people, disabled people and their dependents, and widows and orphans who now get monthly social security benefits. In addition, the increase would apply to those people who will come on the benefit rolls in the future.

II. DISCUSSION OF THE PROVISIONS OF THE BILL

On October 15, the Committee on Ways and Means held extensive public hearings on all aspects of the Social Security Act, including the old-age, survivors, and disability insurance program, the public assistance programs, and the medicare and medicaid programs. As the evidence presented at these hearings unfolded, it became obvious that there was a pressing and urgent need for an across-the-board increase in the social security payments of people now on the benefit rolls. The information supplied to your committee indicated that the need was such that the increase should be provided as quickly as possible. Moreover, a recent revision in the long-range cost estimates of the system showed for the old-age, survivors, and disability programs an actuarial surplus of 1.16 percent of taxable payroll—an amount sufficient to meet

the cost of a 15-percent benefit increase. Therefore, your committee unanimously recommends that social security benefits be increased by 15 percent, effective with the benefits payable for January 1970. The benefit increase will be reflected in the checks issued on April 13, 1970, as is further explained below.

Your committee is convinced of the necessity to consider without unnecessary delay the many issues affecting the various programs under the Social Security Act which may call for legislative modification, and it intends to continue consideration of these issues as its first order of business when the Congress reconvenes next year. At that time, your committee will continue its consideration of the President's social security and welfare recommendations along with other proposals relating to public assistance and social security, including the operation of the medicare and medicaid programs. However, your committee does not believe the 15-percent benefit increase for social security beneficiaries should be delayed pending the committee's consideration of these other matters.

Number of persons affected: Your committee's bill would provide increased payments to the more than 25 million beneficiaries who will be on the benefit rolls in January 1970. Your committee has been informed that additional payments in fiscal year 1970 would total $1.7 billion, and that payments in the first full calendar year in which the increased benefits are paid—1971—would total $4.4 billion.

Minimum, and maximum benefit changes: Under the bill, the minimum benefit for a retired worker coming on the benefit rolls at or after age 65, and for a disabled worker, would be increased from $55 to $64 per month. The maximum worker's benefit would be increased from $218 to $250.70. (Although this maximum benefit is not payable until the year 2006 to people retired at age 65, maximum benefits are possible earlier for disabled people and for survivor families.)

Special age 72 benefits also increased: The special payments for certain people aged 72 and older who either have not worked at all under social security or have not worked long enough to qualify for regular social security cash benefits would also be increased by 15 percent—from $40 for an individual and from $60 for a couple to $46 and $69, respectively.

Effective date: Because of the time required to make the necessary changes in the Social Security Administration records and procedures that are needed to pay the new, higher amounts, the first check which could reflect the new rates would be for next March, payable in April. In addition, a separate check covering the retroactive increase for the January and February payments would be paid in April.

The following table shows illustrative benefit amounts under present law and under the proposed increase:

Average monthly earnings	Worker [1]		Man and wife [1] [2]		Widow, widower, or parent, age 62	
	Present law	Bill	Present law	Bill	Present law	Bill
Minimum [3]	$55.00	$64.00	$82.50	$96.00	$55.00	$84.00
$150	88.40	101.70	132.60	152.60	73.00	83.90
$250	115.00	132.30	172.50	198.50	94.90	109.20
$350	140.40	161.50	210.60	242.30	115.90	133.30
$450	165.00	189.80	247.50	284.70	136.20	156.60
$550	189.90	218.40	284.90	327.60	156.70	180.20
$650	218.00	250.70	323.00	[4] 376.10	179.90	206.90

[1] For a worker who is disabled or who is age 65 or older at the time of retirement and a wife age 65 or older at the time when she comes on the rolls.
[2] Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as the benefits for a man and wife, except that the total benefits would always equal 150 percent of the worker's primary insurance amount; it would not be limited to $323 as it is under the present law.
[3] Average monthly earnings of $74 or less under the present law, and of $76 or less under the bill.
[4] $105 limit on wife's benefit is removed.

III. ADDITIONAL AMENDMENTS RELATED TO THE 15-PERCENT BENEFIT INCREASE

In order to assure that all beneficiaries would get the 15-percent increase, the $105 monthly limit in present law on the wife's, husband's, and certain remarried widow's and widower's benefits would be removed. Also, as has been true whenever there have been benefit increases in the past, the bill would permit families already on the rolls to get the 15-percent increase for January and succeeding months even though payments to such families exceed the maximum limit on family benefit payments for their particular average monthly wage.

Because H.R. 15095 increases disability insurance benefits by 15 percent—which are paid out of the disability insurance trust fund—your committee would provide a 15-percent increase in the allocation of social security tax income to the disability insurance trust fund. Beginning in 1970, the allocation to the trust fund would be increased from 0.95 percent of taxable wages to 1.1 percent of taxable wages and from 0.7125 percent of taxable self-employment income to 0.825 percent of taxable self-employment income.

Under present law the disability insurance trust fund is in approximate acturial balance, having a long-range balance of −0.01 percent of taxable payroll. The old-age and survivors insurance trust fund has a substantial positive balance, amounting to 1.17 percent of taxable payroll. The increase in the allocation of contribution income to the disability insurance trust fund will meet the cost of the 15-percent benefit increase provided under the bill for disability beneficiaries and keep the disability insurance trust fund in actuarial balance, while leaving the old-age and survivors insurance trust fund in approximate actuarial balance.

IV. ACTUARIAL COST ESTIMATES FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM

(a) *Summary of actuarial cost estimates*

The old-age, survivors, and disability insurance system, as modified by your committee's bill, has an estimated cost for benefit payments and administrative expenses that is very closely in balance with contribution income. This also was the case for the 1950 and subsequent amendments at the time they were enacted.

The old-age and survivors insurance system as modified by your committee's bill shows an actuarial balance of −0.08 percent of taxable payroll under the intermediate-cost estimate. This is, of course, very close to an exact balance, especially considering that a range of variation is necessarily present in the long-range actuarial cost estimates and, further, that rounded tax rates are used in actual practice. Accordingly, the old-age and survivors insurance program, as it would be changed by your committee's bill, is actuarially sound.

The separate disability insurance trust fund, established under the 1956 act, shows exact actuarial balance under the provisions that would be in effect after enactment of your committee's bill, because the contribution rate allocated to this fund is exactly the same as the cost of the disability benefits based on the intermediate-cost estimate. Accordingly, the disability insurance program, as it would be modified by your committee's bill, is actuarially sound.

(*b*) *Contribution rate schedule for old-age, survivors, and disability insurance in bill*

The contribution schedule for old-age, survivors, and disability insurance in present law is not changed by your committee's bill.

These tax schedules are as follows:

[Percent]

Calendar year	Combined employer-employee rate	Self-employed rate
1969–70	8.4	6.3
1971–72	9.2	6.9
1973 and after	10.0	7.0

The allocated rates to the two trust funds that are applicable to the combined employer-employee contribution rate for your committee's bill, as compared with present law, are as follows:

[Percent]

Calendar year	Old-age and survivors insurance		Disability insurance	
	Present law	Committee bill	Present law	Committee bill
1970	7.45	7.30	0.95	1.10
1971–72	8.25	8.10	.95	1.10
1973 and after	9.05	8.90	.95	1.10

The allocation for disability insurance with respect to the self-employed rate is increased from 0.7125 percent under present law to 0.825 percent under your committee's bill.

(*c*) *Actuarial balance of program after enactment of 1967 act*

The changes made by the 1967 amendments involved an increased cost that was fully met by the accompanying changes in the financing provisions (namely, an increase in the contribution rates in 1973 and after and an increase in the earnings base). After an increase in the allocation to the disability insurance system, both that portion of the program and the old-age and survivors insurance portion were estimated to be in close actuarial balance.

In 1968 the cost estimates were completely revised, based on the availability of new operating data. The new estimates showed significantly lower costs. The actuarial balance of the old-age, survivors, and disability insurance program increased from +0.01 percent of taxable payroll to +0.53 percent of taxable payroll. The factors contributing to lower costs were as follows: (1) use of 1968 earnings assumption (instead of 1966 earnings) +0.33 percent; (2) use of 4¼ percent interest assumption (instead of 3¾ percent), +0.11 percent; (3) use of higher female labor force participation rates, +0.06 percent; and (4) other factors, +0.02 percent.

Then, in 1969, another complete revision of the actuarial cost estimates was made. The estimated cost of the program was again significantly reduced. The actuarial balance of the old-age, survivors, and disability insurance program was thereby increased from the figure of +0.53 percent of taxable payroll according to the 1968 estimate to +1.16 percent of taxable payroll. The factors contributing to lower costs were as follows: (1) use of 1969 earnings assumption (instead of 1968 earnings), +0.22 percent; (2) use of 4¾-percent interest assumption (instead of 4¼ percent), +0.11 percent; (3) use of higher labor force participation rates, for both men and women, +0.23 percent; and (4) other factors, +0.07 percent.

(*d*) *Actuarial balance of OASDI system*

According to the latest cost estimates made for the 1967 act, there is a very favorable actuarial balance for the combined old-age, survivors, and disability insurance system, but that there is a deficit of 0.01 percent of taxable payroll for the disability insurance portion, and a favorable balance of 1.17 percent of taxable payroll for the old-age and survivors insurance portion.

Under your committee's bill, the benefit changes proposed would be financed by utilizing the existing favorable actuarial balance, without any increases in the contribution rates and the earnings base. Accordingly, since the disability insurance system is in such close actuarial balance under existing law, it is necessary to increase the portion of the combined contributions which are allocated to it, so as to finance the cost of the 15-percent benefit increase. Under the new allocation basis, both the old-age and survivors insurance system and the disability insurance system are in close actuarial balance.

Table I traces through the change in the actuarial balance of the system from its situation under present law, according to the latest estimate, to that under your committee's bill, by type of major changes involved, determined as of January 1, 1970.

TABLE I.—CHANGES IN ACTUARIAL BALANCE OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, EXPRESSED IN TERMS OF ESTIMATED LEVEL-COST AS PERCENTAGE OF TAXABLE PAYROLL, BY TYPE OF CHANGE, INTERMEDIATE-COST ESTIMATE, PRESENT LAW AND COMMITTEE BILL

[Percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present system	+1.17	−0.01	+1.16
Benefit increase of 15 percent	−1.10	−.14	−1.24
Revised allocation of contribution rate	−.15	+.15	.00
Total effect of changes in bill	−1.25	+.01	−1.24
Actuarial balance under bill	−.08	.00	−.08

The changes made by your committee's bill would maintain the sound actuarial position of the old-age, survivors, and disability insurance system. The estimated actuarial balance of −0.08 percent of taxable payroll is inside the established limit within which the system is considered substantially in actuarial balance.

It should be emphasized that in 1950 and in subsequent amendments, the Congress did not recommend that the system be financed by a high level tax rate in the future, but rather recommended an increasing schedule, which, of necessity, ultimately rises higher than such a level rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will develop, although not as large as would arise under an equivalent level tax rate. This fund will be invested in Government securities (just as is also the case for the trust funds of the civil service retirement, railroad retirement, national service life insurance, and U.S. Government life insurance systems). The resulting interest income will help to bear part of the higher benefit costs of the future.

(e) Level-costs of benefit payments, by type

The level-cost of the old-age and survivors insurance benefit payments (without considering administrative expenses, the railroad retirement financial interchange, and the effect of interest earnings on the existing trust fund) under the 1967 act, according to the latest intermediate-cost estimate, is 7.82 percent of taxable payroll, and the corresponding figure for the program as it would be modified by your committee's bill is 8.92 percent. The corresponding figures for the disability benefits are 0.96 percent for the 1967 act and 1.10 percent for your committee's bill.

Table II presents the benefit costs for the old-age, survivors, and disability insurance system as it would be after enactment of your committee's bill, separately for each of the various types of benefits.

TABLE II.—ESTIMATED LEVEL-COST OF BENEFIT PAYMENTS, ADMINISTRATIVE EXPENSES, AND INTEREST EARNINGS ON EXISTING TRUST FUND UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, AFTER ENACTMENT OF COMMITTEE BILL, AS PERCENTAGE OF TAXABLE PAYROLL,[1] BY TYPE OF BENEFIT, INTERMEDIATE-COST ESTIMATE

[Percent]

Item	Old-age and survivors insurance	Disability insurance
Primary benefits	6.16	0.90
Wife's and husband's benefits	.50	.06
Widow's and widower's benefits	1.30	(2)
Parent's benefits	.01	(2)
Child's benefits	.74	.14
Mother's benefits	.13	(2)
Lump-sum death payments	.08	(2)
Total benefits	8.92	1.10
Administrative expenses	.13	.04
Railroad retirement financial interchange	.07	.00
Interest on existing trust fund [3]	−.26	−.04
Net total level-cost	8.86	1.10

[1] Including adjustment to reflect the lower contribution rate on self-employment income and on tips, as compared with the combined employer-employee rate.

[2] This type of benefit is not payable under this program.

[3] This item includes reimbursement for additional cost of noncontributory credit for military service and is taken as an offset to the benefit and administrative expense costs.

(f) Income and outgo in near future

Under your committee's bill, benefit disbursements under the old-age, survivors, and disability insurance system will increase by $1.7 billion in fiscal year 1970 over present law; this represents the increase for 5 months' of benefit payments—since the increase is first effective for January 1970.

Under the program as modified by your committee's bill, according to this estimate, the old-age and survivors insurance trust fund will increase by about $1.6 billion in 1970. In 1971–72, the trust fund will increase by about $5 billion per year. In the next 2 years, as a result of the scheduled increase in the contribution rates in 1973, the trust fund will increase by about $11 billion each year. Table III presents these short-range estimates.

TABLE III.—PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, SHORT-RANGE ESTIMATE

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [2]	Interest on fund [1]	Balance in fund at end of year [3]
Actual data:						
1951	$3,367	$1,885	$81	----------	$417	$15,540
1952	3,819	2,194	88	----------	365	17,442
1953	3,945	3,006	88	----------	414	18,707
1954	5,163	3,670	92	−$21	447	20,576
1955	5,713	4,968	119	−7	454	21,663
1956	6,172	5,715	132	−5	526	22,519
1957	6,825	7,347	162	−2	556	22,393
1958	7,566	8,327	194	124	552	21,864
1959	8,052	9,842	184	282	532	20,141
1960	10,866	10,677	203	318	516	20,324
1961	11,285	11,862	239	332	548	19,725
1962	12,059	13,356	256	361	526	18,337
1963	14,541	14,217	281	423	521	18,480
1964	15,689	14,914	296	403	569	19,125
1965	16,017	16,737	328	436	593	18,235
1966	20,658	18,267	256	444	644	20,570
1967	23,216	19,468	406	508	818	24,222
1968	24,101	22,642	476	438	939	25,704
Estimated data (short-range estimate), committee bill:						
1969 [4]	28,523	24,245	469	491	1,139	30,161
1970	30,089	28,799	516	526	1,352	31,761
1971	34,527	30,288	532	564	1,562	36,466
1972	36,455	31,414	551	633	1,872	42,195
1973	41,429	32,518	571	621	2,308	52,222
1974	43,459	33,641	591	612	2,870	63,707

[1] An interest rate of 4.75 percent is used in determining the level costs, under the intermediate-cost long-range estimates, but in developing the progress of the trust fund a varying rate in the early years has been used.

[2] A negative figure indicates payment to the trust fund from the railroad retirement account, and a postive figure indicates the reverse.

[3] Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to $377 for 1953, $284 for 1954, $163 for 1955, $60 for 1956, and nothing for 1957 and thereafter.

[4] Estimated data for present law.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service and fo the special benefits payable to certain noninsured persons aged 72 or over.

The disability insurance trust fund is estimated to increase by about $1.4 billion in 1970 under your committee's bill, and by somewhat larger amounts each year thereafter for the next few years. Table IV presents these short-range estimates.

TABLE IV.—PROGRESS OF DISABILITY INSURANCE TRUST FUND, SHORT-RANGE ESTIMATE

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [1]	Interest on fund [2]	Balance in fund at end of year
Actual data:						
1957	$702	$57	$3	----------	$7	$649
1958	966	249	12	----------	25	1,379
1959	891	457	50	−$22	40	1,825
1960	1,010	568	36	−5	53	2,289
1961	1,038	887	64	5	66	2,437
1962	1,046	1,105	66	11	68	2,368
1963	1,099	1,210	68	20	66	2,235
1964	1,154	1,309	79	19	64	2,047
1965	1,188	1,573	90	24	59	1,606
1966	2,022	1,784	137	25	58	1,739
1967	2,302	1,950	109	31	78	2,029
1968	3,454	2,294	127	20	106	3,025
Estimated data (short-range estimate), committee bill:						
1969 [3]	3,643	2,563	151	21	180	4,113
1970	4,419	3,092	162	18	260	5,520
1971	4,693	3,298	169	17	334	7,063
1972	4,913	3,462	174	21	412	8,731
1973	5,136	3,607	181	22	500	10,557
1974	5,369	3,731	187	23	596	12,581

[1] A negative figure indicates payment to the trust fund from the railroad retirement account, and a positive figure indicates the reverse.

[2] An interest rate of 4.75 percent is used in determining the level-costs under the intermediate-cost long-range estimates but in developing the progress of the trust fund a varying rate in the early years has been used.

[3] Estimated data for present law.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service.

(g) *Long-range operations of OASI trust fund*

Table V gives the estimated operations of the old-age and survivors insurance trust fund under the program as it would be changed by your committee's bill for the long-range future, based on the intermediate-cost estimate. It will, of course, be recognized that the figures for the next two or three decades are the most reliable (under the assumption of level-earnings trends in the future) since the populations concerned—both covered workers and beneficiaries—are already born. As the estimates proceed further into the future, there is, of course, much more uncertainty.

In every year after 1969 for the next 15 years, contribution income under the system as it would be modified by your committee's bill is estimated to exceed old-age and survivors insurance benefit disbursements. Even after the benefit-outgo curve rises ahead of the contribution-income curve, the trust fund will nonetheless continue to increase because of the effect of interest earnings (which more than meet the administrative expense disbursements and any financial interchanges with the railroad retirement program). As a result, this trust fund is estimated to grow steadily under the intermediate long-range cost estimate (with a level-earnings assumption), reaching $89 billion in 1980 and about $160 billion at the end of this century.

TABLE V.—ESTIMATED PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND UNDER SYSTEM AS MODIFIED BY COMMITTEE BILL, LONG-RANGE-INTERMEDIATE-COST ESTIMATE

[In millions]

Calendar year	Contributions	Benefit payments [1]	Administrative expenses	Interest on fund	Balance in fund at end of year
1980	$42,080	$38,956	$614	$3,801	$89,343
1990	47,578	50,140	714	5,868	132,750
2000	55,344	56,998	791	7,267	164,715
2025	72,031	92,408	1,163	10,621	232,689

[1] Includes effect of financial interchange provision with railroad retirement system.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service before 1957. No account is taken in this table of the outgo for the special benefits payable to certain noninsured persons aged 72 or over or for the additional benefits payable on the basis of noncontributory credit for military service after 1967—or of the corresponding reimbursement therefor, which is exactly counterbalancing from a long-range cost standpoint.

(*h*) *Long-range operations of DI trust fund*

The disability insurance trust fund, under the program as it would be changed by your committee's bill, grows slowly but steadily after 1969, according to the intermediate long-range cost estimate, as shown by table VI. In 1980, it is shown as being $18 billion, while in 1990, the corresponding figure is $29 billion. There is a small excess of contribution income over benefit disbursements for every year after 1969 for the next 20 years.

TABLE VI.—ESTIMATED PROGRESS OF DISABILITY INSURANCE TRUST FUND UNDER SYSTEM AS MODIFIED BY COMMITTEE BILL, LONG-RANGE-INTERMEDIATE-COST ESTIMATE

[In millions]

Calendar year	Contributions	Benefit payments [1]	Administrative expenses	Interest on fund	Balance in fund at end of year
1980	$5,222	$4,685	$176	$768	$17,606
1990	5,917	5,806	194	1,284	28,855
2000	6,887	7,367	238	1,847	41,117
2025	8,946	10,697	342	1,980	43,685

[1] Includes effect of financial interchange provision with railroad retirement system.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service before 1957. No account is taken in this table of the outgo for the additional benefits payable on the basis of noncontributory credit for military service after 1967—or of the corresponding reimbursement therefor, which is exactly counterbalancing from a long-range cost standpoint.

V. Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * * * *

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

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

Section 201. (a) * * *

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

(1) (A) ½ of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1956, and before January 1, 1966, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, (B) 0.70 of 1 per centum of the wages (as so defined) paid after December 31, 1965, and before January 1, 1968, and so reported, [and] (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, [1967, and so reported,] *1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported*, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and

(2) (A) ⅜ of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, and before January 1, 1966, (B) and 0.525 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1965, and before January 1, 1968, [and] (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967, *and before January 1, 1970, and (D) 0.825 of 1 per centum of the*

amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.

* * * * * * *

Old-Age and Survivors Insurance Benefit Payments

Old-Age Insurance Benefits

Sec. 202. (a) * * *

Wife's Insurance Benefits

(b)(1) * * *

[(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such months, or (B) $105.]

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

* * * * * * *

Husband's Insurance Benefits

(c)(1) * * *

[(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of his wife for such month, or (B) $105.]

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

* * * * * * *

Widow's Insurance Benefits

(e)(1) * * *

(4) If a widow, after attaining the age of 60, marries an individual (other than one described in subparagraph (A) or (B) of paragraph (3)), such marriage shall, for purposes of paragraph (1), be deemed not to have occurred; except that, notwithstanding the provisions of paragraph (2) and subsection (q), such widow's insurance benefit for the month in which such marriage occurs and each month thereafter prior to the month in which the husband dies or such marriage is otherwise terminated, shall be equal to [whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105] *one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based;*

* * * * * * *

Widower's Insurance Benefits

(f)(1) * * *

(5) If a widower, after attaining the age of 62, marries an individual (other than one described in subparagraph (A) or (B) of paragraph (4)), such marriage shall, for purposes of paragraph (1), be deemed not to have occurred; except that, notwithstanding the provisions of paragraph (3) and subsection (q), such widower's insurance benefit for the month in which such marriage occurs and each month thereafter prior to the month in which the wife dies or such marriage is otherwise terminated, shall be equal to [whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105] *one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based.*

* * * * * * *

Reduction of Insurance Benefits

Maximum Benefits

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

(1) when any of such individuals so entitled would (but for the provisions of section 202(k)(2)(A) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall not be reduced to less than the smaller of: (A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or (B) the last figure in column V of the table appearing in section 215(a), or

(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for [the month of February 1968] *January 1970* on the basis of the wages and self-employment income of such insured individual *and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income*, such total of benefits for [such month] *January 1970* or any subsequent month shall not be reduced to less than the larger of—

(A) the amount determined under this subsection without regard to this paragraph, or

(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to [February 1968] *January 1970*, for each such person for [February 1968] *such month*, by [113] *115* percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subpara-

graph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for [the month of February 1968] *January 1970*, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for [February 1968] *January 1970*, or

* * * * * * *

Computation of Primary Insurance Amount

Sec. 215. For the purposes of this title—

(a) Subject to the conditions specified in subsections (b), (c), and (d) of this section, the primary insurance amount of an insured individual shall be whichever of the following is the largest:

(1) The amount in column IV on the line on which in column III of the following table appears his average monthly wage (as determined under subsection (b));

(2) The amount in column IV on the line on which in column II of the following table appears his primary insurance amount (as determined under subsection (c));

(3) The amount in column IV on the line on which in column I of the following table appears his primary insurance benefit (as determined under subsection (d)); or

(4) In the case of an individual who was entitled to a disability insurance benefit for the month before the month in which he died, became entitled to old-age insurance benefits, or attained age 65, the amount in column IV which is equal to the primary insurance amount upon which such disability insurance benefit is based.

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1965 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the proceeding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
.....	$15.60	$48.00 or less	.....	$74	$55.00	$82.50
$15.61	16.20	49.00	$75	76	55.40	83.10
$16.21	16.84	50.00	77	78	56.50	84.80
$16.85	17.60	51.00	79	80	57.70	86.60
$17.61	18.40	52.00	81	81	58.80	88.20
$18.41	19.24	53.00	82	83	59.90	89.90
$19.25	20.00	54.00	84	85	61.10	91.70
$20.01	20.64	55.00	86	87	62.20	93.30
$20.65	21.28	56.00	88	89	63.30	95.00
$21.29	21.88	57.00	90	90	64.50	96.80
$21.89	22.28	58.00	91	92	65.60	98.40

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1965 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the proceeding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least--	But not more than—		At least—	But not more than—		
$22.29	$22.68	$59.00	$93	$94	$66.70	$100.10
$22.69	23.08	60.00	95	96	67.80	101.70
$23.09	23.44	61.00	97	97	69.00	103.50
$23.45	23.76	62.10	98	99	70.20	105.30
$23.77	24.20	63.20	100	101	71.50	107.30
$24.21	24.60	64.20	102	102	72.60	108.90
$24.61	25.00	65.30	103	104	73.80	110.70
$25.01	25.48	66.40	105	106	75.10	112.70
$25.49	25.92	67.50	107	107	76.30	114.50
$25.93	26.40	68.50	108	109	77.50	116.30
$26.41	26.94	69.60	110	113	78.70	118.10
$26.95	27.46	70.70	114	118	79.90	119.90
$27.47	28.00	71.70	119	122	81.10	121.70
$28.01	28.68	72.80	123	127	82.30	123.50
$28.69	29.25	73.90	128	132	83.60	125.40
$29.26	29.68	74.90	133	136	84.70	127.10
$29.69	30.36	76.00	137	141	85.90	128.90
$30.37	30.92	77.10	142	146	87.20	130.80
$30.93	31.36	78.20	147	150	88.40	132.60
$31.37	32.00	79.20	151	155	89.50	134.30
$32.01	32.60	80.30	156	160	90.80	136.20
$32.61	33.20	81.40	161	164	92.00	138.00
$33.21	33.88	82.40	165	169	93.20	139.80
$33.89	34.50	83.50	170	174	94.40	141.60
$34.51	35.00	84.60	175	178	95.60	143.40
$35.01	35.80	85.60	179	183	96.80	146.40
$35.81	36.40	86.70	184	188	98.00	150.40
$36.41	37.06	87.80	189	193	99.30	154.40
$37.09	37.60	88.90	194	197	100.50	157.60
$37.61	38.20	89.90	198	202	101.60	161.60
$38.21	39.12	91.00	203	207	102.90	165.60
$39.13	39.68	92.10	208	211	104.10	168.80
$39.69	40.33	93.10	212	216	105.20	172.80
$40.34	41.12	94.20	217	221	106.50	176.80
$41.13	41.76	95.30	222	225	107.70	180.00
$41.77	42.44	96.30	226	230	108.90	184.00
$42.45	43.20	97.40	231	235	110.10	188.00
$43.21	43.76	98.50	236	239	111.40	191.20
$43.77	44.44	99.60	240	244	112.60	195.20
$44.45	44.88	100.60	245	249	113.70	199.20
$44.89	45.60	101.70	250	253	115.00	202.40
		102.80	254	258	116.20	206.40
		103.80	259	263	117.30	210.40
		104.90	264	267	118.60	213.60
		106.00	268	272	119.80	217.60
		107.00	273	277	121.00	221.60
		108.10	278	281	122.20	224.80
		109.20	282	286	123.40	228.80
		110.30	287	291	124.70	232.80
		111.30	292	295	125.80	236.00
		112.40	296	300	127.10	240.00
		113.50	301	305	128.30	244.00
		114.50	306	309	129.40	247.20
		115.60	310	314	130.70	251.20
		116.70	315	319	131.90	255.20
		117.70	320	323	133.00	258.40
		118.80	324	328	134.30	262.40
		119.90	329	333	135.50	266.40
		121.00	334	337	136.80	269.60
		122.00	338	342	137.90	273.60
		123.10	343	347	139.10	277.60
		124.20	348	351	140.40	280.80
		125.20	352	356	141.50	284.80
		126.30	357	361	142.80	288.80
		127.40	362	365	144.00	292.00
		128.40	366	370	145.10	296.00
		129.50	371	375	146.40	300.00

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1965 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the proceeding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$130.60	$376	$379	$147.60	$303.20
		131.70	380	384	148.90	307.20
		132.70	385	389	150.00	311.20
		133.00	390	393	151.20	314.40
		134.90	394	398	152.50	318.40
		135.90	399	403	153.60	322.40
		137.00	404	407	154.90	325.60
		138.00	408	412	156.00	329.60
		139.00	413	417	157.10	333.60
		140.00	418	421	158.20	336.80
		141.00	422	426	159.40	340.80
		142.00	427	431	160.50	344.80
		143.00	432	436	161.60	348.80
		144.00	437	440	162.80	350.40
		145.00	441	445	163.90	352.40
		146.00	446	450	165.00	354.40
		147.00	451	454	166.20	356.00
		148.00	455	459	167.30	358.00
		149.00	460	464	168.40	360.00
		150.00	465	468	169.50	361.60
		151.00	469	473	170.70	363.60
		152.00	474	478	171.80	365.60
		153.00	479	482	172.90	367.20
		154.00	483	487	174.10	369.20
		155.00	483	492	175.20	371.20
		156.00	493	496	176.30	372.80
		157.00	497	501	177.50	374.80
		158.00	502	506	178.60	376.80
		159.00	507	510	179.70	378.40
		160.00	511	515	180.80	380.40
		161.00	516	520	182.00	382.40
		162.00	521	524	183.10	384.00
		163.00	525	529	184.20	386.00
		164.00	530	534	185.40	388.00
		165.00	535	538	186.50	389.60
		166.00	539	543	187.60	391.60
		167.00	544	548	188.80	393.60
		168.00	549	553	189.90	395.60
			554	556	191.00	396.80
			557	560	192.00	398.40
			561	563	193.00	399.60
			564	567	194.00	401.20
			568	570	195.00	402.40
			571	574	196.00	404.00
			575	577	197.00	405.20
			578	581	198.00	406.80
			582	584	199.00	408.00
			585	588	200.00	409.60
			589	591	201.00	410.80
			592	595	202.00	412.40
			596	598	203.00	413.60
			599	602	204.00	415.20
			603	605	205.00	416.40
			606	609	206.00	418.00
			610	612	207.00	419.20
			613	616	208.00	420.80
			617	620	209.00	422.40
			621	623	210.00	423.60
			624	627	211.00	425.20
			628	630	212.00	426.40
			631	634	213.00	428.00
			635	637	214.00	429.20
			638	641	215.00	430.80
			642	644	216.00	432.00
			645	648	217.00	433.60
			649	650	218.00	434.40

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximun amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$16.20	$55.40 or less	----------	$76	$64.00	$96.00
$16.21	16.84	56.50	$77	78	65.00	96.50
$16.85	17.60	57.70	79	80	66.40	99.60
$17.61	18.40	58.80	81	81	67.70	101.60
$18.41	19.24	59.90	82	83	68.90	103.40
$19.25	20.00	61.10	84	85	70.30	105.50
$20.01	20.64	62.20	86	87	71.60	107.40
$20.65	21.28	63.30	88	89	72.80	109.20
$21.29	21.88	64.50	90	90	74.20	111.30
$21.89	22.28	65.60	91	92	75.50	113.30
$22.29	22.68	66.70	93	94	76.80	115.20
$22.69	23.08	67.80	95	96	78.00	117.00
$23.09	23.44	69.00	97	97	79.40	119.10
$23.45	23.76	70.20	98	99	80.80	121.20
$23.77	24.20	71.50	100	101	82.20	123.30
$24.21	24.60	72.60	102	102	83.50	125.30
$24.61	25.00	73.80	103	104	84.90	127.40
$25.01	25.48	75.10	105	106	86.40	129.60
$25.49	25.92	76.30	107	107	87.80	131.70
$25.93	26.40	77.50	108	109	89.20	133.80
$26.41	26.94	78.70	110	113	90.60	135.90
$26.95	27.46	79.90	114	118	91.90	137.90
$27.47	28.00	81.10	119	122	93.30	140.00
$28.01	28.68	82.30	123	127	94.70	142.10
$28.69	29.25	83.60	128	132	96.20	144.30
$29.26	29.68	84.70	133	136	97.50	146.30
$29.69	30.36	85.90	137	141	98.80	148.20
$30.37	30.92	87.20	142	146	100.30	150.50
$30.93	31.36	88.40	147	150	101.70	152.60
$31.37	32.00	89.50	151	155	103.00	154.50
$32.01	32.60	90.80	156	160	104.50	156.80
$32.61	33.20	92.00	161	164	105.80	158.70
$33.21	33.88	93.20	165	169	107.20	160.80
$33.89	34.50	94.40	170	174	108.60	162.90
$34.51	35.00	95.60	175	178	110.00	165.00
$35.01	35.80	96.80	179	183	111.40	167.10
$35.81	36.40	98.00	184	188	112.70	169.10
$36.41	37.08	99.30	189	193	114.20	171.30
$37.09	37.60	100.50	194	197	115.60	173.40
$37.61	38.20	101.60	198	202	116.90	175.40
$38.21	39.12	102.90	203	207	118.40	177.60
$39.13	39.68	104.10	208	211	119.80	179.70
$39.69	40.33	105.20	212	216	121.00	181.50
$40.34	41.12	106.50	217	221	122.50	183.80
$41.13	41.76	107.70	222	225	123.90	185.90
$41.77	42.44	108.90	226	230	125.30	188.00
$42.45	43.20	110.10	231	235	126.70	190.10
$43.21	43.76	111.40	236	239	128.20	192.30
$43.77	44.44	112.60	240	244	129.50	195.20
$44.45	44.88	113.70	245	249	130.80	199.20
$44.89	45.60	115.00	250	253	132.30	202.40
		116.20	254	258	133.70	206.40
		117.30	259	263	134.90	210.40
		118.60	264	267	136.40	213.60
		119.80	268	272	137.80	217.60
		121.00	273	277	139.20	221.60
		122.20	278	281	140.60	224.80
		123.40	282	286	142.00	228.80
		124.70	287	291	143.50	232.80
		125.80	292	295	144.70	236.00
		127.10	296	300	146.20	240.00
		128.30	301	305	147.60	244.00

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		*II*	*III*		*IV*	*V*
(Primary insurance benefit under 1939 act, as modified)		*(Primary insurance amount under 1967 act)*	*(Average monthly wage)*		*(Primary insurance amount)*	*(Maximum family benefits)*
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		*Or his primary insurance amount (as determined under subsec. (c)) is—*	*Or his average monthly wage (as determined under subsec. (b)) is—*		*The amount referred to in the preceding paragraphs of this subsection shall be—*	*And the maximun amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—*
At least—	*But not more than—*		*At least—*	*But not more than—*		
		$129.40	$306	$309	$148.90	$247.20
		130.70	310	314	150.40	251.20
		131.90	315	319	151.70	255.20
		133.00	320	323	153.00	258.40
		134.30	324	328	154.50	262.40
		135.50	329	333	155.90	266.40
		136.80	334	337	157.40	269.60
		137.90	338	342	158.60	273.60
		139.10	343	347	160.00	277.60
		140.40	348	351	161.50	280.80
		141.50	352	356	162.80	284.80
		142.80	357	361	164.30	288.80
		144.00	362	365	165.60	292.00
		145.10	366	370	166.90	296.00
		146.40	371	375	168.40	300.00
		147.60	376	379	169.80	303.20
		148.90	380	384	171.30	307.20
		150.00	385	389	172.50	311.20
		151.20	390	393	173.90	314.40
		152.50	394	398	175.40	318.40
		153.60	399	403	176.70	322.40
		154.90	404	407	178.20	325.60
		156.00	408	412	179.40	329.60
		157.10	413	417	180.70	333.60
		158.20	418	421	182.00	336.80
		159.40	422	426	183.40	340.80
		160.50	427	431	184.60	344.80
		161.60	432	436	185.90	348.80
		162.80	437	440	187.30	350.40
		163.90	441	445	188.50	352.40
		165.00	446	450	189.80	354.40
		166.20	451	454	191.20	356.00
		167.30	455	459	192.40	358.00
		168.40	460	464	193.70	360.00
		169.50	465	468	195.00	361.60
		170.70	469	473	196.40	363.60
		171.80	474	478	197.60	365.60
		172.90	479	482	198.90	367.20
		174.10	483	487	200.30	369.20
		175.20	488	492	201.50	371.20
		176.30	493	496	202.80	372.80
		177.50	497	501	204.20	374.80
		178.60	502	506	205.40	376.80
		179.70	507	510	206.70	378.40
		180.80	511	515	208.00	380.40
		182.00	516	520	209.30	382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	406.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

I		*II*	*III*		*IV*	*V*
(Primary insurance benefit under 1939 act, as modified)		*(Primary insurance amount under 1967 act)*	*(Average monthly wage)*		*(Primary insurance amount)*	*(Maximum family benefits)*
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		*Or his primary insurance amount (as determined under subsec. (c)) is—*	*Or his average monthly wage (as determined under subsec. (b)) is—*		*The amount referred to in the preceding paragraphs of this subsection shall be—*	*And the maximun amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—*
At least—	*But not more than—*		*At least—*	*But not more than—*		
		$201.00	$589	$591	$231.20	$410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00
		207.00	610	612	238.10	419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40
		213.00	631	634	245.00	428.00
		214.00	635	637	246.10	429.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40

Average Monthly Wage

(b)(1) * * *

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

(A) who becomes entitled, after [January 1968] *December 1969* to benefits under section 202(a) or section 223; or

(B) who dies after [January 1968] *December 1969* without being entitled to benefits under section 202(a) or section 223; or

(C) whose primary insurance amount is required to be recomputed under subsection (f)(2).

Primary Insurance Amount Under [1965] *1967* Act

(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of [1967] *1969*.

(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before [the month of February 1968] *January 1970*, or who died before such month.

* * * * * * *

Transitional Insured Status

Sec. 227. (a) In the case of any individual who attains the age of 72 before 1969 but who does not meet the requirements of section 214(a), the 6 quarters of coverage referred to in so much of paragraph (1) of section 214(a) as follows clause (C) shall, instead, be 3 quarters of coverage for purposes of determining entitlement of such individual to benefits under section 202(a), and of his wife to benefits under section 202(b), but, in the case of such wife, only if she attains the age of 72 before 1969 and only with respect to wife's insurance benefits under section 202(b) for and after the month in which she attains such age. For each month before the month in which any such individual meets the requirements of section 214(a), the amount of his old-age insurance benefit shall, notwithstanding the provisions of section 202(a), be [$40] *$46*, and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b), be [$20] *$23*.

(b) In the case of any individual who has died, who does not meet the requirements of section 214(a), and whose widow attains age 72 before 1969, the 6 quarters of coverage referred to in paragraph (3) of section 214(a) and in so much of paragraph (1) thereof as follows clause (C) shall, for purposes of determining her entitlement to widow's insurance benefits under section 202(e), instead be—

(1) 3 quarters of coverage if such widow attains the age of 72 in or before 1966,

(2) 4 quarters of coverage if such widow attains the age of 72 in 1967, or

(3) 5 quarters of coverage if such widow attains the age of 72 in 1968.

The amount of her widow's insurance benefit for each month shall, notwithstanding the provisions of section 202(e) (and section 202(m)), be [$40] *$46*.

* * * * * * *

Benefits at Age 72 for Certain Uninsured Individuals

Eligibility

Sec. 228. (a) * * *

Benefit Amount

(b)(1) Except as provided in paragraph (2), the benefit amount to which an individual is entitled under this section for any month shall be [$40.] *$46*.

(2) If both husband and wife are entitled (or upon application would be entitled) to benefits under this section for any month, the amount of the husband's benefit for such month shall be [$40] *$46* and the amount of the wife's benefit for such month shall be [$20.] *$23*.

Reduction for Governmental Pension System Benefits

(c)(1) The benefit amount of any individual under this section for any month shall be reduced (but not below zero) by the amount of any periodic benefit under a governmental pension system for which he is eligible for such month.

(2) In the case of a husband and wife only one of whom is entitled to benefits under this section for any month, the benefit amount, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the spouse who is not entitled to benefits under this section is eligible for such month, over (B) [$20] *$23*.

(3) In the case of a husband and wife both of whom are entitled to benefits under this section for any month—

(A) the benefit amount of the wife, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the husband is eligible for such month, over (ii) [$40] *$46*, and

(B) the benefit amount of the husband, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the wife is eligible for such month, over (ii) [$20] *$23*.

* * * * * * *

SEPARATE VIEWS OF JACOB H. GILBERT

The 15-percent increase in social security benefits, effective January 1, 1970, recommended by the House Ways and Means Committee, will compensate social security beneficiaries for the rapidly rising living costs that have seriously eroded their benefits. Simple justice requires that our social security beneficiaries receive an immediate increase in benefits in order to maintain the buying power of their benefits in these times of rapid inflation.

Separating an immediate increase from other social security legislation will permit the fastest possible relief to social security beneficiaries beset by rapidly rising living costs. This approach also will allow the committee the time necessary to give major social security reform the comprehensive review such complex proposals require without penalizing social security beneficiaries by delay. The benefit increase should be looked on as stopgap legislation to allow time for development of a fuller program.

My bill, H.R. 14430, which is pending before the committee, would provide additional benefit increases, a two-step increase in the minimum benefit to $120 a month by January 1, 1972, and would abolish the premium for medicare part B—now $4 monthly—and make other much needed improvements in the social security and medicare programs. I am sure that in the coming months the committee will consider the proposals under my bill, H.R. 14430, and other pending social security legislation.

JACOB H. GILBERT.

O

Union Calendar No. 303

91ST CONGRESS
1ST SESSION

H. R. 15095

[Report No. 91-700]

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 4, 1969

Mr. MILLS (for himself and Mr. BYRNES of Wisconsin) introduced the following bill; which was referred to the Committee on Ways and Means

DECEMBER 5, 1969

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend the Social Security Act to provide a 15-percent across-the-board increase in benefits under the old-age, survivors, and disability insurance program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1969".

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 2. (a) Section 215 (a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$16.20	$55.40 or less	----------	$76	$64.00	$96.00
$16.21	16.84	56.50	$77	78	65.00	97.50
16.85	17.60	57.70	79	80	66.40	99.60
17.61	18.40	58.80	81	81	67.70	101.60
18.41	19.24	59.90	82	83	68.90	103.40
19.25	20.00	61.10	84	85	70.30	105.50
20.01	20.64	62.20	86	87	71.60	107.40
20.65	21.28	63.80	88	89	72.80	109.20
21.29	21.88	64.50	90	90	74.20	111.30
21.89	22.28	65.60	91	92	75.50	113.30
22.29	22.68	66.70	93	94	76.80	115.20
22.69	23.08	67.80	95	96	78.00	117.00
23.09	23.44	69.00	97	97	79.40	119.10
23.45	23.76	70.20	98	99	80.80	121.20
23.77	24.20	71.50	100	101	82.30	123.50
24.21	24.60	72.60	102	102	83.50	125.30
24.61	25.00	73.80	103	104	84.90	127.40
25.01	25.48	75.10	105	106	86.40	129.60
25.49	25.92	76.30	107	107	87.80	131.70
25.93	26.40	77.50	108	109	89.20	133.80
26.41	26.94	78.70	110	113	90.60	135.90
26.95	27.46	79.90	114	118	91.90	137.90
27.47	28.00	81.10	119	122	93.30	140.00
28.01	28.68	82.30	123	127	94.70	142.10
28.69	29.25	83.60	128	132	96.20	144.30
29.26	29.68	84.70	133	136	97.50	146.30
29.69	30.36	85.90	137	141	98.80	148.20
30.37	30.92	87.20	142	146	100.30	150.50
30.93	31.36	88.40	147	150	101.70	152.60
31.37	32.00	89.50	151	155	103.00	154.50
32.01	32.60	90.80	156	160	104.50	156.80
32.61	33.20	92.00	161	164	105.80	158.70
33.21	33.88	93.20	165	169	107.20	160.80
33.89	34.50	94.40	170	174	108.60	162.90
34.51	35.00	95.60	175	178	110.00	165.00
35.01	35.80	96.80	179	183	111.40	167.10
35.81	36.40	98.00	184	188	112.70	169.10
36.41	37.08	99.30	189	193	114.20	171.30
37.09	37.60	100.50	194	197	115.60	173.40
37.61	38.20	101.60	198	202	116.90	175.40
38.21	39.12	102.90	203	207	118.40	177.60
39.13	39.68	104.10	208	211	119.80	179.70
39.69	40.33	106.20	212	216	121.00	181.50
40.34	41.12	108.50	217	221	122.50	183.80
41.13	41.76	107.70	222	225	123.90	185.90
41.77	42.44	108.90	226	230	125.30	188.00
42.45	43.20	110.10	231	235	126.70	190.10
43.21	43.76	111.40	236	239	128.20	192.30
43.77	44.44	112.60	240	244	129.50	195.20
44.45	44.88	113.70	245	249	130.80	199.20
44.89	45.60	115.00	250	253	132.80	202.40
		116.20	254	258	133.70	206.40
		117.30	259	263	134.90	210.40
		118.60	264	267	136.40	213.60
		119.80	268	272	137.80	217.60
		121.00	273	277	139.20	221.60
		122.20	278	281	140.60	224.80
		123.40	282	286	142.00	228.80
		124.70	287	291	143.50	232.80
		125.80	292	295	144.70	236.00
		127.10	296	300	146.20	240.00
		128.30	301	305	147.60	244.00
		129.40	306	309	148.90	247.20
		130.70	310	314	150.40	251.20
		131.90	315	319	151.70	255.20
		133.00	320	323	153.00	258.40
		134.30	324	328	154.50	262.40
		135.50	329	333	155.90	266.40
		136.80	334	337	157.40	269.60
		137.90	338	342	158.60	273.60
		139.10	343	347	160.00	277.60
		140.40	348	351	161.50	280.80
		141.50	352	356	162.80	284.80
		142.80	357	361	164.80	288.80
		144.00	362	365	165.60	292.00
		145.10	366	370	166.90	296.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$146.40	$371	$375	$168.40	$300.00
		147.60	376	379	169.80	303.20
		148.90	380	384	171.30	307.20
		150.00	385	389	172.50	311.20
		151.20	390	393	173.90	314.40
		152.50	394	398	175.40	318.40
		153.60	399	403	176.70	322.40
		154.90	404	407	178.20	325.60
		156.00	408	412	179.40	329.60
		157.10	413	417	180.70	333.60
		158.20	418	421	182.00	336.80
		159.40	422	426	183.40	340.80
		160.50	427	431	184.60	344.80
		161.60	432	436	185.90	348.80
		162.80	437	440	187.30	350.40
		163.90	441	445	188.50	352.40
		165.00	446	450	189.80	354.40
		166.20	451	454	191.20	356.00
		167.30	455	459	192.40	358.00
		168.40	460	464	193.70	360.00
		169.50	465	468	195.00	361.60
		170.70	469	473	196.40	363.60
		171.80	474	478	197.60	365.60
		172.90	479	482	198.90	367.20
		174.10	483	487	200.30	369.20
		175.20	488	492	201.50	371.20
		176.30	493	496	202.80	372.80
		177.50	497	501	204.20	374.80
		178.60	502	506	205.40	376.80
		179.70	507	510	206.70	378.40
		180.80	511	515	208.00	380.40
		182.00	516	520	209.30	382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	405.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60
		201.00	589	591	231.20	410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00
		207.00	610	612	238.10	419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40
		213.00	631	634	245.00	428.00
		214.00	635	637	246.10	429.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40".

(b) Section 203 (a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202 (j) (1) and section 223 (b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), as in effect prior to January 1970, for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if sec-

tion 202 (k) (2) (A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or".

(c) Section 215 (b) (4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969".

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

"Primary Insurance Amount Under 1967 Act

"(c) (1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202 (a) or section 223 before January 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social

Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202 (a) of such Act for January 1970, or he died in such month, then, for purposes of section 215 (a) (4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 3. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46," and by striking out "$20" and inserting in lieu thereof "$23".

(2) Section 227 (b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$46".

(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228 (b) (2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228 (c) (2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(4) Section 228 (c) (3) (A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228 (c) (3) (B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFITS

SEC. 4. (a) Section 202 (b) (2) of the Social Security Act is amended to read as follows:

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

(b) Section 202 (c) (3) of such Act is amended to read as follows:

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

(c) Sections 202 (e) (4) and 202 (f) (5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 5. (a) Section 201 (b) (1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before

January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201 (b) (2) of such Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

Union Calendar No. 303

91ST CONGRESS
1ST SESSION

H. R. 15095

[Report No. 91–700]

A BILL

To amend the Social Security Act to provide a 15-percent across-the-board increase in benefits under the old-age, survivors, and disability insurance program.

By Mr. MILLS and Mr. BYRNES of Wisconsin

DECEMBER 4, 1969
Referred to the Committee on Ways and Means

DECEMBER 5, 1969
Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 98 December 5, 1969

SOCIAL SECURITY AMENDMENTS OF 1969

To Administrative, Supervisory,
and Technical Employees

The Committee on Ways and Means has unanimously ordered reported to the House of Representatives a bill--H. R. 15095--providing a 15-percent increase in social security benefits, effective for January 1970. The bill would make no other changes in the program. Because of the favorable long-range financial situation of the OASDI program as a whole, no changes in the contribution rates or contribution and benefit base are required to finance the 15-percent benefit increase.

Early in the next session of the Congress, the Committee on Ways and Means is expected to consider other social security, Medicare, and welfare changes, including any adjustments in the financing of social security that may be required by reason of such other changes.

Because of the time required to make the conversion to the higher benefit amounts, the first check that would reflect the 15-percent increase would be the April 3 check; a separate check covering the retroactive increase would be paid toward the end of April.

H. R. 15095 was introduced yesterday by Wilbur D. Mills, Chairman of the Committee, and John W. Byrnes, the ranking minority member of the Committee. Chairman Mills was quoted as saying that he expects the House to pass the bill next week. The Senate today passed an amendment to the tax reform bill which provides for the same 15-percent benefit increase as does the House bill but also would raise the minimum benefit to $100 and the contribution and benefit base to $12,000.

Robert M. Ball
Commissioner

SOCIAL SECURITY AMENDMENTS OF 1969

Mr. MILLS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 15095) to amend the Social Security Act to provide a 15-percent across-the-board increase in benefits under the old-age, survivors, and disability insurance program.

The Clerk read as follows:

H.R. 15095

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1969".

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
....	$16.20	$55.40 or less	.....	$76	$64.00	$96.00
$16.21....	16.84	56.50	$77	78	65.00	97.50
$16.85....	17.60	57.70	79	80	66.40	99.60
$17.61....	18.40	58.80	81	81	67.70	101.60
$18.41....	19.24	59.90	82	83	68.90	103.40
$19.25....	20.00	61.10	84	85	70.30	105.50
$20.01....	20.64	62.20	86	87	71.60	107.40
$20.65....	21.28	63.30	88	89	72.80	109.20
$21.29....	21.88	64.50	90	90	74.20	111.30
$21.89....	22.28	65.60	91	92	75.50	113.30
$22.29....	22.68	66.70	93	94	76.80	115.26
$22.69....	23.08	67.80	95	96	78.00	117.00
$23.09....	23.44	69.00	97	97	79.40	119.10
$23.45....	23.76	70.20	98	99	80.80	121.20
$23.77....	24.20	71.50	100	101	82.30	123.50
$24.21....	24.60	72.60	102	102	83.50	125.30
$24.61....	25.00	73.80	103	104	84.90	127.40
$25.01....	25.48	75.10	105	106	86.40	129.60
$25.49....	25.92	76.30	107	107	87.80	131.70
$25.93....	26.40	77.50	108	109	89.20	133.80
$26.41....	26.94	78.70	110	113	90.60	135.90
$26.95....	27.46	79.90	114	118	91.90	137.90
$27.47....	28.00	81.10	119	122	93.30	140.00
$28.01....	28.68	82.30	123	127	94.70	142.10
$28.69....	29.25	83.60	128	132	96.20	144.30
$29.26....	29.68	84.70	133	136	97.50	146.30
$29.69....	30.36	85.90	137	141	98.80	148.20
$30.37....	30.92	87.20	142	146	100.30	150.50
$30.93....	31.36	88.40	147	150	101.70	152.60
$31.37....	32.00	89.50	151	155	103.00	154.50
$32.01....	32.60	90.80	156	160	104.50	156.80
$32.61....	33.20	92.00	161	164	105.80	158.70
$33.21....	33.88	93.20	165	169	107.20	160.80
$33.89....	34.50	94.40	170	174	108.60	162.90
$34.51....	35.00	95.60	175	178	110.00	165.00
$35.01....	35.80	96.80	179	183	111.40	167.10
$35.81....	36.40	98.00	184	188	112.70	169.10
$36.41....	37.08	99.30	189	193	114.20	171.30
$37.09....	37.60	100.50	194	197	115.60	173.40
$37.61....	38.20	101.60	198	202	116.90	175.40
$38.21....	39.12	102.90	203	207	118.40	177.60
$39.13....	39.68	104.10	208	211	119.80	179.70
$39.69....	40.33	105.20	212	216	121.00	181.50
$40.34....	41.12	106.50	217	221	122.50	183.80
$41.13....	41.76	107.70	222	225	123.90	185.90
$41.77....	42.44	108.90	226	230	125.30	188.00
$42.45....	43.20	110.10	231	235	126.70	190.10
$43.21....	43.76	111.40	236	239	128.20	192.30
$43.77....	44.44	112.60	240	244	129.50	195.20
$44.45....	44.88	133.70	245	249	130.80	199.20
$44.89....	45.60	115.00	250	253	132.30	202.40
		116.20	254	258	133.70	206.40
		117.30	259	263	134.90	210.40
		118.60	264	267	136.40	213.60
		119.80	268	272	137.80	217.60
		121.00	273	277	139.20	221.60
		122.20	278	281	140.60	224.80
		123.40	282	286	142.00	228.80
		124.70	287	291	143.50	232.80
		125.80	292	295	144.70	236.00
		127.10	296	300	146.20	240.00
		128.30	301	305	147.60	244.00
		129.40	306	309	148.90	247.20
		130.70	310	314	150.40	251.20
		131.90	315	319	151.70	255.20
		133.00	320	323	153.00	258.40
		134.30	324	328	154.50	262.40
		135.50	329	333	155.90	266.40
		136.80	334	337	157.40	269.60
		137.90	338	342	158.60	273.60
		139.10	343	347	160.00	277.60
		140.40	348	351	161.50	280.80
		141.50	352	356	162.80	284.80
		142.80	357	361	164.30	288.80
		144.00	362	365	165.60	292.00
		145.10	366	370	166.90	296.00
		146.40	371	375	168.40	300.00
		147.60	376	379	169.80	303.20
		148.90	380	384	171.30	307.20
		150.00	385	389	173.50	311.20
		151.20	390	393	173.90	314.40
		152.50	394	398	175.40	318.40
		153.60	399	403	176.70	322.40
		154.90	404	407	178.20	325.60
		156.00	408	412	179.40	329.60
		157.10	413	417	180.70	333.60
		158.20	418	421	183.00	336.80
		159.40	422	426	183.40	340.80
		160.59	427	431	184.60	344.80
		161.60	432	436	185.90	348.80
		162.80	437	440	187.30	350.40
		163.90	441	445	188.50	352.40
		165.00	446	450	189.80	354.40
		166.20	451	454	191.20	356.00
		167.30	455	459	192.40	358.00
		168.40	460	464	193.70	360.00
		169.50	465	468	195.00	316.60
		170.70	469	473	196.40	363.60
		171.80	474	478	197.60	365.60
		172.90	479	482	198.90	367.20
		174.10	483	487	200.30	369.20
		175.20	488	492	201.50	371.20
		176.30	493	496	202.80	372.80
		177.50	497	501	204.20	374.80
		178.60	502	506	205.40	376.80
		179.70	507	510	206.70	378.40
		180.80	511	515	208.00	380.40

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$182.00	$516	$520	$209.30	$382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	405.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60
		$201.00	$589	$591	$231.20	$410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00
		207.00	610	612	238.10	419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40
		213.00	531	634	245.00	428.00
		214.00	635	637	246.10	420.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40".

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to January 1970, for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or".

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969"

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

"Primary Insurance Amount Under 1967 Act

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefit under section 202(a) or section 223 before January 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 3. (a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46," and by striking out "$20" and inserting in lieu thereof "$23".

(2) Section 227(b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$46".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20"and inserting in lieu thereof "$23".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFITS

SEC. 4. (a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

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

(b) Section 202(c)(3) of such Act is amended to read as follows:

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

(c) Sections 202(e)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 5. (a) Section 201(b)(1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages

(as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201(b)(2) of such Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

The SPEAKER pro tempore. Is a second demanded?

Mr. BYRNES of Wisconsin. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Arkansas (Mr. MILLS) will be recognized for 20 minutes, and the gentleman from Wisconsin (Mr. BYRNES) will be recognized for 20 minutes.

The Chair now recognizes the gentleman from Arkansas.

Mr. MILLS. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, the legislation before us, H.R. 15095, would increase all social security benefits by 15 percent effective with respect to benefits payable for January 1970 and thereafter. This is extraordinary social security legislation, in my opinion, in that it is unique to present a bill increasing benefits while withholding action on other needed improvements in the social security program. The situation, however, is such that the Committee on Ways and Means unanimously recommended this course of action. Many, if not all, of the members of the committee were reluctant to take this step, but in the light of a 9.1-percent rise in the cost of living since the last benefit increase in February 1968, we felt that the need for a significant increase in social security benefits was pressing and that such an increase should be provided as quickly as possible. Moreover, we were informed even if we acted now, the earliest the increased amounts could be reflected would be in benefit checks mailed next April. Of course, those checks would be for benefits for the month of March.

One thing which I want to make clear is that this is not our final recomendation for changes in social security and welfare programs. The pending business of the committee, the business which we will take up immediately on our return in the next session, is further consideration of the entire Social Security Act, old-age and survivors insurance, disability insurance, hospital insurance, supplementary medical insurance, and all of the welfare programs, including medicaid and aid to dependent children. It is my firm intention, as far as I am concerned, to report a comprehensive social security bill dealing with these programs by next March.

The action we have taken in presenting H.R. 15095 in no way prejudges any of the recommendations made to the committee by the President, by Members of Congress, or by private organizations and individuals. All of these recommendations are still on the agenda of the committee. In the course of the executive sessions in which we considered the present legislation, we attempted to choose from among the many worthwhile recommendations made to the committee those improvements in the program which were important enough to be included as emergency legislation along with the proposed 15-percent increase. However, it is our judgment—and this judgment was not made lightly—that none of the other changes proposed was in the same class as the benefit increase, so far as the matter of time was concerned.

As worthwhile as some of these other proposals were, we could not bring them up as an emergency measure this late in the session, in our opinion.

Mr. Speaker, as the bill now stands, it is a simple bill. It would provide nothing more than a 15-percent across-the-board increase in social security benefits to everyone who is entitled to social security benefits next January or any month thereafter.

An important factor in arriving at the decision to recommend a 15-percent increase at this time was the recent review of the long range cost estimates made by the Chief Actuary of the Social Security Administration. These estimates show at the present time the cash benefits part of the social security program has an actuarial surplus of 1.16 percent of taxable payroll. This is sufficient, entirely sufficient, to meet the cost of a 15-percent benefit increase. Accordingly, it would not seem reasonable to withhold the benefit increase—a benefit increase that witness after witness testified was very badly needed—until all the other problems connected with amending the social security law are solved.

The SPEAKER pro tempore (Mr. OLSEN). The time of the gentleman from Arkansas has expired.

Mr. MILLS. Mr. Speaker, I yield myself 5 additional minutes.

The SPEAKER pro tempore. The gentleman from Arkansas is recognized for 5 additional minutes.

Mr. MILLS. Mr. Speaker, I am sure that the Members would be interested in some examples of the effect of the bill on social security payments. I am informed that under the bill the following increases would take place:

First, the average benefit paid to a retired worker would be increased from around $100 to $116 a month.

Second, the average benefit paid to an aged couple would go from approximately $170 to $196 a month.

Third, the average benefit paid to an aged widow would go from $88 a month to $100 a month.

Fourth, the average benefit paid to a widow with two children would be increased from $254 a month to $292 a month.

Fifth, the average benefit paid to a disabled worker would be increased from $113 to $130.

Sixth, the average benefit paid to a disabled worker with a wife and children would go up from $237 to $273 a month.

Seventh, in addition to special benefits paid to certain people aged 72 and over would be increased from the present $40 for an individual and $60 for a couple to $46 and $69, respectively.

Mr. Speaker, altogether about 25 million social security beneficiaries, nearly 1 out of every 8 people in the country, would be benefited from the increases provided for in this bill.

As I mentioned earlier, the long-range surplus of 1.16 percent of taxable payroll is sufficient to meet the costs of the bill.

The cost of H.R. 15095 is 1.24 percent of taxable payroll, leaving an actuarial balance of minus .08 percent of taxable payroll after enactment of the bill. That still enables us to say that the fund is actuarially in balance, because the actuary for HEW has said that any amount not in excess of a minus .10 is an acceptable margin.

Actually, levels of earnings go up and have been for years at not less than about 3 percent a year. So, when you look to the 1970 figures in place of the 1969 figures, as this does, you may find that based upon 1970 wages, there would be a positive act and balance rather than a negative balance.

In dollar terms enactment of the bill will mean higher benefit payments of $1.7 billion in fiscal year 1970. This compares to the program submitted by the President of some $600 million in fiscal year 1970 and is explained by two factors.

First of all, there would be 5 monthly payments under the committee bill, the bill before you, if it is enacted. Whereas under the President's program there would have been only 3 monthly payments. Second, his recommendation was for a 10-percent benefit increase while the bill provides for a 15-percent increase.

Before concluding, I would like to point out that there are two typographical errors in the committee report. On page 2 of the report there is a statement to the effect that the benefit increase will be reflected in the checks issued on April 13, 1970. This date should be April 3, 1970, since the third day of the month is the day when checks are normally sent out. On page 3 there is a table showing some illustrative benefit increases under the bill. The first figure in the last column of that table is H. 84. It should be $64.

It will be recalled that on Friday a week ago the Senate included the language of this bill as an amendment to the Tax Reform Act. After the House passes this bill it would be my desire to ask the House conferees to accept the language of the Senate amendment that is identical with the language of this bill as a part of the Tax Reform Act. I say that because I think it is much better for us to include it on that basis than to send another bill to the Senate, where the season of the year might well affect the number of amendments that would be offered to it.

Mr. Speaker, I would urge that the Members vote for the bill, and let us then take it to conference.

The SPEAKER pro tempore. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 1 additional minute.

Mr. PEPPER. Mr. Speaker, will the gentleman yield?

Mr. MILLER. I yield to the gentleman from Florida.

Mr. PEPPER. Mr. Speaker, in order to make the record clear, did the House Committee on Ways and Means report the bill that the able gentleman from Arkansas is now presenting prior to the time that the other body acted?

Mr. MILLS. The answer is yes; we sent them a copy of the bill on the day we ordered it reported so that they could adopt it as we had written it.

Mr. PEPPER. I thank the gentleman.

Mr. BURTON of California. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from California.

Mr. BURTON of California. Mr. Speaker, if I understood the distinguished chairman of the Committee on Ways and Means, the gentleman stated that it would be his position to urge only that the language in the House bill be that approved by the House conferees.

Mr. MILLS. What I am talking about, if the gentleman will permit me to attempt to clarify it quickly, is this: I would not be in a position, and I would urge the conferees not to accept all of the amendments that were adopted to the Social Security Act, particularly the amendment that has to do with the $100 minimum.

We can handle that later.

Mr. BURTON of California. Mr. Speaker, will the gentleman yield further?

Mr. MILLS. I will be glad to yield further to the gentleman from California.

Mr. BURTON of California. Mr. Speaker, in light of the lateness of the year I would urge that all of our distinguished conferees on both sides view objectively the very difficult problem posed to the concurrent recipients of public assistance and social security, because they really will not get anything under the bill.

I would seek no assurances in that regard, but I would urge that you look at this matter, particularly as contained in the Harris amendment.

As the distinguished ranking minority member of the Committee on Ways and Means and the distinguished chairman know, there is another procedural difficulty in the bill that will cost the State and Federal Governments from $30 to $50 million in grant computation changes unless the retroactive increases be required to be disregarded by the States.

It is somewhat a technicality, but there is $30 to $50 million that should not be wasted in bureaucratic grant changes, if we have got that kind of money we really ought to see to it that all the elderly people get some measure of increase under this bill. I am not advocating at this time the entire Senate social security package, obviously some of that can wait for further hearings by the committes on our side.

Mr. MILLS. Mr. Speaker, I would state to the gentleman that he may be assured that the matter is in the mind at least of the chairman of the Committee on Ways and Means for future consideration.

Furthermore, the Department of Health, Education, and Welfare has assured me that it has no intention of requiring the States to take this retroactive payment into account in determining the needs of welfare receipents. The States will be free to treat this payment as they choose, just as under present law and practice they are free to ignore as unconsequential a $25 or casual income as inconsequential or casual income a $25 Christmas gift in determining a recipient's needs. The States will, therefore, not be forced to undertake any unnecessary paperwork to redetermine recipients' needs on account of the retroactive payment.

Mr. BURTON of California. I thank the gentleman.

(Mr. MILLS asked and was given permission to revise and extend his remarks.)

GENERAL LEAVE

Mr. MILLS. Mr. Speaker, I would ask unanimous consent that all Members may be permitted to extend their remarks just prior to the vote on the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The SPEAKER. The Chair recognizes the gentleman from Wisconsin (Mr. BYRNES).

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. BYRNES of Wisconsin. Mr. Speaker, I strongly support H.R. 15095, which provides an across-the-board 15-percent increase in social security benefits. The benefit increase is effective January 1 and will first be reflected in the check received on April 3 for March benefits. An additional check will be mailed in April to cover the increase attributable to the months of January and February. The increase will benefit 25 million individuals, including those who receive the special benefit payable to uninsured individuals age 72 and over.

Our citizens living on fixed incomes are hardest hit by the ravages of inflation. Those who have studied problems of the elderly agree that one of their greatest needs is an adequate income to meet their daily living expenses. Inflation is the greatest threat to an adequate income for our elderly citizens.

The inflation we have been experiencing in recent years has severely eroded the purchasing power of social security benefits. Since social security beneficiaries are the aged, the disabled, and widows who often have small children to care for, they comprise the segment of the population least able through their own efforts to protect themselves against inflation. Although the wages of those currently working have been increasing, often faster than increases in the general cost of living, the income of these individuals has remained constant. Since benefits were last increased in February 1968, the Consumer Price Index has risen by 9 percent. The Consumer Price Index increased 0.5 percent during September, paralleling the nearly 6-percent annual increase we have experienced in the last year.

Runaway inflation was a part of the fiscal mess the new administration inherited when it took office earlier this year. The highest priority has been assigned to economic policies that will put the Nation's fiscal house in order and control inflation consistent with avoiding intolerable levels of unemployment and other economic dislocations. The economists agree that this delicate task necessarily involves some delay between the period during which the new policies are implemented and when they become fully effective, particularly in view of the full head of steam inflation was permitted to build up. In view of the inflation that we have been experiencing and will probably experience in the next few months, it is important that Congress enact an increase in social security benefits before adjourning this year.

In view of the urgency of action and the lateness of the hour in the current legislative session, the committee's bill is limited to restoring and protecting the purchasing power of social security benefits. This should not be interpreted as a lack of support for other needed improvements in our social security law.

The President has recommended and I have introduced comprehensive legislation for improving social security which includes not only an across-the-board benefit increase, but provisions automatically adjusting benefits in the future to cost-of-living increases, increasing the amount of income that can be earned without losing benefits, increasing a widow's benefit from 82½ percent to 100 percent of her husband's benefit, providing more equity in benefit computations for men, and making many other changes that will improve the equity, administration, and financial soundness of the social security program.

In my judgment, we must also develop amendments that provide greater equity for working women and for individuals who continue to work after attaining retirement age. The retirement test should be simplified, particularly as it affects the self-employed. I have developed proposals in these areas that will make substantial improvements in existing law. It is my hope that these proposals will be favorably considered by the committee when we consider further social security amendments early next year.

All of these structural improvements are important, Mr. Speaker, and should be assigned a high priority. Automatic adjustments in benefits commensurate with cost-of-living increases should be enacted to provide social security beneficiaries with the same protection against inflation that civil service and military retirees have long enjoyed—as the platforms of both major political parties recognized last year. Simple justice requires providing widows with the same level of benefits their husbands would receive as a widower. Increasing the amount an individual can earn without losing benefits must also have a high priority. But the appropriate means of achieving these goals may be the subject of disagreements, and technical details of these provisions require time to work out. Also, these amendments will require additional financing—either through a rate in-

crease, an increase in the wage base, or a combination of the two. Financing decisions involve controversy and again, the technical details take time to work out.

Mr. Speaker, it would simply not be fair to social security recipients to delay an across-the-board increase for several months while these details are being worked out. However, I do want to assure the Members that all of these improvements in the social security program will be on the first order of business when the new Congress convenes, and must be given a high priority.

I want to be equally emphatic in also pointing out that the committee's action does not indicate a lack of determination to act on the President's recommendation for comprehensive reform of our welfare laws, and to reexamine and enact needed amendments to our medicare and medicaid programs. Although the comprehensive hearings the Ways and Means Committee recently conducted encompassed welfare, medicare, and medicaid, as well as social security, the time available simply did not permit action in all of those important and difficult areas. These issues will, along with structural improvements in the social security law, be the first order of business for the Ways and Means Committee in the new Congress. I share the hope of the chairman that the committee will be able to recommend some very fundamental improvement in these programs by at least the end of next March. But we should not delay action on the urgently needed increase in social security benefits until that time.

The Ways and Means Committee has carefully reviewed the financing of the present program and exercised the same solicitude for its actuarial soundness that has characterized our efforts in the past. The Chief Actuary of Social Security has assured the committee that on the basis of his latest estimates, the existing tax schedule is adequate to finance an across-the-board 15-percent benefit increase.

The hospital insurance fund, which finances a service benefit and is a separate trust fund from the trust funds associated with the cash benefits program, is currently running an actuarial deficit. The committee will have to correct this situation when it considers amendments to the medicare program next year—including the Health Cost Effectiveness Act recommended by the President—that are designed to reduce costs and improve the efficiency of the program. In this connection, it should be noted that the President's recommendation for automatic adjustments in the earnings base, which will be considered next year, will also have a favorable impact on the actuarial imbalance in the hospital insurance trust fund.

Mr. Speaker, this is urgent legislation. It is noncontroversial. It is required by simple justice. It simply cannot be deferred until next year. I share the sentiment expressed by the chairman that passage of this legislation by an overwhelming vote may facilitate acceptance by the House conferees of the basic 15-percent increase in benefits voted by the Senate. This might expedite action on this increase which has already been delayed too long. I hope that all of my colleagues will join me in supporting this bill to provide prompt relief to our social security beneficiaries.

Mr. MILLS. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio.

(Mr. VANIK asked and was given permission to revise and extend his remarks.)

Mr. VANIK. Mr. Speaker, the effort to raise social security benefits began early this year when Members of this body recognized the dire circumstances imposed upon millions of senior citizens as a result of the spiraling cost of living under runaway inflation. An overwhelming majority of the Members of this body introduced bills to increase benefits.

On May 8, over 100 Members of this body cosponsored a bill which I introduced providing for an across-the-board increase of 15 percent. At that time, the President was requesting a 7-percent increase in benefits, effective in January 1970. He stated that any increase beyond this amount would be inflationary.

On September 18, I served notice that I would seek a Democratic caucus action on a resolution increasing benefits to 15 percent across the board effective this year. On September 25, the President sent up a message recommending only a 10 percent increase with checks to be mailed in April.

On October 7, the Democratic caucus unanimously adopted the resolution which I offered to increase social security benefits across the board by 15 percent.

Thereafter, the administration continued to press for its inadequate and meager 10-percent increase despite the overwhelming evidence that a 15-percent increase was justified and fiscally sound.

While the administration was challenging the inflationary impact of a 15-percent increase to the elderly, it was also sponsoring proposals to divert billions of dollars out of the social security fund by recommending a stretchout in already enacted provisions of the law which would reduce contributions by $22.7 billion in the next 4 years and by $160 billion in the next 20 years. The administration was in the incredible position of denying a 15-percent increase in social security benefits while at the same time the administration was proposing a stretchout in the law which would reduce the income of the social security fund. The inflation argument was a cruel hoax on the elderly.

These policies of the administration seemed determined to fight inflation at the peril of driving our senior citizens into poverty.

Although the 15-percent increase in social security benefits will soon be a reality, it did not come easily. The action of the Democratic caucus—in the creation of this essential national policy—was the decisive factor.

The senior citizens of America have been the most patient of Americans. This increase in benefits will make it possible for millions to remain self-sufficient with dignity. A further delay or a lesser distribution would have been a cruel setback to those who exist with no other supplemental income. For many, our action is already too late. Less and later would have been a crushing blow.

For our senior citizens, for the young, and for those in between, we owe a paramount duty to contain the inflation which threatens to overwhelm the retreating standard of American life. Unless we can reverse the inflationary thrust—what we do today may be in vain.

It is my further hope that our first order of business next year will be to resume where we leave off today in updating the social security program. It is my hope that we can develop a meaningful program of improvements in social security and needed reforms in the medicare program.

The minimum payment must be made realistic. Provisions must be adopted to insure that those on old age pensions, the disabled, and the blind actually receive the increased benefits we provide today. It would be tragic if their benefits under State programs were reduced to provide a windfall for the States instead of better standards for these needy groups. Widows and survivor's benefits must be increased. The retirement test must be increased to realistic levels. The income base for benefits should reflect a workers best years of contributions and not penalize those who must retire early because of industry practices. Medicare must be extended to the disabled.

Our work on social security and medicare has only begun.

The 15-percent increase in social security benefits will have the following effect on benefit payments:

Average monthly earnings	Worker [1]		Man and wife [1 2]		Widow, widower, or parent, age 62	
	Present law	Bill	Present law	Bill	Present law	Bill
Minimum [3]	$55.00	$64.00	$82.50	$96.00	$55.00	$84.00
$150	88.40	101.70	132.60	152.60	73.00	83.90
$250	115.00	132.30	172.50	198.50	94.90	109.20
$350	140.40	161.50	210.60	242.30	115.90	133.30
$450	165.00	189.80	247.50	284.70	136.20	156.60
$550	189.90	218.40	284.90	327.60	156.70	180.20
$650	218.00	250.70	323.00	[4] 376.10	179.90	206.09

[1] For a worker who is disabled or who is age 65 or older at the time of retirement and a wife age 65 or older at the time when she comes on the rolls.

[2] Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as the benefits for a man and wife, except that the total benefits would always equal 150 percent of the worker's primary insurance amount; it would not be limited to $323 as it is under the present law.

[3] Average monthly earnings of $74 or less under the present law, and of $76 or less under the bill.

[4] $105 limit on wife's benefit is removed.

Mr. BYRNES of Wisconsin. Mr. Speaker, I yield 5 minutes to the gentleman from New York (Mr. CONABLE).

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Speaker, I support this legislation. I urge my colleagues to do the same. I think most of them will want to join me in voting this needed increase.

While doing so, I think there are several points that must be made if we are to face up to the economic implications of this legislation.

First of all, there is no question that it is inflationary. That does not mean we should oppose it. Despite the rampant inflation in this country, it is necessary to compensate for the effects of inflation, on those most vulnerable, even though, inflation being a spiral, the compensation itself will inevitably have an inflationary impact.

I think, therefore, the point must be made that we still have a basic obligation to continue to move against the inflation that is damaging our economy, even though we are providing this symptomatic relief to those most vulnerable to inflation.

Why do I consider this inflationary? First of all, it is pumping $4.2 billion in a calendar year into the hands of people who by their unfortunate circumstances and because of their age are not likely to save much of it. They are going to spend it and spend it quickly. Inflation has made certain that most of them need to spend it. Inevitably, therefore, it has more cumulative inflationary impact than if we were giving the money to people in a position to save.

Second, I think we must face up to the fact that this bill is going to have a serious impact on our hoped-for surplus. Under the unified budget concept, we would have run our trust fund accumulation in the social security trust fund up by $1.7 billion more than we will, having passed this bill. In other words, in the remaining part of the fiscal year, $1.7 billion will be paid out that otherwise would have gone into the trust fund, and been counted as part of our surplus.

Once again, I am not complaining about this so much as I am pointing out to my colleagues that this bill will be a major factor in dissipating a hoped-for budget surplus which we deemed fiscally necessary at the beginning of the year.

I hope, Mr. Speaker, that these two points I have made about this bill will indicate to the Members of this body an increased need for fiscal restraint. We have a class of people in this country, those who are elderly and those who are disabled and those who are widows, who need the protection of this added spendable income, but we must understand the additional obligations imposed on us by the economic implications of our efforts to protect them with this compensatory piece of legislation.

Mr. DON H. CLAUSEN. Mr. Speaker, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from California.

(Mr. DON H. CLAUSEN asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Speaker, I rise today in support of the legislation now before us to increase benefits to this country's millions of social security recipients.

It is absolutely essential, in my judgment, that this Congress act immediately, before irreparable harm is done to the senior citizens of our country. As we are well aware, present benefits are lagging far behind and remedial legislation is long overdue because of the effects of the present inflationary trends on the elderly.

Those living on fixed incomes are being forced to pay the price of inflation and, combined with the present "tight money" situation, it is virtually impossible for these people to borrow money to meet current expenses or obtain suitable housing.

This situation is totally unrealistic and unacceptable, and we can and must act now to relieve this intolerable condition. An immediate increase in benefits to the millions of elderly citizens now on social security will make it possible for them to, partially, take care of escalating costs of living. But, regrettably, this increase will offer only temporary relief at best.

In addition to this increase in benefits, I am firm in the conviction that the most realistic approach to this problem is to enact legislation whereby social security increases in the future will be tied into and automatically governed by the cost-of-living index and I have introduced legislation in this session to bring this about. And, I shall continue my efforts in this regard.

The increase we are considering today will soon be obsolete and totally negated, if the spiraling cost of living continues to outdistance social security and other retirement benefits for our elderly. The inflationary trends must be checked. Certainly, this Nation must be more responsive to its senior citizens on social security and more responsible in fiscal matters, than it has been in recent years. This business of legislating "too little, too late" for those in their "golden years" has gone on far too long, and a solution is within our reach.

In this regard, I also hope the committee will give early consideration to the concept of permitting social security recipients to earn more than the current ceiling. This would help relieve the serious financial bind that many social security recipients find themselves in, due to inflation and/or their limited income and contributions to the social securiy system.

Mr. MILLS. Mr. Speaker, I yield to the gentleman from Massachusetts (Mr. BURKE) such time as he may consume.

(Mr. BURKE asked and was given permission to revise and extend his remarks.)

Mr. BURKE of Massachusetts. Mr. Speaker, I rise to endorse the 15-percent benefit increase provided by H.R. 15095, the bill which the distinguished chairman and ranking minority member on the Committee on Ways and Means have introduced. I would rather that the bill provided a more generous increase than 15 percent and I offered a motion to provide a greater increase in committee before the bill was reported out.

Social security was enacted some 35 years ago to help assure a decent, dignified retirement to our Nation's older citizens. Since 1935, we have relied on this system of contributory insurance to provide a measure of economic protection against the income loss that accompanies retirement. And since that time the program has been expanded to provide protection for widows and orphans and the disabled. Today some 25 million, or about one out of every eight Americans, are getting monthly social security benefits.

Social security is virtually the sole source of income for about half of these beneficiaries and the major source for just about all. The importance of maintaining the purchasing power of social security benefits is obvious and cannot be overemphasized.

Since 1968, when we last increased benefits, inflation has eroded the value of social security benefits. We cannot turn our backs on the elderly or the widows and orphans or the disabled who rely on their social security benefits. To fail to increase social security benefits now would be doing just that. That is why I urge that this bill, which reflects the wisdom and experience of our Committee on Ways and Means, be enacted as quickly as possible.

Mr. Speaker, I would also like to reiterate what the chairman of the Ways and Means Committee himself has stressed in his statement. That is that the Committee on Ways and Means has already put on its agenda, as its first order of business when Congress reconvenes in January, the resumption of consideration of social security legislation, including welfare reform, medicare and medicaid operations, and the need for further increases in social security benefits.

Mr. MILLS. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. GILBERT).

(Mr. GILBERT asked and was given permission to revise and extend his remarks.)

Mr. GILBERT. Mr. Speaker, may I extend congratulations to the distinguished chairman of the Ways and Means Committee, to the distinguished ranking minority member of the committee, and to my fellow members of the committee for having the foresight to vote out a social security bill at this particular point in the legislative session.

We all know that inflation is one of the main problems of our elderly citizens, and, in fact, the President came out for an increase of 10 percent. Recognizing that 10 percent would be totally inadequate, and in order to give a quick and almost emergency-type increase to our senior citizens, our committee voted out a 15-percent increase.

Mr. Speaker, this 15-percent increase has my support, of course, and I am going to vote for it. But I consider this a stopgap measure. It must be a simple prelude to the consideration of genuine and meaningful social security reforms next year.

Separating an immediate increase from other social security legislation permits Congress to offer the fastest possible relief to social security beneficiaries beset by rapidly rising living costs. This approach will allow my committee

the time necessary to give major social security reform the comprehensive review such complex proposals require without penalizing social security beneficiaries by delay.

Simple justice requires that our social security beneficiaries receive an immediate increase in benefits in order to maintain the buying power of their benefits in these times of rapid inflation. Since the last increase in social security benefits, prices have risen by almost 10 percent. If one takes the position that benefits were adequate then, there might be some justification for just a 15-percent increase now. Ten percent would catch beneficiaries up to where they were before—and the additional 5 percent would help them pay for what inflation has cost them in recent years. But I do not agree that benefits were adequate then. And certainly we must do more than provide the 15-percent increase in the bill before us today.

My bill, H.R. 14430, which is pending before the committee, would provide additional benefit increases, a two-step increase in the minimum benefit to $120 a month by January 1, 1972, and would abolish the premium for medicare part B—now $4 monthly—and make other much needed improvements in the social security and medicare programs. I am sure that in the coming months the committee will consider the proposals under my bill, H.R. 14430, and other pending social security legislation.

Mr. Speaker, I urge my colleagues to vote today for H.R. 15095, to provide a 15-percent increase in social security benefits. I urge my colleagues to vote for this humane measure, but with the recognition of its inadequacy and the determination to have benefits raised to a livable level next year.

Mr. MILLS. Mr. Speaker, I yield such time as he may consume to the gentleman from Florida (Mr. GIBBONS).

(Mr. GIBBONS asked and was given permission to revise and extend his remarks.)

Mr. GIBBONS. Mr. Speaker, I rise in support of this bill.

Mr. Speaker, in passing a 15-percent across-the-board increase in social security benefits, this House has only taken a stopgap step. It has not finished its work in this important area.

We could not, in the time available, attack such matters as increasing the earnings allowed to retirees without reduction of payments, possible inclusion of out-of-hospital drugs under medicare and other overall revampments of both the social security law and the medicare and medicaid sections of it.

We had to act, in an emergency fashion, to rescue many of our elderly from a strangling economic grip in which near runaway inflation has placed them. They were far behind the rocketing cost of living and painfully so.

This interim increase will help to ease that economic burden which our inability to control our economy has placed on them. It will increase the pension incomes of some 25 million beneficiaries by about $1.7 billion in fiscal 1970.

Though the first actual increase will not reach them until April 1, 1970, it will be retroactive to January 1. Better a little late than never.

I am sure that a majority of this House is aware that we still must adopt a social security system which is realistically in tune with our current economic situation. To accomplish this, fundamental facts must be reviewed and the House Ways and Means Committee plans to do this when we return next year.

I feel confident that we will come up with a revision of the social security law which will be both progressive and economically possible to carry.

Mr. CLANCY. Mr. Speaker, I rise in support of H.R. 15095, Social Security Amendments of 1969. As we all know too well, the cost of living has been steadily increasing at an alarming rate. The spiraling inflation we are experiencing today has a particularly harmful effect on those older persons living on fixed incomes, such as those whose chief or only income is derived from social security benefits. As prices go up for necessary goods and services, and the purchasing power of the dollar declines, those dependent upon social security are placed in an increasingly difficult position.

The legislation before us today, which has been favorably reported by the committee without amendment and with the recommendation that the bill pass, will provide a measure of relief. This 15 percent across-the-board increase will aid the 25 million elderly people, disabled persons and their dependents, widows and orphans who presently receive monthly benefits under this program. The increase also applies to those persons coming on the benefit rolls in the future.

It is my understanding that under this bill, both the minimum and maximum benefits will be increased for retired workers entering the benefit rolls at or after age 65 and for disabled workers.

Another important section provides for special payments for certain persons aged 72 and older who have either not worked long enough to qualify for regular cash benefits or have not worked at all under social security. Their benefits will also be raised by 15 percent.

Justice requires that our social security beneficiaries receive this increase immediately to enable them to maintain the buying power of their benefits in this time of rapid inflation. I had hoped however, that the provisions of this legislation would have been retroactive.

This legislation should pass unanimously.

Mr. ZABLOCKI. Mr. Speaker, I would like to take this opportunity to commend the distinguished chairman, the gentleman from Arkansas (Mr. MILLS), for expediting House action on H.R. 15095. A 15-percent increase in social security benefits will indeed be a welcome Christmas present for the more than 25 million beneficiaries who will be affected.

The inflation which has hit us all has struck particularly hard at retired Americans who are trying to make ends meet in the face of alarming increases in prices and taxes. Their fixed incomes and often scant retirement resources have literally been stretched to the breaking point by inflation.

In view of the seriousness of this situation I am especially pleased that the House has today taken an important step toward improving these conditions by approving H.R. 15095. This bill will increase regular and special social security payments by 15 percent. In addition, it will increase minimum social security payments from $55 to $64 a month.

Nonetheless, none of us suffers from the illusion that these increases will in themselves eliminate the hardship which is the lot of so many of our senior citizens. In this regard, the chairman of the Ways and Means Committee is again to be commended for promising early committee action on other needed amendments to the Social Security Act, including welfare reform.

We welcomed the opportunity to present our views on this important subject at the committee's recent extensive hearings. We welcome the prospect that the committee will report comprehensive revisions in the social security, medicare and welfare programs to the House for action early in the next session of Congress.

Mr. FEIGHAN. Mr. Speaker, the need to increase social security payments has been apparent to me for some time. On May 21 I cosponsored a bill to provide a 15-percent across-the-board increase for the 25 million elderly people, disabled people and their dependents and widows and orphans presently receiving social security benefits. The bill also provided for annual cost-of-living increases and a minimum primary benefit of $80.

It is very gratifying to me, therefore, that the House of Representatives today has an opportunity to endorse at least one of these high-priority items. H.R. 15095 provides a 15-percent across-the-board increase for social security recipients, increase the minimum monthly payments from $55 to $64 for a retired or disabled worker. The bill becomes effective in January 1970 and the increases will be reflected in the March check, payable in April. A separate check covering the retroactive increase for the January and February payments would be paid in April.

These increases are long overdue and although this legislation encompasses only one aspect of the social security program, the distinguished membership of the Committee on Ways and Means has assured this body that it intends to consider the many issues affecting the various programs under the Social Security Act as its first order of business when Congress convenes next year. The committee's plans to study the social security program in depth and to act on its inadequacies will be a great relief to the millions of people presently enrolled in the program, many of whom have written to me this year to express their dissatisfaction with the social security program. These people feel that they have been treated as second-class citizens by the Federal Government; that the Government has neglected them and ignored their needs.

This bill is only the initial activity we plan in behalf of our senior citizens. While it will be helpful, nothing will suffice but a program that responds fully to the deficiencies of the present system. I look forward to enacting such legislation next year.

Mr. MILLER of Ohio. Mr. Speaker, the House action in passing legislation providing for a 15-percent across-the-board increase in social security benefits effective January 1 is to be lauded.

This measure is long overdue. For many, many months now, retired Americans have watched helplessly as the purchasing power of their savings and pensions has eroded away under the pressure of the mounting costs of living. For those who must support themselves on their earned social security benefits, it has become increasingly more difficult. Rapidly rising costs have meant lower living standards and increased efforts to obtain the essentials of a decent existence.

I strongly supported and voted for this immediate 15-percent increase in benefits, and I will continue to work for even more comprehensive reforms in the social security system.

There are two major reforms that deserve special mention: It is imperative that an automatic cost of living escalation clause be written into the social security statutes. This would eliminate the serious time lag that is now present between the fact of increased costs, and the compensating increases in benefits. I have introduced legislation to accomplish this and I believe its enactment would markedly improve the faith of our older people in the fairness of the system. Future cost-of-living benefit increases should not depend on the political process but rather should be guaranteed by law.

In addition, a substantial increase in the outside earnings limitation for social security recipients is necessary. I am likewise sponsoring legislation to achieve this. Those who wish to continue their productive years should be permitted to do so without losing benefits to which they are entitled after a career of hard work and contributions to the social security system.

We should not be satisfied with less than genuine security and dignity for America's retired citizens.

Mr. BROYHILL of Virginia. Mr. Speaker, I rise in support of H.R. 15095, a bill which, appropriately at this season, assures our elderly citizens and our other social security recipients who generally are on a fixed income that Congress cares. It would be cruel indeed to watch the continued erosion of fixed incomes through inflation, and fail to do something about it.

The 15-percent across-the-board increase, effective January 1, of social security payments will put the social security recipients only about 5 percent ahead of the cost-of-living increase for the period since the last social security rate increase.

I wholeheartedly support this action to grant this increase at this time, ahead of the full consideration of many other needed improvements to be made to the social security and welfare program. This increase is actuarially sound without any increase in the tax rate or the wage base.

When the Ways and Means Committee resumes its study after the first of the year of the comprehensive welfare reform program and the social security system, there are a number of improvements that I will support.

Among these improvements are provisions for an escalator clause that will provide automatic increases in benefits in step with the cost of living, an increase in widows' benefits from 82½ percent to 100 percent of their husbands' benefits, and liberalization of the retirement test to permit those who continue in full or part-time employment to supplement their social security benefits.

Other improvements I will urge include the extension of medicare to active and retired Federal employees 65 years of age and over. I also believe that we should update the retirement income credit to recognize a level that reflects inflationary consequences.

Presently, Federal employees covered for the basic hospital plan under medicare include only those who retired before February 16, 1965, and who did not have coverage under the Federal Employees Health Benefit Act—FEHBA—on that date, and those who have the requisite number of quarters of social security coverage for their age group.

Hospital insurance benefits should be made available to Federal employees who do not have such benefits.

All Federal employees age 65 and over are eligible to participate in the voluntary supplemental medical insurance plan. Since the voluntary supplemental plan does not provide basic hospital benefits, it is inadvisable for the Federal employee to elect to participate in the voluntary supplemental plan and drop his coverage under FEHBA. The voluntary supplemental plan alone is inadequate. It is exactly what its name implies—"supplemental" to a basic hospital plan.

Thus, the Federal employee who is not eligible for the basic hospital plan will want to retain his FEHBA coverage. There is a general prohibition in the FEHBA plans against paying duplicate benefits. Under certain circumstances the voluntary supplemental plan would pay the deductible applicable to nonhospital treatment under the FEHBA plan and also the coinsurance factor of 20 to 25 percent that the insured individual pays for certain services under these plans.

The cost for a man and his wife under supplemental medical insurance is $4 per month, and is to be increased soon. Since part of the premiums will be attributable to the duplicate coverage, many individuals will feel they are unlikely to derive benefits commensurate with their contributions. In any event, coverage is an individual decision.

A Cabinet Committee on Federal Staff Retirement System on February 15, 1966, recommended that Federal employees covered by a staff retirement system should have health insurance protection under social security health insurance provisions, after age 62 on the same basis as other workers.

The Social Security Administration in January 1969, filed a report requested by the Ways and Means Committee and the Senate Finance Committee recommending medicare coverage for Federal employees or retirees and their spouses, not insured under social security, with the cost of part A protection borne by the Government, as employer. New health insurance designed to complement medicare would be available under the FEHB program to Federal retirees and employees who would become entitled to part A protection. This complementary insurance, together with part A and part B of medicare, would provide health insurance protection approximately at the level of the Government-wide high option FEHB plans.

This will correct an inequity where Federal civilian employees, who are also citizens, are not given certain health benefits provided by the Government to its citizens who have not been employees of the Federal Government. The cost of hospital insurance benefits should be borne by the Federal Government for the nearly half of such persons involved and not now so insured.

The additional cost to the Federal Government can be justified because under the present financing of FEHBA, the Government share as an employer is unduly low, especially when compared with what is done in private industry plans.

The retirement income credit provisions were designed to give those persons, such as our retired teachers, whose retirement income is taxable, a tax exemption approximately the same as that received by beneficiaries of tax-exempt social security payments. An individual who is 65 years of age is granted a credit against the tax liability on his retirement income—which includes annuities, interest, dividends, and rents—up to $1,524.

This limitation no longer is fair or realistic, and should give heed to cost-of-living increases. Congress has failed to adjust the retirement income credit provisions of the Internal Revenue Code to reflect either the Social Security Amendments of 1965 or those of 1967—and, of course, the 15-percent increase in benefits in the bill before us now.

There has been no increase in the retirement income base since 1962 despite the 7-percent social security increase in 1965 and the 13-percent increase in 1967. Therefore, the intent to give fair treatment to those who do not have tax-exempt social security benefits has been neglected.

Mr. ADDABBO. Mr. Speaker, I rise in support of H.R. 15095, to provide a 15-percent across the board increase in social security benefits. In addition to the general across-the-board increase, the legislation increases the minimum benefit from $55 to $64 for single persons and $82.50 to $96 for couples and increases special payments to persons over 72 years of age as well as maximum payments.

One of our colleagues on the Committee on Ways and Means has called this legislation a "stopgap" measure to enable the committee to devote more time to the social security amendments and major reform items pending at this time.

I share that view and it is my hope that the Ways and Means Committee will approve a far-reaching overhaul of the social security laws early in the second session of the 91st Congress. My bill, H.R. 14431, provides for major reform, including two increases of 20 percent each in benefits in 1970 and 1972 and would more than double the minimum benefit, increasing the amount from $55 to $120 a month by January 1972.

Mr. Speaker, our goal must be to see to it that the social security system provides real economic security to the elderly. That is not the goal of H.R. 15095 but as a stopgap measure it is clearly more realistic than the meager 10-percent increase proposed by the administration. Let us commit ourselves to major social security reform today by approving this increase and immediately turning our attention to the real needs of our elderly citizens who have been caught in the inflationary spirals which have wiped out previous social security benefit increases.

Mr. MYERS. Mr. Speaker, I speak in favor of H.R. 15095. In our country today there are more than 25 million Americans age 65 and over who have become what could easily be called our "slighted society." These are the people who during good times and bad strived to put a little something aside for their retirement years, paid taxes, sent their children to school, went to war, and who in the main were all-around good citizens who came through World War I, the depression years of the 1930's, World War II, and Korea. These are the Americans who made this country great, but they are also near the bottom of our list of legislative priorities.

I am glad that we have finally realized that these Americans desperately need an increase in social security benefits to meet today's spiraling inflation. The last benefit increase was 2 years ago. Taking into account the rate of inflation the last 2 years plus the price rise expected this year, the 15-percent increase contained in this bill will barely cover past shortfalls and our "slighted society" will again fall back a step or two on the cost-of-living escalator. This increase does not make up for the fact that the retired have had to scrimp these past 2 years, nor will it offset any of the increase in the cost of living that may occur in the next 2 years.

Historically, social security has never done more than barely keep up with the cost of living. It certainly has not kept pace with the rising standard of living.

Let us not linger any longer on this legislation. Let us pass this bill and then immediately upon our return next year take up the other provisions of the social security law that desperately need improvement. Let us, among other things, make certain that future increases will be given when the cost of living goes up, raise the income limitation from $1,680 to $3,000 per year, raise the minimum payment from $55 to $100 per month for single persons and $150 for couples, and not reduce the social security income into a household when the primary recipient dies.

I realize that social security was originally intended to be a supplement to a person's retirement income, yet we know that changing times, rampant inflation, and circumstances beyond control have wiped away their precious savings. It seems to me that those who have been tax contributors all of their lives, not tax eaters, have a right to bitterly complain when they see welfare recipients receive more monthly assistance than they do along with surplus food, food stamps, and medical treatment, the latter of which social security recipients pay for.
social security recipients pay for.

Our elderly citizens are entitled to the they, like some, demand it, but because they have earned their right to a better future.

Mr. REID of New York. Mr. Speaker, I rise in strong support of H.R. 15095, the Social Security Amendments of 1969.

I am delighted that the Ways and Means Committee and the House and the Senate are finally taking action to compensate the 25 million beneficiaries of the social security program for recent increases in the cost of living, which has been rising at a rapid rate. The inflationary spiral curtails the spending power of all consumers, as my colleagues are well aware, but it most seriously penalizes those who live on fixed incomes. It is high time we took this action to increase social security benefits by 15 percent, effective January 1, 1970, and thus to provide our retired citizens with a more reasonable income.

There are, of course, other changes which must be made in the social security law if it is to be equitable to all. Specifically, the $1,680 limit on annual earned income should be removed or, at the very least, increased. Increases should be made in the benefits provided under the program of aid to families with dependent children, and we should do more for the 3 million poorest aged, blind, and disabled persons in this country, as the gentleman from California (Mr. BURTON) pointed out last week.

I hope Congress will act early in the next session to make additional needed changes in the social security law. In the meantime, I strongly urge the passage of the measure before us today.

Mr. CHAPPELL. Mr. Speaker, we have relegated many of our most valuable citizens to a position of pauperism in this country. I say "most valuable citizens," Mr. Speaker, because this is an era for calling on the experience and knowledge of our older citizens, for it is from the storehouse of their souls that we can chart our destiny clear of the shoals of self-destruction. The very preservation of our way of life in this country depends on our putting daily into practice the principles tested and secured by the generation which preceded us.

Yet this wonderful generation of people have been hurt so deeply by the inflationary situation we are in that their contributions to our society are strongly limited. Goods and services that cost them $10 in 1959 now cost over $12.50. What an unfair and shameful situation.

These citizens paid hard-earned dollars into the social security program when a dollar was worth a dollar. We cannot—and must not—ask our people to try to keep living on the same number of dollars which have so diminished in value.

We must not let the elderly people of our country become political whipping boys. Congress has the duty to do what is right for the people. I know we will.

We can afford to do more for our senior citizens, Mr. Speaker, and I, therefore, urge the passage of H.R. 15095 to give them these increased benefits.

We need the advice, the wisdom, and the knowledge of our older citizens, but we can ask very little of them unless we can also respond to their needs. Our bill is threatened by a Presidential veto, Mr. Speaker, but I hope that the Members of Congress can unanimously—and in a nonpartistan spirit, grant these increased and very much deserved benefits.

Mr. ROSENTHAL. Mr. Speaker, I support the limited social security bill which we consider today but only as an immediate and temporary solution to the long-range problems of the social security system.

This bill provides for a 15-percent increase in social security benefits, effective January 1, 1970. It also increases the minimum benefit from $55 to $64 for single persons and from $82.50 to $96 for couples.

This bill raises the special benefits for persons over age 72 from $40 to $46 for single persons and from $60 to $69 for couples.

Finally, this bill would provide for eventual maximum benefits of $250.70, instead of the present limit of $218 for single persons, and for a new maximum of $376 for couples, instead of $323.

But the bigger problems of social security reform are not included in this bill. And the benefit increases, while important, are clearly not adequate. I urge Congress to consider early next year the comprehensive reforms which our older citizens need and deserve.

I have proposed, in my comprehensive social security bill—H.R. 14487—a 35-percent flat increase in benefits and an automatic cost-of-living increase regularly to eliminate the effects of inflation. Under my bill average benefits would rise to $133 for individuals and to $220 for couples, with minimum benefits of $100 and $150 respectively.

My bill also provides:

Full benefits to both men and women who retire at age 60 and restore to full benefits those who are already retired on reduced annuities;

Full benefits at age 55 for women who retire with 120 quarters of coverage;

Prescription drug coverage, for an optional $1 a month;

An increase in ceilings on earned income for persons over 65;

Full benefits to widows and dependent widowers at age 50 and to disabled widows and widowers regardless of age;

Reducing to age 60 the eligibility date for medicare benefits;

Identical benefit rights for single persons who support brothers and sisters as those given married couples;

Giving Federal employees the right to elect social security coverage; and

Financing the social security system through whatever general revenues are needed to keep it actuarily solvent.

Mr. FARBSTEIN. Mr. Speaker, H.R. 15095, the Social Security Amendments of 1969, has been presented to us as emergency legislation to provide a badly needed benefit increase to approximately 25 million people. I am happy to support this legislation and regret that it is not more. I am heartened, however, by the statement in the report of the Committee on Ways and Means that its first order of business for the next session will be a continued study of comprehensive changes in the social security and welfare programs.

The reports from my district bear out the statement in the committee's report that there is a "pressing and urgent need for an across-the-board increase in social security benefits."

The last time we considered a social security benefit increase we provided a 13-percent benefit increase effective for February 1968. In February 1968 the Consumer Price Index was 119. The latest index is for October when it was 129.8, a rise of more than 9 percent in 20 months. If the index continues to rise at this rate—average of 0.45 percent a month—the rise will be more than 11 percent by next April when the benefit increase will actually be cash in the beneficiaries pockets.

Although, I would prefer a bill making more comprehensive changes in the social security program, I can understand the reasons why the committee did not want to delay the benefit increase. Funds are available to provide an immediate 15-percent increase in social security benefits.

I want to commend the Committee on Ways and Means for its responsible action in bringing a 15-percent social security benefit increase to the floor. And, I appreciate the forthright way in which the committee states in its report that it is "necessary to consider without unnecessary delay" other changes in the social security and welfare programs. I would hope that the changes which the committee will take up next session will include a significant increase in the minimum benefit. When one considers today's prices and the studies of the Social Security Administration which show that social security benefits are the major source of income for most beneficiaries, I do not see how we can justify the minimum benefit of $55 a month provided under present law or even the minimum benefit of $64 a month which would be provided by H.R. 15095.

I, myself, have introduced legislation to increase social security benefits an average of 35 percent and provide a minimum benefit of $100 a month for an individual and $150 for a couple as well as to expand the scope of medicare coverage. This is the type of social security reform we need, and I am confident that the Ways and Means Committee will act favorably to bring it about.

Mr. FULTON of Tennessee. Mr. Speaker, passage of this bill to increase social security benefits by 15 percent is a legislative must for this session of the 91st.

Fifteen percent—this sounds like a very generous figure. In normal times and under normal economic conditions it would be. But these are not normal times nor are we operating under normal economic conditions.

Actually, this 15-percent benefit will barely enable the average social security recipient to keep pace with the inflation which has eroded his benefit check since the last increase in March of 1968.

At that time the Consumer Price Index, according to the Department of Labor, stood at 119.50. As of October of this year, the latest figures available, it had climbed 10.30 to 129.80. This represents an actual percentage increase in the cost of living of about 8.6 percent over the last 20 months. At this rate we are assured of a cost-of-living increase of 1.5 to 2 percent before this increase is actually forwarded to the social security beneficiary. Thus, the actual increase in real income is 5 percent or less which will do little other than make up for purchasing power eroded by intervening inflation.

Unfortunately, a cost-of-living increase feature is not a part of this bill. I very much favor this approach as it has been found successful in other Government retirement systems. This can be taken up, however, when the Ways and Means Committee considers additional changes in the social security law early next year.

At this time I would like to commend all my colleagues on the Ways and Means Committee for their expeditious handling of this benefit increase.

To have waited until other problems dealing with the social security law, including welfare reform, had been disposed of before bringing this legislation to the floor would have been unfair and an injustice to the social security recipients who, month by discouraging month, see their benefit checks eroded by inflation.

Fifteen percent seems like a very generous increase. But, as we have seen, it is not. It is barely adequate and it is my hope that we must further increase benefits in the year to come.

Mr. SCHERLE. Mr. Speaker, no group of Americans is more entitled to adequate financial assistance than our senior citizens. For years working people have paid sound dollars into the Federal fund to provide for a dignified retirement. Now as they reach the time of rest and relaxation, they face the horrible realization that the "sound" dollar they paid into this program no longer exists and the social security payment they once relied upon has diminished in value. Inflation and extravagant Government spending have deflated the purchasing power of the dollar.

The law prevents social security recipients from earning incomes above a prescribed level without losing their annuity. Some are disabled and cannot seek employment; others are unable to find work to supplement their meager incomes. These unfortunate people are victims of circumstance—captives of a situation beyond their control. These people I am determined to help now. Inflation caused by prolific Government spending will not be arrested overnight. An immediate solution is to increase the social security benefits, and this I will support.

Mr. ANDERSON of Illinois. Mr. Speaker, I rise in support of H.R. 15095, a bill to increase social security benefits for the eldery, the disabled, and for widows and orphans. This bill calls for a 15-percent across-the-board increase in benefits for the 25 million people covered by the Social Security Act. I support this increase because I think it is long overdue. Those covered under the act have been the most severely victimized by inflation; the value of their social security checks has been steadily decreasing as the cost of living has soared to new heights. As President Nixon said in his September 25 message to Congress:

> This nation must not break faith with those Americans who have a right to expect that Social Security payments will protect them and their families.

Mr. Speaker, while I support this legislation before us today, I do want to indicate that I consider it little more than a stopgap measure. This Congress must still face up to the need for a comprehensive overhaul of our social security system along the lines proposed by the President in his message to Congress. This should include a provision for an automatic adjustment in benefits that would reflect increases in the cost of living. I have introduced a bill to that effect, and I am pleased that this approach is also a part of the President's proposal.

The President has also called for an increase in the amounts beneficiaries can earn annually without a reduction in their benefits; a revision in the one-dollar-for-one-dollar reduction in benefits for income earned in excess of $2,880 to a reduction of $1 in benefits for every $2 earned; an increase in the contribution and benefit base from $7,800 to $9,000, beginning in 1972; and a series of additional reforms, in the President's words, "to insure more equitable treatment for widows, recipients above age 72, veterans, for persons disabled from childhood, and for the dependent parents of disabled and retired workers."

I strongly urge the passage of the bill before us today, and I also urge the continued efforts of the Congress to work for more comprehensive social security reform aimed at equitable and more realistic protection of our citizens.

Mr. MINISH. Mr. Speaker, I rise in support of H.R. 15095, the Social Security Amendments of 1969. The 15-percent across-the-board increase in benefits contained in this legislation is the best Christmas present our senior citizens could possibly receive.

Improvement and strengthening of the Social Security Act should be accorded top priority in the second session of the 91st Congress. In a recent statement to the Ways and Means Committee, I outlined some of the major issues which must be dealt with during consideration of social security next year. I include the statement at this point in the RECORD:

STATEMENT OF CONGRESSMAN JOSEPH G. MINISH TO COMMITTEE ON WAYS AND MEANS ON SOCIAL SECURITY

Mr. Chairman and members of the Committee, first, let me thank you for the opportunity to submit this statement on pending social security legislation. I am grateful that the Ways and Means Committee has seen fit to schedule consideration of this vital subject so soon after completion of its exhaustive work on tax reform and tax relief.

The Tax Reform Act, as passed by the House, provides relief which will be most beneficial to our poor and middle income families for whom the high cost of living, coupled with heavy taxes at all levels, has caused deep anxiety and resentment. However, there is one group whose financial plight will not be eased by lower taxes since their incomes fall far below the poverty level where in most cases they are not required to pay taxes. I refer, of course, to social security beneficiaries—the most poverty stricken group in our society. It is a sad fact that 40 percent of persons 65 years of age or older are classified as poor or near-poor.

On May 21, 1969, I introduced H.R. 11554 to provide a 15 percent across-the-board increase in social security benefits effective July 1, 1969. My bill would increase the minimum monthly benefit from $55 to $80 and raise maximum benefits from $218 to $250.70. Under this legislation, the level of benefits would be reviewed every three months and the benefit schedule adjusted upward when the cost of living increases 3 percent or more above the previous base period. This periodic cost-of-living mechanism is necessary to insure that social security benefits will not be eroded by rising prices as they have so often in the past. By this means we will combat the shameful situation which permits our senior citizens to fall deeper and deeper into poverty while the majority of Americans enjoy relative prosperity.

Naturally, I was disappointed when President Nixon recommended that social security benefits be increased by only 10 percent and that this meager increase be deferred until next April. The President, in his message to Congress, noted an increase was necessary in order to enable older Americans to keep pace with the inflationary spiral and the rising cost-of-living. Yet inflation, which strikes retirees and older persons hardest, has driven the cost-of-living up more than 13 percent since Congress last enacted a social security increase in February, 1968. Prices, no doubt, will rise even further by April of 1970. The Administration request, in short, is too little and too late.

Mr. Chairman, an increase in social security benefits of at least 15 percent retroactive to this past July is imperative this year if our senior citizens are to hold their own in a time of greatly increasing prices. If we do not act promptly on a significant social security increase, this country's retirees will find themselves in a terrible financial bind. Social Security is a misnomer—a cruel hoax—if it does not enable its beneficiaries to at least keep pace with the cost-of-living.

Among other improvements I believe should be made in the Social Security Act are the following: an increase in the earnings limitation, the equalization of treatment for wives working under the social securiy system, and increased benefits for blind citizens.

Mr. Chairman, persons reaching the age of 65 today can look forward, thanks to improved health care, to a longer life span and the ability to continue to contribute to their society. We ought, therefore, to encourage our senior citizens to employ their talents, knowledge, and experience in worthwhile and gainful endeavors. One means of achieving this goal is to increase substantially the annual earnings limitation for social security recipients.

Under present law, couples working under social security do not receive a fair return on their contributions to the fund. To remedy this situation I would call the Committee's attention to H.R. 9064, which I introduced on March 17, 1969. The purpose of this legislation is to treat a working husband and wife as a unit and to increase the "earnings base" used in the computation of their benefits. The result would be a more equitable level of benefits for both husband and wife.

Mr. Chairman, I also urge the Committee to approve a liberalization of the conditions governing eligibility of blind persons to receive disability insurance benefits under the Social Security Act. My bill, H.R. 10252, would provide a partial solution to the financial catastrophy which engulfs many persons as a result of blindness. It would permit a blind person, who has worked in social security work for six quarters, to qualify for disability insurance payments and to continue qualified so long as he remains blind regardless of his earnings.

Moving to Medicare, Mr. Chairman, I believe the Committee should include a section in its legislation which would extend medicare coverage to the cost of drugs purchased by the elderly. Constantly soaring drug prices constitute a major element in the severe economic problems of the elderly. Today drug items account for a significant proportion of the budgets of aged citizens. By 1975 drug costs are expected to rise by 65% for our population as a whole and the increase for senior citizens will be significantly greater—already, in fact, drug costs for the aged are twice as high as for the young and four out of five persons 65 or older have a disability or chronic condition requiring the purchase of drugs.

I believe our elderly citizens ought to enjoy the right to choose the type of health care they believe best suited to their needs. Therefore, I urge approval of my bill, H.R. 14343, which would extend medicare coverage to chiropractic.

Another area of importance to medicare beneficiaries is the issue of home maintenance care. On July 17 I introduced H.R. 12924 to authorize payment under the medicare program for services furnished by a home maintenance worker as part of a home health services plan. Presently only personal care, such as feeding, bathing, transfer in and out of a wheelchair, etc., is afforded to a medicare recipient in his home. We should recognize that many patients are able to care for their personal needs, but are not capable of performing household tasks, shopping, and cooking without assistance. By providing these services, we will allow convalescent or ill older citizens to remain in the familiar surroundings of their home in their own community. Moreover, this legislation would save both medicare recipients and the public the cost of more expensive types of institutional care.

Mr. Chairman, the improvements I have covered, together with other areas I am sure will be developed by the Committee, provide the basis for expanding the horizons of our nation's senior citizens. Each year a larger proportion of our population joins their ranks. Presently there are close to 20 million Americans over the age of 65. We should not consider the increasing number of senior citizens as a burden for our nation, but as an opportunity to enrich their lives and, through them, the lives of all of us.

Mr. KASTENMEIER. Mr. Speaker, while I am somewhat relieved that the Ways and Means Committee has acted on the financial crisis our elderly citizens are facing by reporting a social security increase bill now, I feel a 15-percent raise is actually too little. Although I will vote for this bill, I am disappointed that the committee did not approve a larger increase. I frankly believe that the 25-percent across-the-board hike in benefits and doubling of the minimum payments—to $110 a month for individuals and $165 for couples—which I recommended in my bill, is essential to meet the needs of our elderly.

Many of our senior citizens simply do not have enough income to meet the most basic living expenses and yet they now are told they must wait three and a half more months before they actually receive a modest increase in benefits although the raise would be retroactive to January 1970. I am particularly concerned about those who receive a small amount of monthly benefits since this 15-percent across-the-board increase will mean only $9 to $11 more a month for them.

Consequently, I would like to express my support for the social security increase provision the Senate has approved since they would at least provide a substantial hike for those with lower payments—to a minimum of $100 a month for an individual and $150 for a couple—as well as authorizing persons to take a reduced level of retirement benefits at age 60.

It seems certain the House will approve this bill, in an effort to provide a benefit increase as soon as administratively possible. However, the passage of this bill will not bring to an end the effort to make needed improvements in our social security and medicare programs and I hope the committee will consider additional legislation, including certain other benefit increases, at an early date.

Mr. EDMONDSON. Mr. Speaker, I support H.R. 15095 and commend the Committee on Ways and Means for bringing it to the floor.

Social security payments cannot be allowed to lag far behind increases in the cost of living without real hardship for the elderly Americans who depend upon this income for life itself.

The 15-percent increase in payments provided by this bill is the minimum required to keep pace with cost-of-living increases, and must be approved. I cannot conceive of a veto of this measure, and feel confident the President will give it his approval.

Mr. Speaker, I urge and predict overwhelming approval of this bill.

Mr. ANDERSON of California. Mr. Speaker, I rise in support of H.R. 15095, the Social Security Amendments of 1969, but I do so with reservation. I commend the Committee on Ways and Means for rejecting the President's proposed 7-percent increase—later revised to a 10-percent increase—in benefits. Neither the 7-percent nor the 10-percent increase is enough as neither would keep up with the cost of living. I also realize that pressure from the administration, with the threat of a veto, has kept the committee from enacting a truly comprehensive measure designed to benefit those who really need the legislation—the elderly, the disabled, and their dependents, widows and orphans. I commend the committee for recognizing that

this bill is only a stopgap measure and I, therefore, urge early consideration of a measure that would make major benefit increases and other improvements in social security.

Under H.R. 15095, the minimum benefit for a retired worker coming on the benfit rolls at or after age 65, and for a disabled worker, would be increased from $55 to $64 per month. This is not enough. Social Security Administration studies have shown that most retired beneficiaries have little or no income in addition to their social security benefits.

H.R. 15095 does not provide for automatic cost-of-living increases in benefits. The last time Congress considered a social security benefit increase—December 1967—the Consumer Price Index was 118.2. In October 1969, the Consumer Price Index was up to 129.8. The 15-percent increase in benefits now barely keeps pace with the cost of living.

For these reasons, I supported a 20-percent increase in benefits with an automatic cost of living increase in benefits with an automatic cost of living increase whenever the Consumer Price Index rises more than 3 percent.

Many States have an old-age benefit plan which makes payments to compliment the social security payments. In the past, as social security benefits increased, some State payments decreased, resulting in a benefactor receiving the same sum of money—only less comes out of the State treasury. Thus, social security increases in these cases did nothing for the aged, disabled, widowed, or orphaned. I believe that Congress intends for social security benefit increases to go to those eligible to receive payments. Thus, I believe we must provide legislation to make certain that an increase in social security is meaningful.

I support H.R. 15095 because I believe that action must be taken immediately to increase the inadequate retirement income of the elderly. But I urge the Committee on Ways and Means to promptly consider the suggestions I have outlined above.

Mr. SIKES. Mr. Speaker, I consider this one of the most important and necessary actions taken during the entire session. Congress should complete action without fail on the 15-percent increase in social security benefits prior to the Christmas recess. I can think of no finer Christmas present to those who have been subsisting on a bare minimum for so long. The increase is needed and it should be very helpful to those who are affected. Actually the action now in prospect is long overdue. The economic plight of retirees has been aggravated by steadily advancing costs of living. Their retirement dollars just will not go far enough, and there is actual hardship in some instances.

I applaud the proposal advanced by Congressman WILBUR MILLS and the House Ways and Means Committee to provide a 15-percent increase. Anything less would be totally inadequate to meet the advance of living costs since the last increase in benefits.

I hope that our work for those of inadequate income, particularly among the aged, will not stop with this action. A great deal of concern is expressed for people of inadequate income in America. In this, the aged and the disabled too often are neglected. It is seldom that Americans of 65 or over are even mentioned in this connection. Yet they are among those whose plight is the most serious. There are 20 million Americans who are over 65, and many of these are existing on inadequate incomes. Few of them are able to earn an adequate income. The others are dependent upon social security or welfare benefits. There are still others who are not yet 65 who are unable to earn a livelihood because of poor health or lack of training for today's competitive job market, and who are in dire straits.

It is obvious that insufficient attention has been given to the problem of inadequate income among the Nation's elderly. Discussions now in progress by congressional committees on aging are moving so slowly that realistic improvement cannot be anticipated at any early date. The grave problem of these people, many of them ill and most of them living on less than minimum income, is sufficiently acute that immediate action should be initiated by the administration and by the responsible committees of Congress.

There is now discussion which I trust will very soon be supported by positive action by the administration and by Congress, an increase in the amount a retired person can earn without losing benefits, and higher payments to recipients of old-age assistance. These along with the current increase in social security payments are sorely needed. Living costs have escalated beyond reason. Frequently overlooked but an area of tragic need is that of the old-age assistance group who are presently held to a bare subsistence level. People in this group should be receiving twice as much as they now get.

There is equal need for major reforms in the Nation's welfare system. New emphasis on training programs to enable people to find and hold jobs is a must. Present welfare programs place no incentive on earnings. In fact, efforts to be self-supporting are discouraged in the operation of the program. As a result, the welfare rolls get bigger and bigger, despite the growing prosperity of the Nation. Improvement in the welfare program which will result in great benefit to the Nation can be achieved with little cost to the taxpayer.

All these attest to a job before Congress which is still to be completed, I urge action. These are problems which will not wait indefinitely for solutions.

Mr. GAYDOS. Mr. Speaker, I would like to compliment the distinguished chairman of the Committee on Ways and Means and other members of this committee for recognizing the critical need for an immediate increase in social security benefits and bringing H.R. 15095 to the floor as expeditiously as possible. We must remember, however, that this bill must not be viewed as a panacea for all social security ills, but merely a stopgap measure until a complete reevaluation of the Social Security Act can be undertaken.

I, along with other Members of this body have been besieged with mail from our senior citizens, all carrying the same message. Inflation has eroded their social security dollar to the poinnt where it has become a daily battle of survival.

H.R. 15095 will raise the minimum benefit from $55 to $64 for single persons and raise the benefit from $82.50 to $96 for married couples. A $6 increase of special payments for single people over 72 years of age will raise their benefits from $40 to $46 with a $9 increase from $60 to $69 for married couples. Maximum benefits will eventually go from $218 to $250.70 for single persons and from $323 to $376 for married couples.

This is a start. The forgotten American is getting some recognition. We must continue to recognize his needs. If present trends continue, the insatiable appetite of inflation will have already begun gnawing away at the modest increase provided in this bill.

It is heartening to note that the distinguished chairman of the Committee on Ways and Means has addressed himself to the problem and has promised a "full dress review' of the Social Security Act. I give my unqualified support to the bill before us today and hope that the next session will produce a bill which will not only provide social security recipients with a decent standard of living, but also protect them from the merciless bite of inflation.

Mr. MATSUNAGA. Mr. Speaker, as a cosponsor of a similar bill, I rise in support of H.R. 15095, which would provide for a 15 percent across-the-board increase in social security benefits effective in January 1970.

I commend our Committee on Ways and Means, chaired by our distinguished colleague, the gentleman from Arkansas (Mr. MILLS), for recognizing the urgency of providing this increase and acting promptly to bring this legislation before this body.

Social security payments are the major source of income today for some 25 million Americans—the elderly, the disabled and their dependents, and widows and orphans. The number of recipients seems to be growing yearly as the average life span of man is lengthened and more of our workers join the ranks of the retired. Those who depend solely on their social security check to defray current living expenses have found the benefits to be totally inadequate to meet even the minimum needs of life. The Department of Labor has pegged a "moderate" living standard at $4,200 a year for a retired couple. An estimated 10 million retirees are reportedly kept above the poverty line by their social security benefits. However, it takes very little imagination to picture the plight of the millions of other elderly Americans who, even with their social security payments, are forced to live in want and despair after completing their working years. Surely, our senior citizens and other social security beneficiaries deserve better.

To meet this clearly demonstrated need, Congress must provide dramatic and significant increases in benefits under the old-age, survivors, and disability insurance program of the Social Security Act. Anything less could fall far

short of our goal of elevating our elderly Americans to the desired level of self-respect and dignity.

Mr. Speaker, there should be no difficulty in voting for this bill, for to meet the demonstrated need the federal system is in a position to pay. We have been informed that there is an actuarial surplus of 1.16 percent of taxable payroll—an amount sufficient to pay the cost of the proposed 15-percent benefit increase.

This bill deserves our support, and I, accordingly, urge a unanimous vote in favor of the measure.

Mr. BROTZMAN. Mr. Speaker, I support the bill which is today being considered by the House to raise social security benefits by 15 percent. The senior citizens of America have worked hard all of their lives. They have saved and they have paid their social security taxes. They would probably have enough on which to live were it not for the cruel tax of inflation which has eroded the purchasing power of their savings and their social security checks.

While the across-the-board increase we are considering today is necessary to restore the inflationary losses already suffered by social security recipients, it is only a stopgap measure. I feel strongly that the time has come to provide for automatic cost-of-living increases in benefits. Enactment of such a provision would do away with the necessity of senior citizens having to come to Congress with an outstretched hand every time their Government pursues a policy of inflation.

Mr. Speaker, it is my sincere hope that when the remainder of the social security bill is reported during the next session, it will contain a provision for automatic cost-of-living increases.

Mr. SPRINGER. Mr. Speaker, the 25 million people who receive monthly social security benefits have been hit harder by inflation than anybody else. They have had to pay the rapidly rising living costs but they have not shared the higher incomes that inflation has brought to most segments of the economy. Now it is their fair turn to receive in the form of a 15-percent across-the-board increase in social security benefits effective January 1.

We call this an inflation bonus because we are able to pay increased benefits without any boost in the social security tax rate due to a large actuarial surplus that has built up in the social security trust fund. The surplus derives from the fact that higher wages and salaries mean a bigger intake in social security taxes by the Government even while the tax rate itself remains unchanged. It is simple justice that we distribute some of this surplus promptly among all the retired and disabled persons, their dependents and widows and orphans, who are eligible for social security benefits.

I congratulate our Committee on Ways and Means for recognizing the pressing and urgent need for increasing the income of people on social security. I share the committee's judgment that the 15-percent benefit increase should not be delayed by consideration of more complicated legislative proposals for the improvement of the social security system. The committee has promised to make these issues its first order of business when Congress reconvenes in January. Meantime, it has gone ahead to assure a much-needed income boost for all social security recipients without getting it involved in arguments about other changes which may be more controversial.

As it is, the increase we are approving today will not actually be paid until next April because of the time it will take the Social Security Administration to make the change effective. The first checks reflecting the new rates will be for March. They will go out in early April along with a separate check covering the retroactive increase for the months of January and February.

Mr. Speaker, this bill has my wholehearted support. These increases in social security benefits are long overdue. In the future we should see to it that social security beneficiaries should not have to wait so long to be compensated for their losses of income resulting from inflation. President Nixon has proposed tying future social security increases to rises in the cost of living on an annual basis. That is the best way to handle the problem and I hope Congress will give serious consideration to it in the next session.

Mr. McCLORY. Mr. Speaker, in my opinion the House is acting responsibly today in the passage of amendments to the social security law—increasing benefits across the board at the rate of 15 percent.

While this increase exceeds the amount requested by the President, it should be pointed out that the President had requested an additional cost-of-living provision so that benefits could be automatically adjusted to reflect the rising prices of food, lodging, and other essentials.

There is a tendency to play politics with the welfare of our older citizens—and to depart from the philosophy upon which social security was established—of a self-sustaining program—by asking to dole out benefits for which no corresponding revenue is provided.

By acting on the present needs of existing beneficiaries, the committee has recommended increases which do not require an immediate increase in rates or total of social security taxes.

It is heartening to know that other subjects related to those which we are acting upon today will be reviewed carefully by the Ways and Means Committee early next year, with the production of a supplemental bill scheduled by March 1.

Mr. Speaker, I am pleased to indicate my support of the bill, H.R. 15095, and in this way to communicate with the 25 million persons benefiting from social security that the Members of the Congress are conscious of their problems and their needs, and are endeavoring by this legislation to act responsively as well as responsibly consistent with our roles as lawmakers.

Mr. TUNNEY. Mr. Speaker, we can all take heart in the prompt, decisive action of Congress to increase social security benefits by 15 percent, and to raise minimum monthly payments, effective in January. I was unable to be present for the vote on this bill because of previously scheduled meetings with local officials in my district. Had I been present, I would have joined in the unanimous expression of approval, and voted in favor of the bill.

These increases represent a significant first step enabling more than 25 million Americans to share more equitably in the prosperity which they helped to create. For those who must rely almost exclusively on social security benefits. However, the increases barely compensate for the accumulated burdens of inflation since the last increase in benefits. I have cosponsored legislation which would have resulted in greater improvement in benefit levels. I feel that we must move further ahead than we have today, before our laws do full justice to the aged and disabled.

Mr. PELLY. Mr. Speaker, the 25 million elderly people, disabled people and their dependents, and widows and orphans who now get monthly social security benefits need help badly. The effect of inflation is seriously striking at those living on a fixed income, and I support the Social Security Amendments of 1969 which would raise the benefits by 15 percent.

Not only is the increase necessary, it should be passed with no unnecessary delay. I only wish it could be seen in the checks sooner than next April, but I realize that with the effective date of January 1970, the time required to make the necessary changes in records and procedures that are needed to pay the new, higher amounts, keep it from appearing in benefit checks until April. In addition, I am told, a separate check covering the retroactive increase for the January and February payments would be paid in April if this legislation passes.

Mr. Speaker, I have long supported increasing benefits along with any increase in the cost of living, and I hope this someday will become law. But, in the meantime, I strongly support increasing the social security benefits 15 percent, and I urge my colleagues to vote for this very necessary increase.

Mr. BOLAND. Mr. Speaker, I want to express my support for H.R. 15095—the Social Security Amendments of 1969. I believe Congress must act now to increase social security benefits. Today, 25 million Americans—elderly people, disabled people, widows, and orphans—depend upon these benefits as their primary source of income. It is essential, quite obviously, that their payments must increase as the cost of living rises.

This legislation, providing an across-the-board increase in benefits of 15 percent, will demonstrate to the people of the United States that Congress is concerned about the welfare of those persons who, by reasons of advanced age or unfortunate circumstance, are no longer able to provide fully for themselves and their dependents. H.R. 15095 is legislation that, I feel, demands immediate action, so that the benefit increases can go into effect at the earliest possible date. According to the report of the Committee on Ways and Means, the first social security checks which could reflect the new rates would be for next March, payable in April, with a separate check retroactively covering the increased payment for January and February. This

check will also be paid in April. Under this bill, the minimum benefit for a disabled worker, or a retired worker coming on the rolls at the age of 65 would increase from $55 to $64 per month. There would also be an increase in the special payments for those people, who, at age 72 and older, may not have worked long enough to qualify for regular benefits. These payments would be increased from $40 to $46 for an individual, from $60 to $69 for a couple. These increases would help relieve the immediate problems that people on social security face in coping with the rising cost of living.

The last social security increase was for February 1968. Since then, the cost of living has soared 9.1 percent. This increase alone demands that we pass this legislation, and the fact that the cost of living will be up, probably more than 10 percent, by the time the increased benefit checks can be mailed in April, should reemphasize the need for passage of this bill. This is a time of rapid inflation, and H.R. 15095 is a necessary measure if we are to help our older and disabled citizens to maintain the purchasing power of their social security benefits.

Mr. JOHNSON of California. Mr. Speaker, I rise in support of H.R. 15095, to amend the Social Security Act to provide a 15-percent, across-the-board increase under the old-age, survivors insurance program.

Any of us familiar with the increases in the cost of living fully recognizes the problems which people on a limited fixed income face in meeting our day-to-day living expenses. Those people forced to exist on fixed incomes, and especially limited fixed incomes such as social security, find their resources grow smaller and smaller from day to day.

During the 2 years since Congress authorized its last increase in social security benefits, consumer prices for all commodities and services have increased from 116.3 points, based on a 1957–59 mean, to 129.3 points. You can see that what we are proposing to extend to social security beneficiaries reflects little more than that required to break even, assuming that what we voted in 1967 was adequate.

The 15-percent increase in no way reflects any gain in the net income of our social security beneficiaries, nor does it make any provisions for the future when even the most optimistic predictions express the hope that inflation will increase the cost of living by no more than 5 percent a year.

Accordingly, Mr. Speaker, I am firmly convinced that the 15-percent increase is an absolute minimum which the Congress can consider at this time. As the Representative of the largest congressional district in the State of California, both geographically and in population, I urge my colleagues to support the bill reported from the Committee on Ways and Means.

Mr. Speaker, in supporting this minimal increase in our social security benefits, I would like to make one additional comment. As you know, social security benefits are modest at best and many people receiving them also are receiving other sources of income by which they augment their meager incomes. While most of these other sources of income are from private retirement plans, those with the most limited resources are receiving welfare assistance by reason of being blind, aged, or disabled.

It has been our sad experience in the past that whenever the social security benefits are increased, the net result for these, probably the most deserving of social security recipients, has been no increase at all. The reason for this is that the States have reduced the welfare assistance by an amount equal to the increase in social security benefits which the States contend is income.

If we are going to provide increased incomes in order to meet the rising cost of living for these people, we should do just that and insure that the benefits are given to those elderly blind and disabled welfare recipients who deserve it. This 15-percent increase we are voting here today should in no way be a windfall for the State welfare department and provisions must be made in the final analysis, that the increase we vote be passed on to the beneficiary.

Mr. Speaker, I rise to mention this specifically because the provisions to insure this are contained in the Senate bill and hope that in the final analysis, the Senate bill will prevail as far as this aspect is concerned. I am sure that if H.R. 15095 came to us in a manner in which it could be subject to an amendment, that this language would be incorporated into the bill by the House of Representatives.

With this comment, Mr. Speaker, I would like to conclude with a strong endorsement for H.R. 15095.

Mr. DINGELL. Mr. Speaker, the Committee on Ways and Means is to be commended for coming forward in an expeditious fashion with H.R. 15095, the proposed Social Security Amendments of 1969. The 15-percent across-the-board increase in social security benefits provided in this measure is sorely needed by recipients to meet substantially increased living costs.

The legislation properly makes adjustments in minimum and maximum benefit levels which reflect the 15-percent general increase.

I also am pleased that the legislation provides that the general increase in benefit payments shall become effective on January 1, 1970. Unfortunately, the time required for bookkeeping changes is such that the increases will not show up in beneficiaries' checks until April 1970. However, it is my understanding that the Social Security Administration will include a retroactive payment in the checks mailed on April 1, 1970, so that beneficiaries will in due course receive the additional payments.

The legislation recommended by the committee goes well beyond that administration's proposal for a 10-percent across-the-board increase both in terms of the size of the increase and its due date. I feel that the committee's recommendation is very much more equitable than is that of the administration. In fact, I believe that to be fully equitable the legislation should be more generous than that proposed by the committee.

However, in view of President Nixon's veto threat the committee's proposal is probably the best that can be hoped for at this time.

This being the case I want to voice my support of H.R. 15095.

However, I look upon H.R. 15095 as essentially a stopgap measure. The Committee on Ways and Means has promised to proceed with its full scale review of the social security program. I am confident that the committee will report out an omnibus reform measure early next year which I hope will include, among other things, provisions for cost-of-living benefit increases, substantial liberalization of disability provisions, improvements in the medicare program, and necessary financing revisions.

Mr. COHELAN. Mr. Speaker, I rise to support H.R. 15095, to provide a 15-percent across-the-board increase in social security benefits.

The need for this change cannot, in my mind, be overemphasized. According to the Census Bureau, there are today 19,530,000 persons, nearly 10 percent of our country's population, who are 65 years old or older. Of this group nearly 18 million receive social security benefits and, for the most part, these 18 million persons rely on their social security benefits to live.

A few older people work. Many, however, are forced to retire; many justifiably wish to retire, many cannot work because of poor health, and many are widows who lack training and work experience.

In earlier times the problems of old age, disability and unemployment did not constitute major potential problems. In those times a higher death rate at younger ages, the need for farm labor, and the family farm usually provided social care for the aged and disabled. Today, however, the social, cultural and economic forces have changed. We have a large, and growing group of older citizens. We are faced with an economy that is causing untold hardship on people with fixed incomes.

In our industrialized society, there is a premium placed on youth. What this means is that many of our older citizens are forced to retire at a designated age and they are unable to find jobs to supplement their retirement pensions. The increasing urbanization of our society has resulted in a shortage of space in young families to provide even room for older relations. In addition, the cost of maintenance of an older relative can be crushing and burdensome to younger families whose limited resources are already stretched.

It was the promotion of these conditions, exacerbated by the depression, that led to the adoption of the Social Security Act of 1935. The basic premises of the Social Security Act of 1935 have been accepted throughout this country. What has not been fully recognized is that once we accept the social security system, inter alia, we must make sure that it provides adequate coverage for people who rely on it. I know from firsthand experience the hardships faced by our retired citizens. When I am home in the district, I hold neighborhood meetings in which my constituents discuss problems that require legislation. It is heart-rending to

see justifiably proud retired people asking for congressional relief from the low and inadequate social security benefits. I do not have to tell the Members of this body the difficulty people over 65 have trying to live on a minimum social security payment of $55 per month.

According to the Social Security Administration, the average payment to persons over 65 is a mere $98 a month. Is it any wonder then that in this period of galloping inflation, this pittance is insufficient to cover the bare necessities of life? I realize that many older citizens have additional sources of income, but there are literally millions who rely solely on their social security benefits.

Elderly persons on fixed income cannot continue to exist in their present circumstances. This bill will provide a 15-percent across-the-board increase in social security benefits, effective January 1, 1970. It also allows for the following additional benefits: First, increase in the minimum benefit from $55 to $64 for single persons and $82.50 to $96 for couples; second, increase the special payments for persons 72 and over from $40 to $46 for single persons and $60 to $69 for couples; and third, provide maximum benefit increases of $218 to $250 for single persons and from $323 to $476 for couple.

My colleague, the gentleman from Ohio (Mr. VANIK) has recently said on the floor of the House that Mr. Robert Myers, respected actuary for the social security system, concluded that a 15-percent across-the-board increase could be made in social security benefits without increasing the taxable base or the taxable rate.

In addition, Mr. William Hayward, district manager of the Social Security Administration in my home district of Oakland, has informed me that a 15-percent increase falls in line with actuarial estiates of the elderly's needs.

Mr. Hayward stated that a 15-percent increase would cover past increases in the cost of living and also bring the minimum benefits to a liveable standard.

Mr. Speaker, this is a matter of urgent importance. We can no longer afford to ignore and bypass those of our people who live on fixed incomes and who rely on social security as their main means of existence. For all practical purposes, it is these people who, in large measure, bear the cruel and unfair burden of inflation. This bill represents a marked improvement in our social security system—an improvement long overdue. I urge the support of my colleagues for this important bill.

In conclusion, Mr. Speaker, I hope that the committee will act quickly next session, as I am informed they will, to further modify the social security laws.

Mr. NELSEN. Mr. Speaker, I wish to place myself firmly on record in support of the proposal on which we will be voting today which increases social security benefits by 15 percent across the board. These increases would become effective this coming January.

Because of devastating rises in the cost of living over the last few years, many of the elderly simply cannot get by any longer without an upward adjustment in benefits. Inflation has been ruinous to the small, fixed incomes upon which they must rely.

Furthermore, because of an existing surplus in the old age and survivors fund, this increase in benefits will not necessitate any increase in withholding tax rates among employees and employers, who are also suffering from the sharp pinch of inflation.

It is to be hoped, therefore, that the House will speedily approve the recommendations of our Ways and Means Committee, so that final action can be completed before Congress adjourns.

Mr. FASCELL. Mr. Speaker, since monthly social security benefits were first paid in 1940, there have been increases from time to time to take into account rises in the cost of living as well as to improve the economic position of social security beneficiaries. The most recent increase was provided by the Social Security Amendments of 1967 and was effective with the benefits payable for February 1968.

Between February 1968 and October of this year, the consumer price index rose approximately 9.1 percent from 119.0 to 129.8. Moreover, it can be expected to rise an additional 2 percent or so before the increased social security benefits are received next April.

The need for a social security benefit increase at this time is obvious. As the report of the Ways and Means Committee points out, recent revisions in the cost estimates for the social security program show that a 15 percent benefit increase is possible at this time with no increase in social security taxes. In addition, the evidence presented to the Committee showed a positive need for an immediate across-the-board increase in benefits.

I wish to congratulate the chairman of the Ways and Means Committee for bringing this matter to the floor as quickly as he did and to urge swift passage of this proposal.

Mr. DONOHUE. Mr. Speaker, as a sponsor of similar legislation, I most earnestly urge and hope that this House will speedily approve this bill, H.R. 15095, to provide at least a 15-percent across-the-board increase in benefits under the old-age, survivors, and disability insurance program, an increase that is desperately needed by millions of older people in this country today.

It is an established but unfortunate fact that an insufficient income is still the major problem deeply distressing over one-third of the some 25 million Americans, now over 65 years of age.

Mr. Speaker, it is a further harsh reality that insufficient income will continue to be the major problem of most all of our senior citizens if we do not promptly approve social security benefit increases.

It is inconceivable to expect some 25 million Americans, all nearly totally dependent upon social security benefits, to exist on income that is at or very near the poverty level.

Today, one out of every eight Americans count on their monthly social security check for the mere essentials of a decent life and the stark economic fact is that their present check is not large enough to provide these essentials.

Therefore, Mr. Speaker, the imperative need of these social security recipients, in the face of continuous inflationary advances, in the costs of every service, food staple and medicine necessary to minimal living in this affluent land is an immediate and substantial increase in their social security benefits and allowances.

Let us, then, in simple justice, enact and approve this proposed increase before us, without delay, while we look forward to further and essential improvements in our social security system in the near future, such as automatic cost-of-living increases, reduction of the retirement eligibility age, income ceiling elimination, liberalization of the definition of disability, and many other strengthening changes that I and others have proposed to bring this social security system into more realistic accord with the demands of our modern economy and to enable our older citizens to improve the quality of their lives in this country, for which and to which they have sacrificed and contributed so much, in the past.

Mr. HAMMERSCHMIDT. Mr. Speaker, I rise in support of H.R. 15095 to provide urgently needed increases in social security benefits.

The some 25 million now receiving benefits under this program are the elderly, disabled and their dependents, and widows and orphans. This group is the least able to bear the cruel brunt of inflation. The impact of the spiral in living costs has undermined the value of every social security check—three-quarters of the recipients are older Americans to whom the check generally represents the greater part of total income. Millions of younger people receive benefits under the disability or survivor provisions. Again, I say, these groups can ill afford these losses.

Our older citizens have had some $3 billion in purchasing power taken away by inflation since 1965. Even with the 7-percent increase in 1965 and the 13 percent last February, the benefits are worth less than they were in 1958 and the 15-percent increase will compensate for the erosion that has taken place and allow them to live in some degree of dignity.

We must act now to protect the needy, the elderly, and less fortunate—those who have a very modest means of livelihood. We can defer consideration of time-consuming reforms needed in the overall program but we cannot defer any longer the worsening economic conditions of the millions who benefit by the program. We must remedy the real losses suffered by those who now receive social security benefits by increasing payments to meet today's prices.

Mr. Speaker, I urge and support immediate action to alleviate the hardships of those who must depend on these benefits to live.

Mr. MONAGAN. Mr. Speaker, I rise in support of H.R. 15095, a bill which provides an across-the-board increase of 15 percent in social security benefits.

The need for this legislation is clear and pressing. Many of our elderly and disabled citizens rely upon their social security payments as their sole source of income, and in these times of skyrocketing prices it is no wonder that people

such as they who are on fixed incomes have a difficult time making ends meet. The cost of living has risen 9.7 percent since February 1968 when the last social security increase was voted. It is incumbent upon Congress to raise payments as much as we can within the limits of fiscal responsibility. On September 9, I joined with a number of my colleagues in calling upon the Ways and Means Committee to open hearings on social security legislation and I then maintained that an increase of at least 15 percent was in order. At that time I stated my belief that such an increase could be granted without a tax increase and I am pleased to know that the committee report on this bill bears out my belief. The rise in payrolls also provides a rise in payroll taxes.

I congratulate Chairman WILBUR D. MILLS and the Ways and Means Committee for recognizing the need for increased payments and for speedily reporting out this bill, and also for making the consideration of other social security reform proposals the first order of business when the Congress reconvenes next year.

Twenty-five million elderly or disabled people, widows, and orphans who now receive monthly social security payments will directly benefit from this measure, and I urge my colleagues to suspend the rules and pass the bill.

Mr. CRAMER. Mr. Speaker, I am delighted to have this opportunity to lend my wholehearted and unqualified support to the action of the House today in approving a 15-percent benefit increase for all recipients of social security payments. I have over the years strongly supported across-the-board increases in benefits to enable our senior citizens to at least partially cope with the ever spiraling cost of living. Earlier this year I specifically recommended a 15-percent increase, retroactive to January 1 of this year. While I am disappointed that the increase was not made retroactive, I am nevertheless gratified that the House has acted expeditiously to grant desperately needed relief to the millions of social security beneficiaries across the Nation. The House bill proposes that the 15-percent increase become effective with the benefits payable for January 1970 and I hope the Senate will agree to prompt approval of the House bill so that the legislation will be enacted before the first of the year. The President has pledged his support of the proposed increase if it is sent to him as a separate bill and, since the House has now passed such a bill, I would hope the Senate will cooperate in speeding the bill to the White House for signature.

As a longtime supporter of legislation for the benefit of our senior citizens living on limited social security payments, I can see no more urgent business before us than the immediate enactment of the proposed increase. As the representative of a district where a large number of senior citizens reside, I can personally attest to the undeniable need of our retirees for immediate economic relief to help them to afford the most basic necessities of life, and to thus live with dignity.

I have also in the past strongly recommended the enactment of legislation to provide for automatic increases in social security benefits as the cost of living increases. As living costs rise, those presently employed receive increased wages to help them meet this rise. Further, certain groups of retirees already enjoy automatic cost-of-living increases. I believe it is only equitable that social security recipients should be entitled to automatic increases as well and I want to again recommend, in future legislation, that a provision for such automatic increases be included, along with certain other proposals I have suggested, including increases in the amount of outside earnings permitted without loss of benefits, and the inclusion of prescription drugs under medicare coverage.

Again, I am pleased to join my colleagues today in supporting passage of the current 15-percent increase bill and I respectfully urge its immediate approval by the Senate.

Mr. CHAMBERLAIN. Mr. Speaker, I rise in support of H.R. 15095, providing for an across-the-board increase in social security benefits of 15 percent effective January 1, 1970.

This action is imperative in view of the inflation that has occurred since the last cost-of-living adjustment some two years ago. It is obvious that if we do not act now we are requiring 25 million Americans—the elderly, the disabled, the widows, and orphans—to take further benefit reductions in terms of real income.

The bill before us today does not include all of the reforms that are needed in our social security system. While I had hoped that the committee's study of these other areas would have been completed by now, it is apparent that more review and deliberation is necessary. At the earliest possible date I believe the Ways and Means Committee must, and I have every reason to believe that it will, resume consideration of these areas. I am encouraged by the assurances given by Chairman MILLS in this regard. I would particularly hope that favorable consideration would be given to the Administration's request for automatic cost-of-living benefit increases in order to eliminate the problem of these benefits lagging behind the rest of the economy. I also want to urge that changes be made in the retirement test to minimize as much as possible the present limitations which stifle the incentive to work. Too many of our people in their later years are having a difficult enough time as it is without being penalized for wanting to supplement their modest incomes. I further agree with the President's recommendation that the level of permissible outside earnings be tied automatically to the cost of living to insure continued fairness. The administration proposal that would permit a widow at age 65 to receive the full benefits of the amount her husband would have received at age 65, rather than the 82½ percent as under present law, should also be adopted.

These are just some of the areas that need action. By what we do today, we are making a good start but we must make these other concerns the first order of business next year and finish the job.

Mr. GRAY. Mr. Speaker. this day is long overdue for 25 million Americans who draw social security. H.R. 15095, granting a 15 percent across-the-board increase in all forms of social security benefits, will mean much to the disabled, the elderly, widows, orphans, and retirees. In the 21st Congressional district of Illinois we now have approximately 69,000 persons drawing social security benefits with total annual payments of over $74 million. When this bill becomes, law it will mean an additional $11,800,000 per year to my people.

Mr. Speaker, I am concerned that some beneficiaries will not get the 15-percent increase effective January 1 because they are drawing public aid, veterans pensions, miners pensions, and other supplementary income, because the States or other agencies will merely reduce the other pensions or public aid by the 15-percent increase we are allowing here. I am happy that my distinguished friend, the gentleman from Arkansas (Mr. MILLS), has given us assurance that this matter will be considered by his committee on Ways and Means in January. These people are entitled to both pensions and I certainly want to see them get both. I want to commend the gentleman from Arkansas (Mr. MILLS) and his entire committee for reporting out the social security bill for passage. I am happy to be a cosponsor of this needed legislation.

Mr. MADDEN. Mr. Speaker, the passage of H.R. 15095, legislation providing for a 15-percent increase in social security for over 25 million social security recipients throughout the Nation will, indeed, be welcome news for millions of our citizens who are struggling to meet the unreasonable high cost of living burdens which exist today.

I wish to commend the Ways and Means Committee of the House for reporting favorably on this legislation and also for the committee's long and arduous work in this session to enact a general tax reform bill for the first time in almost 25 years.

When the members of the Ways and Means Committee come before our Rules Committee each year with tax legislation, I have been urging them to present the Congress with an effective tax reform bill for the last 8 or 10 years. In this session the Ways and Means Committee started in January and held over 4 months of hearings and reported out a tax reform bill which was passed by the House several months ago and was acted on by the Senate last week. The conference committee, composed of five members of the Senate Finance Committee and five members of the Ways and Means Committee, began deliberations today to iron out and compromise on the differences between the tax reform bill passed by the House and the bill passed by the Senate last week. If the conferees will only keep in mind the necessity to aid the millions of salary and wage earners, and elderly and retired folks over the Nation, to help in meeting the high cost of living, it will not only contribute considerably to restoring unemployment but relieve the threat of a possible depression over the Nation.

Older folks will remember that the greatest depression in the history of the country took place in the early 1930's and was caused by millions of unemployed, low wages, and lack of buying power. In those days, industry, manufacturers, banks, and real estate operators were making big profits but when the public buying power became low, factories and business slackened or closed—over 14 million were out of work and the financial pillars of our Government were shattered. Our system of Government was on the verge of collapse. Communist agitators were active in the major cities of our Nation creating more discontent and consternation among the unemployed and the millions who were on relief rolls. It took over 10 years during the middle 1930's to rebuild the foundation of our economic system and establish prosperity and buying power for our citizens.

I do hope the conference committee, when they return their verdict on the tax reform bill, will not disregard the fact that this social security increase legislation, the $200 increase in Federal tax exemption to millions of families, will be a major stroke in building a barrier against the threat of another depression. The theory expounded that increasing the buying power of millions will create inflation is a fallacy. High interest rates, high profits, and high prices created by profiteers is the basic foundation that creates inflation which was demonstrated in the 1920's and brought on the great depression of the early 1930's.

If the Congress could only resist the powerful lobbies that infest Washington and eliminate the fabulous, and in most cases, fraudulent loopholes so that the billions of dollars which are now enjoyed by tax-dodging industries and corporations, it would aid in relieving the tax burden on the salary and wage earners who constitute the buying power of the country and prosperity and full employment could be restored.

I do hope that the Ways and Means Committee in the next session of Congress will continue the good work that it has only started in this first session of the 91st Congress and equalize the tax burden and relieve the burden on wage and salary and low-income citizens who pay almost two-thirds of the Federal taxes of the Nation.

I congratulate the Ways and Means Committee and the Congress for making a good start on tax reform in this the first session of the 91st Congress.

Mr. PEPPER. Mr. Speaker, we are all deeply gratified that the able chairman of the Ways and Means Committee brings before the House this afternoon H.R. 15095 providing for a 15-percent across-the-board increase for all benficiaries of the social security program. While a 15-percent increase for all social security beneficiaries is very much better than the 10 percent the President recommended it little more than makes up for the cost-of-living increase which social security beneficiaries have had to bear. We all recognize that a 15-percent increase in social security benefits however desirable as an emergency measure is grossly inadequate to meet the needs of our citizens who are social security beneficiaries—many of whom wholly or largely are dependent for their livelihood upon their social security benefits. I have introduced and presented to the Ways and Means Committee H.R. 14745 which increases all social security benefits 25 percent for the present, provides a minimum of $100 a month and in many respects expands our social security program in a way I deemed to be very much needed. My able friend from New York (Mr. GILBERT) has pending before the Ways and Means Committee, H.R. 14430, providing for a 20-percent increase in social security benefits and in many other commendable ways expanding our present social security law. I would support Mr. GILBERT's bill as well as mine if it appears that that bill has the best chance of future passage. I will support the best bill we can get to meet the tragic need of the social security beneficiaries of this country, so many of whom either wholly or largely are dependent for their living upon what they derive under social security legislation.

But the pending bill providing for an increase of 15 percent in social security benefits across the board effective January 1 is a very excellent beginning by this House in the adoption of an enlarged and expanded social security program consistent with the needs of the people of this country. I am hoping that we shall be able very much to expand this program and increase the benefits of it during 1970 and I hope early in the year.

Mr. PHILBIN. Mr. Speaker, I am delighted that at long last this fine bill, increasing social security benefits across the board by 15 percent has come before the House for action. Of course, it will be unanimously passed in this body.

I compliment the able, distinguished chairman and the committee members for bringing it to the floor. While I was hoping that it would be here before, I am nevertheless, very happy and grateful that it has come to be passed by our eager membership before Christmas. I know that the committee has worked laboriously and very ably to produce this bill.

Sometime ago, I introduced my own bill, H.R. 11603 also providing for a 15-percent increase in social security benefits across the board. I did this, even though I felt that the plight of social security recipients in these days of high inflation, exorbitant prices and living costs warranted a much higher increase than the one authorized by the bill.

There were those who hesitated to accept the 15-percent increase proposal because they said the President would not sign such a bill.

With this conclusion, I did not agree, because I believed the President, notwithstanding his reservations because of the high budget would, nevertheless, sign the bill, and because he will be convinced, as we are, that it is just, right, proper and urgently needed.

I also found out sometime ago from the actuaries handling the social security funds that a 15-percent raise would be possible this year, because present funds in the pool would justify that kind of withdrawal, and this is another very strong argument: namely, that the bill is not going to cost the Treasury anything from the national revenues.

While I am greatly delighted and enthused that Congress is passing this bill, I still remain very much concerned about skyrocketing costs, and the inadequacy of current, social programs.

I think one of the most critical questions pending in the country today is the rapid development of poverty conditions affecting social security and old age assistance recipients and victims of hunger and privation in this country.

It must be obvious to anyone who understands current benefit allowances that these fine people—veterans of industry, agriculture, the professions, and other callings in American life, who worked hard during their active, gainful years to sustain and educate their families—and now in their declining years, find themselves without the means to support themselves in common decency, must be helped now.

I have been a longtime supporter of social security. Before I came to Congress in my early youth and later, when I worked at different times, during college vacations, under the great late Senator David I. Walsh of Massachusetts, on the Senate side, I played an active role in helping to shape up the original social security bill and related legislation.

I was never satisfied, however, with the benefits, nor with the particular overall plan, that was set up then as the basis of the original bill presented to the Congress.

I had other thoughts about the way the social security problems should be handled but they entailed a merger of various concepts relating to social security and survivor benefits, sickness, health, and unemployment compensation, which would provide adequate, annual income to cover the needs of our older people, adjusted to economic indexes and price levels, so that these benefits would fall and rise with the general prosperity and price levels in the country, and thus do justice to many ordinary people in their advanced years.

While labor, industry, and the Congress, to some considerable extent have sought to implement these principles, I am sorry to state that the Federal Government has not as yet done so fittingly, nor is it moving fast enough, by any means, to correct the shortcomings, inadequacies and maladjustments that exist in social security, medicare, and medicaid, hospitalization and other basic, urgently needed, social programs.

However, I will not elaborate on this subject at this time, because I merely want to get across this idea—that social security benefits and medical benefits programs, across the board, and other related programs to help the aged and retired people and the disabled, are not functioning properly, adequately or efficiently in our society at the present time. I blame no one for this, but urge corrective action to come to grips with these programs.

Let me insist that these benefits are woefully inadequate in this modern age of skyrocketing prices, hospital costs, and

medical fees, drugs, medicines, rents, and about everything else we use in this economy necessary for comfort and decency in sustaining tolerable, conditions in the home, and providing proper care and treatment in event of disability and sickness.

It is obvious that current funds and administrative mechanisms cannot do this job, as they are presently constituted.

Congress should and must, as I have urged many times, move in these areas without further delay, not just with a design to do patchwork, but with a major purpose and plan to reorganize, revamp, reshape, reconstitute and, if necessary, consolidate, all the agencies that are involved, above all, to find a way to meet the mandatory demands and needs of the aged, the disabled, elderly people, and retirees in this country, who cannot possibly get along as they are at present, but must have much larger incomes to keep body and soul together, to pay for necessary food, clothing, medical care, and other needs, to make these people as comfortable, and happy as possible in their advanced years.

This cannot be a casual, short-time, stop-gap program. It must be a concentrated, broad, long-time, accelerated drive featuring recodification, restructure, and new alinements of the contributions, grants, entitlements, services, and fund benefits to make this great, social legislation what it should be, to do the big job that has to be done, to rescue our older people from dire poverty, and speedily give them a place of comfort, decency, and adequate care and services of many kinds that they need to live as decent human beings. Speed, scope, simplification, efficiency, system, and sense must prevail in such a massive, corrective, and renovative effort.

I hope that the leadership of the Congress will give this matter top priority as a great national program, which cannot be subordinated, downgraded or deferred, but must be restructured on a crash basis to meet current contingencies and urgent social needs of countless fellow citizens and residents of our country now and in the future.

Mr. Speaker, I intend to continue my labors to press for early consideration and action on such a program. Few things have higher priority in our contemporary society than prompt justice for social security recipients and other people in advanced years.

I urge our appropriate committees to plan and carry out a crash basis program in this field.

Congress must act now.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I am happy to vote for an increase in social security benefits. I do not consider this an ideal reform of the social security law nor a sufficient increase in benefits. But I know that more comprehensive and substantial changes in the social security law will be forthcoming in the second session of this Congress, and I certainly hope it will be in the early part of the second session.

At the beginning of the 91st Congress, I supported as a minimum 15-percent across-the-board increase in social security benefits with automatic cost-of-living increases. I still believe that this is the absolute minimum increase that must be enacted. I have supported and will continue to fight for legislation that will contain these improvements in the social security system:

First, two 20-percent across-the-board benefit increases—the first on January 1, 1970, and the second on January 1, 1972, and a two-step boost in the minimum benefit bringing it to $120 a month by the beginning of 1972.

Second, base a worker's social security benefit on his highest 10 years' earnings out of any 15 consecutive years after 1950.

Third, at age 65, provide a widow's benefit amounting to 100 percent of the deceased spouse's benefit—the present law limits it to 81½ percent at age 65.

Fourth, for beneficiaries who continue working, increase the income a person can earn and still get full social security benefits.

Fifth, raise the lump sum death benefit to $500.

Sixth, reduce the disability benefit waiting period from 6 months to 3 months and liberalize the definition of disability.

Seventh, eliminate the age-50 limitation for disabled widows and increase the benefit for them to that of regular widows' benefits.

Eighth, do away with the requirement that men who retire at age 62 must comput their average earnings by including years up to age 65, thus lowering their retirement benefits excessively.

It is difficult for me to imagine that anyone could be opposed to these necessary and minimum increases in social security benefits. It is impossible, absolutely impossible, for any senior citizen to live a healthy life in a decent environment on present social security benefit levels .I would ask anyone to try to live on anything near $100 a month. With that type of income, one can have no recreation, only a half decent diet, poor housing facilities and no new clothing, even infrequently.

Adequate social security benefits are the right of those people who have contributed to the social security system or have worked during their earlier years. Every man who has worked in the United States has contributed to the growth and productivity of this Nation. He deserves to share in the wealth of that nation and to partake in the bountiful goods he has helped make available. It is our duty in the Congress to provide those retired persons with sufficient funds to have a decent and happy retirement. They must not be plagued with thoughts of where the next meal will come from, they must not be forced to deny themselves a movie because it would mean less food on the table.

There are those few who say that this increase or any further increases will be inflationary. Perhaps this added increase, which will surely go for staples and very minor pleasure, will be inflationary. I am not so sure it will be. But even if it is, I am somewhat bemused by those stalwart opponents of inflation that are quite willing to fight the artificial expansion of our economy with unemployment, decreases in homebuilding, and the inadequate income of our senior citizens. I do not know why recipients of social security, the working man, and postal workers always have to bear the brunt of anti-inflation measures, particularly the senior citizens. Those people on fixed incomes suffer the most from inflation. They get the same number of dollars, but each dollar is worth less. Why must they be asked to hold the line to resist the inflation caused by others? Why must those who suffer the most be asked to suffer some more to benefit the whole? I would rather see cuts in nonessential defense spending and our space program than to deny an increase in social security or funds for medical research, or providing food for the hungry. For the elderly and the poor can least afford inflation and most critically need added income during inflationary periods.

The senior citizens of this Nation helped to build it. Most of them contributed to social security in the belief that it would provide for them in their old age. We must keep that promise and massive increments in social security benefits are necessary to do so. This increase is the right, not a privilege, but the right of every senior citizen, and if there is anyone here who thinks this 15 percent increase is sufficient, I would like him to read the following acticle from the Boston Record American of Tuesday, December 9. At the present time in the United States there are 2.1 million people receiving the minimum social security payment of $55 a month and 53,000 disability workers who receive the minimum allotment. In many States, including the Commonwealth of Massachusetts, these people will not benefit from the social security increase we passed today. Every additional dollar they get from social security is counted as increased income against old age assistance. After the social security amendments of 1967, I, along with many of my colleagues, sponsored legislation that would not allow increases in social security to be counted against old age assistance. I have spoken with the chairman of the Ways and Means Committee about a need for a change in the law so that legislation passed by the Congress to increase the income of our neediest citizens will not be thwarted and these people will get the gains and benefits they so rightly deserve.

I submit the following article:

FIFTEEN PERCENT INCREASE WON'T BE HELP TO SS NEEDIEST

Nearly 52,000 of the neediest Social Security pensioners in Massachusetts and 1.81 million in the nation won't receive a penny more when and if Congress approves the 15 percent increase in SS payments.

Involved in that group are the people whose income is so low that it is supplemented by Old Age Assistance.

Under present laws, persons receiving state welfare payments—called Old Age Assistance in Massachusetts—are allowed a fixed amount of income.

That total includes any income from Social Security.

If the SS allotment is increased the increase must be deducted from the state welfare figure set for the recipient.

Presently, the average monthly payment for Old Age Assistance recipients in Massachusetts is $155.26.

It is expected the cost of living increase will push that figure to $156.70.

And there are expected to be nearly 55,000 OAA recipients in the state next year.

If the 15 percent Social Security increase comes through as expected, they will actually get the Social Security increase but that amount will be deducted from their OAA payments, so that, in effect, they will not receive any more money.

The state Dept. of Public Welfare has a budget of $101,700,000 for the fiscal year, 1970, and a 15 percent Social Security increase will actually benefit the department as it will be able to slice its OAA payments.

The House Ways and Means Committee was aware that the needy would not benefit by the 15 percent increase when the legislation was drafted.

However, it was felt it could not get involved in the intricacies of welfare legislation and still produce a Social Security increase bill in time for enactment this year.

It is expected the problem will be considered early next year when the committee undertakes extensive overhaul of both the Social Security system and the welfare program.

In Massachusetts, Sen. Sam Harmon (D-Mattapan) has already filed a bill for consideration next year to make any Social Security increases non-deductible from monthly checks of Old Age Assistance recipients.

One way to ease the situation would be for the states to re-estimate minimum living budgets, thus giving all welfare recipients an increase.

There are more than 25 million Social Security beneficiaries in the nation. Included are 12.4 million retired workers, including 2.1 million receiving the minimum payment of $55 monthly, and 1.3 million disabled workers, among whom 53,000 receive the minimum.

Mr. FLOWERS. Mr. Speaker, I wholeheartedly join in support of H.R. 15095 to provide an across-the-board increase in social security benefits of 15 percent for the 25 million elderly people, disabled people, and their dependents, and widows and orphans who now get monthly social security benefits. Were it not for the terrible effect of inflation on our citizens with fixed income, one might be led to believe that 15 percent as provided by the bill was a very sizable increase in benefits. However, Mr. Speaker, inflation has taken care long ago of this increase, and the bill that is before us now is absolutely necessary and even long past due to take care of the mounting needs of our citizens now on social security and those soon to be included.

Therefore, Mr. Speaker, I rise in support of the social security amendments of 1969 as included in H.R. 15095 and urge the adoption of the committee bill.

Mr. OBEY. Mr. Speaker, to start at the beginning, I should like to state the plight of older Americans in a simple, nonstatistical way, using the words of one of my constituents. With straightforward declarative eloquence, this farmer explained:

My machinery is getting old like I am.

Then, after discussing the hardships ahead, this 62-year-old man—a farmer for 40 years—wrote:

I hope you see fit to pass some kind of bill to retire gracefully and still keep our farm.

His statements are worth repeating because of the axion that no one ever really believes he will grow old. When an older American speaks for his generation so poignantly, even the youngest Member of this House can appreciate what it is like to realize that the past is outdistancing the future.

Mr. Speaker, I support this legislation to increase social security benefits by 15 percent, effective January 1. It will mean a timely boost for the 25 million people—the elderly, the disabled, the widows and orphans—who now receive monthly social security payments.

As the Ways and Means Committee acknowledges in its report on this bill, there was—and is—"a pressing and urgent need for an increase in social security payments." Just as significantly, the committee has promised to make social security programs its first order of business when the Congress reconvenes next month. I commend the committee for delivering this 15-percent benefit increase, but I hope we can go further before dropping social security considerations.

Areas where additional action is needed include:

First. A greater increase in the minimum payment than is contained in the bill. A flat 15-percent increase is not as fair as it should be to those who receive the minimum social security benefit.

Second. Provision for automatic cost-of-living adjustments in social security payments.

Third. Provisions assuring pensioners that increases in social security will not result in a disproportionate decrease in veterans or other types of pension benefits.

In the 90th Congress, for example, when social security benefits were increased, over 173,000 persons consequently lost veteran's pension benefits. This produced a significant hardship on many of our older persons.

The Ways and Means Committee's bill would increase social security payouts by $1.7 billion through the middle of 1970, for the worthy purpose of helping Americans face old age or disability with dignity.

When the Congress can provide money for supersonic transports and extra moon shots, we ought to be able to provide that dignified retirement for elderly Americans.

Mr. Speaker, as you know, the Senate's social security reform includes raising the minimum benefit from $55 to $100 per month. I would hope the House conferees on the tax reform bill would give strong consideration to accepting this Senate provision so that we can pass much more adequate social security legislation.

Mr. RANDALL. Mr. Speaker, the passage of H.R. 15095 is the vehicle by which 25,000,000 recipients of social security benefits can start the new year with some reassurance that they have not been forgotten by the Congress of the United States. It is a privilege to support H.R. 15095 and, yet it is with a sense of some guilt that this increase has not been acted upon much earlier and that we delayed our action until so late in the year.

On May 15, 1969, H.R. 11348 was introduced by a member of the Ways and Means Committee, the gentleman from Ohio (Mr. VANIK) for himself and on behalf of 24 others including myself. Then 5 days later, I introduced by own bill, H.R. 11495, which was substantially similar to H.R. 11348. Both bills called for a 15-percent increase long before committee consideration. This was at a time when the administration was suggesting a 7 percent social security increase. Much later the present administration came up to 10-percent increase in social security payments but not to be effective until April 1, 1970.

Relying on my conversations with several friends on the House Committee on Ways and Means, I was assured the 15-percent increase would be actuarily sound and now today in the well of the House Chairman MILLS proved that point by saying there was an actuarial surplus of 1.16 percent of taxable payroll which would be an amount sufficient to meet the cost of a 15-percent benefit increase.

It is discouraging to hear minority Members on the other side of the aisle say the passage of this increase will be a symptomatic relief of one of the facts of inflation and proceed to be concerned that this increase will contribute toward inflation. We all want to fight inflation but do we want to fight it at the peril of driving our senior citizens into poverty?

Last week the House passed the so-called poverty bill. Some few of its provisions may be meritorious. Many others are not. But if we go ahead today and approve this 15-percent across-the-board increase in social security payments, and the other body acts promptly we will be taking a step in the right direction to fight poverty. This bill will go further to combat poverty than all the programs of the Office of Economic Opportunity put together because there is a built-in method, ready made by these increases going into the hands of people who desperately need these funds and who will spend these increases quickly to satisfy their needs and thus prevent our senior citizens from being driven below the poverty line.

This is an important piece of legislation. It is estimated that it will effect one out of every eight persons in the country. Ordinarily I would voice strong protest against consideration of such an important measure under the suspension of the rules, but in this instance there may be sufficient justification to warrant a parliamentary situation which allows no amendment and provides only a limited amount of time to each side of the aisle.

The bill provides for a 15-percent across-the-board increase effective January 1, 1970, but of course it will take some time to make the necessary changes in the social security records and procedures, and the experts tell us that the first check which could reflect the new rates will be for March, payable in April. But then there should be a separate check covering the retroactive increase for January and February also to be payable in April.

Now, Mr. Speaker, late last winter after the House was so overly generous to grant itself a raise of unprecedented proportions, I commented on the floor that because of this ill-advised and unwarranted congressional pay increase we had all literally thrown our guns out the window, and lost all of our weapons to fight inflation. We could no longer say we had set a good example. How could we accept a 40 percent increase and then shake our heads when the classified Federal employees and our faithful postal workers asked for a reasonable increase in pay? Worst of all, how could we delay as long as we have the consideration for our senior citizens dependent upon social security who are hurt the worst by the cruelty of inflation?

In recognition of this situation which the Members of Congress let themselves in for, on last May 15, 1969, under the 1-minute rule I took the floor of the House upon the occasion of the introduction of my own bill—companion to several others—calling for a 15 percent increase in social security payments. At that time my verbatim comments were as follows:

I admonish and warn the Members of the House that if we adjourn this Session and go home with large salary increases for ourselves without approving an increase in Social Security benefits we deserve the wrath that will come down on our heads.

With only a few days left before the Christmas recess we have allowed ourselves to be placed in the unseemly situation of enacting cliff-hanger legislation. Notwithstanding that we are in these waning days of the first session of the 91st Congress, we at least and at last have a chance to say to those forgotten recipients of social security who have been hurt most due to fixed and limited income that we are determined not to adjourn this first session without in some degree redeeming ourselves. We will have to admit we are late. We have been slow. But today we have the opportunity to demonstrate affirmative action by a positive move to quickly improve the income for our senior citizens dependent upon social security. Let us call the roll.

Mr. RYAN. Mr. Speaker, the plight of approximately 25 million people—older people, disabled people and their dependents, widows and orphans—evidences the urgent need for an immediate increase in social security benefits.

The bill before us today, H.R. 15095, provides for an across-the-board increase of 15 percent, effective January 1, 1970.

Lest any of my colleagues be deluded by thinking that this increase will be a cureall for the dire situation which exists among those attempting to live on social security benefits amidst the spiraling cost of living, I would like to call attention to the fact that the last time benefits were increased was February of 1968. President Johnson had signed into law the social security amendments of 1967, which called for an increase of 13 percent.

However, that bill—as the one before us today—was long overdue. While it did provide for an increase of 13 percent, it fell short of bringing the benefits in line with the rising cost of living.

When that bill was signed into law, it was based on calculations for early 1967.

In January of 1968, the Consumer Price Index was at 119.0. The CPI reading for the month of October, 1969, was 129.8—an increase of 9.1 percent alone.

Similarly, when this bill is finally signed into law, it will reflect the needs of a year earlier and the 25 million social security beneficiaries will still be without adequate income. Remember, that this increase is not an increase of 15 percent on incomes of $10,000, $15,000, or $20,000 a year. Rather, it is an increase of 15 percent on a $55 a month minimum benefit—or $660 a year. It is an increase of $8.25 a month, or $99 a year.

While I support H.R. 15095, I recognize that it is only a stop-gap measure. The House Ways and Means Committee has pledged in its report that its first order of business for the coming session of Congress will be to continue its work on comprehensive social security and welfare legislation.

H.R. 15095, falls far short of the recommendations which I made in introducing legislation to increase benefits—H.R. 14521—and in my testimony before the committee on November 13. However, as I said to the committee, a 15-percent increase is the minimum which Congress should provide this year.

The daily conditions under which the aged, the poor, and the infirm live are growing constantly more acute.

Too many social security beneficiaries, who worked hard and contributed part of their earnings for their old age, now find that they must choose between living on social security benefits in near poverty level conditions, or going on the welfare rolls.

As a matter of human dignity, we cannot continue to expend $70 billion per year on the military, subsidize a commercial supersonic airplane, and lavish unnecessary fighter planes on other nations, while the aged lack basic necessities of life, including an adequate diet and proper health care.

H.R. 15095 is only another block on the crazy quilt mosaic known as the Social Security Act. Instead of odd-shaped-varied-colored patches on that quilt, there must be comprehensive reform of social security legislation so that the needs of our citizens are fully met.

Mr. Speaker, I include at this point in the RECORD my testimony of November 13 before the House Ways and Means Committee at which time I outlined a number of needed revisions in social security legislation:

STATEMENT OF CONGRESSMAN WILLIAM F. RYAN BEFORE THE HOUSE WAYS AND MEANS COMMITTEE IN SUPPORT OF SOCIAL SECURITY AMENDMENTS, NOVEMBER 13, 1969

There must be a multiple strategy for providing a living income, and realistic social security benefits for retired and disabled workers, widows, and dependent wives, husbands, children and parents are essential.

We have an obligation to insure adequate benefits for the 25 million social security beneficiaries, and an increase of 7 percent, 10 percent, or even 15 percent—the least Congress should do this year—will not be sufficient.

Some beneficiaries are able to augment to some degree their benefits by earning supplemental incomes. However, for the vast majority the only means of income is a monthly social security check. Sometimes we lose sight of one very important fact, and that is that at one time they were gainfully employed and set aside a little of their earnings each month to provide for their old age, and the care of their loved ones, under social security.

All the information I have received points out the fact that a benefit increase of 10 percent, effective in March of 1970, as proposed by the Administration will not be adequate to meet the needs of Social Security beneficiaries. Since the last increase in social security benefits in February of 1968, the cost-of-living has risen by 9.1 percent If the present trend continues, and there is little or no indication that it will not, then the rise in the cost-of-living from February of 1967 to March of 1970 will be more than 10 percent.

H.R. 11349 AND H.R. 14521

I have cosponsored two bills which would increase benefits. The first is H.R. 11349 (the Vanik Bill), which calls for a 15 percent across-the-board increase, with a minimum retirement benefit of $80 payable to those who qualify for benefits at age 65 or older, and also provides for cost-of-living increases. To me, this is the minimum increase this Committee should report out this year. Anything less would be totally inadequate.

The second bill I have cosponsored is H.R. 14521 (the Gilbert Bill). This bill is a comprehensive proposal which provides for a realistic program geared to meet today's needs.

There are many outstanding features contained in H.R. 14521, the most significant of which are: its staged 20 percent across-the-board increases in the monthly benefits—20 percent in 1970 and 20 percent in January of 1972; cost-of-living increases; raising the monthly minimum benefit to $90 in January, 1970 and to $120 in January, 1972; increasing the lump sum death payment to $500 by January of 1970—which doubles the existing ceiling which has been in effect since 1952; and the coverage of legend drugs and some non-legend drugs—such as insulin—under the medicare program.

It also calls for the coverage of disabled workers under the medicare program. But the most notable provision is that which gradually increases the Government contribution to approximately one-third the total cost of the program.

This is a bold program which deserves support.

H.R. 610

Under present law a social security beneficiary who is under age 72, is permitted to earn as much as $1680 a year and still receive all of his benefits. When a beneficiary earns more than the stipulated $1680 a year, his benefits are reduced $1 for every $2 he earns, up to $2880 per year. Over $2880, his benefits are reduced $1 for every $1 he earns. And, no benefits are withheld for any month which he earns less than $140, regardless of his total earnings in the year.

I have introduced H.R. 610, which would amend the Social Security Act so that a beneficiary would be permitted to earn as much as $3600 a year and still receive all of his benefits. If he earns more than $3600 a year, his benefits would then be reduced $1 for every $2 earned, up to $4800 a year. Over $4800, his benefits would be then reduced $1 for every $1 earned. Benefits would not be withheld in any month in which the beneficiary earns less than $300, regardless of his total year's earnings.

Under our present economic condition, the existing retirement test is far too severe. It prevents a beneficiary from supplementing his benefits in a substantial manner. For the average retired worker, who now gets a monthly benefit of $100, and which Congress may raise to about $115 a month, this amendment would mean that he could have an annual income of $6180 a year before suffering any reduction in his social security benefits. In light of present wage scales it would seem reasonable to permit beneficiaries to work, and earn, as much as $3600 a year.

H.R. 616

I would further amend the retirement test by permitting a beneficiary to deduct his out-of-pocket medical expenses from his earned income prior to the determination of his yearly earnings. I have introduced H.R. 616, which contains this provision. These expenses would be allowed only if not compensated by insurance.

Although, medicare takes care of a great part of the medical expenses of people age 65 and over, it does not provide anything for beneficiaries who are under 65, widowed mothers and children, for example. Also many people 65 and over have medical expenses which are not reimbursable under medicare. In many cases, social security recipients must go to work in order to help pay regular or extra-ordinary medical expenses. When they do go to work their social security benefits are reduced by an amount that is determined on the basis of their gross earnings. This reduction in income may make the effort of working self-defeating. In order to alleviate this situation, it would be appropriate to provide that in applying the retirement test, earned income would be reduced by the amount of a beneficiaries' out-of-pocket medical expenses.

H.R. 612

I am encouraged to find that the Administration's bill, H.R. 14080, contains a similar provision as that which is provided in my bill, H.R. 612. This bill would provide benefits for dependent parents of retired or disabled workers.

Under the present law, benefits are provided for dependent parents of a deceased worker, but it does not provide benefits for a dependent parent if the worker is retired or disabled.

A parent who is dependent on a worker who retires, or who has become disabled, is just as dependent on the worker as his wife or children. The parent, as well as the wife and children, loses a source of support when the worker retires, or becomes disabled. My bill provides that the parent would have to be age 62, and to have received one-half of his support from the worker at the time the worker is retired, or becomes disabled, to qualify for such benefits.

H.R. 613

I have also introduced H.R. 613, which would provide benefits for additional dependents. The present law provides monthly benefits for a worker's dependent children, his wife, his widow, and for his dependent parent (if the worker is deceased).

One of the purposes of the social security program is to provide the dependents of a worker with a continuing income when the worker's income stops. It would therefore be in keeping with this purpose to provide benefits to every person who is dependent on a worker for his support. However, practical considerations preclude this, and the law presently provides a limit on the total amount that may be paid to any one worker's account.

On the other hand, it does not seem reasonable to deny benefits to other people who may also be dependent on a worker, particularly in cases where paying benefits to these people would not reduce the payments to the worker's wife and children, or when the worker has no wife or child.

Recognizing that a worker's wife and children have first claims to the fruits of his labor, H.R. 613 would provide that benefits would be paid to a wife or widow, to a child and to a parent, including those of retired and disabled workers, before benefits would be payable to any other dependent. Benefits to other dependents would be paid in the following priority: first to a grandchild, second to a brother or sister, and third to a niece or nephew. In order to qualify for these benefits the dependent would have to be under age 18 or over age 62, and to have been receiving one-half of his support from the worker at the time the worker retired, became disabled, or died.

H.R. 11104

Under the present law a blind person can qualify for disability benefits if he is unable to do any substantial work, or, if he is age 55 or over, and unable to do his regular kind of work. In order to qualify for these benefits, he must have worked in 5 out of the last 10 years, and he can not be presently employed.

I have introduced H.R. 11104, which would provide for the payment of monthly disability benefits to any blind person who, regardless of his age had worked in employment covered by the social security program in any 6 calendar quarters. Once a person became entitled to benefits, he would receive these benefits regardless of how much he worked or how much he earned.

The case for a change such as this proposal suggests, was presented to this Committee by Mr. John F. Nagle, of the National Federation of the Blind on October 27. In his statement, he said,

"Blindness is not a worse disability than any other, but it is different. . . .

"A man may lose both legs, secure artificial limbs and after learning their use, function as he functioned before. The blind person, however, never reaches the point where he is freed from a dependence upon sight. . . .

"The fact is, that whatever level of earnings a blind man may achieve, whatever position he may attain, he functions at an economic disadvantage for he must function without sight in competition with sighted men, he must compete without sight in an economy based on sight."

H.R. 615

At the present time social security laws exempt from coverage Federal civilian employees of the United States. My bill, H.R. 615, would extend such coverage to all employees of the United States on the same terms and conditions which apply to other covered employees.

Federal employees are the only major group not eligible for coverage. Members of the Armed Forces have been covered since January of 1957.

Although Federal civilian workers have a staff retirement program, the present situation is unsatisfactory in a number of ways. Many people work for the Federal government for too short a period of time to qualify for benefits under the staff retirement program. Moreover, if these people eventually get protection under the social security program, they receive no credit at all under the social security program for the time they worked for the Federal government. Therefore, it seems reasonable to extend the social security coverage to Federal employees thereby giving them the opportunity to receive sufficient quarters by their Federal employment to qualify for social security benefits when they retire.

The social security program is the universal income maintenance program in this country and it does not seem equitable to exclude Federal employees—some of whom even administer the program—from its protection.

H.R. 611

H.R. 611, would eliminate the provision in the Social Security Amendments of 1965 which was intended to deny hospital insurance benefits to uninsured individuals who are members of certain organizations or have been convicted of certain offenses, and also eliminates the provision which denies supplementary medical insurance benefits to persons who have been convicted of certain offenses.

Since I first introduced legislation to repeal these provisions, a Federal court has found them to be contrary to the Constitution and they are not being enforced by the Department of Health, Education, and Welfare. Now these unconstitutional restrictions should be stricken from the statute.

H.R. 614

H.R. 614, would amend the public assistance provisions of the Social Security Act to prohibit the imposition of any durational residence requirement as a condition of eligibility for public assistance. The Supreme Court having declared durational residency laws to be unconstitutional, the Social Security laws should reflect the findings of the Court.

H.R. 620

I believe the limitations on the payment of benefits to aliens which were added by the Social Security Amendments of 1967 are unfair; and I have introduced H.R. 620 to remove them.

H.R. 644

Although it does not pertain directly to the social security program, I should like to again call the attention of the Committee to the plight of handicapped and disabled workers who are unable to use, without undue hardship or danger, public transportation to travel to and from work. I was keenly disappointed that the recent tax bill did not deal with this problem. For many years I have introduced legislation (H.R. 644 in this Congress) to provide a deduction for income tax purposes for expenses paid for transportation to and from work.

In addition, H.R. 644, provides an additional exemption for income tax purposes for a taxpayer or spouse who is physically or mentally incapable of caring for himself.

I urge the Committee to act promptly on this matter.

Mr. BYRNES of Wisconsin. Mr. Speaker, I yield back my remaining time.

Mr. MILLS. Mr. Speaker, I yield back the remaining time on this side.

The SPEAKER pro tempore. All time has expired.

The question is on the motion of the gentleman from Arkansas that the House suspend the rules and pass the bill H.R. 15095.

The question was taken.

Mr. MILLS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 397, nays 0, not voting 36, as follows:

[Roll No. 323]

YEAS—397

Abernethy	Anderson, Calif.	Annunzio
Adair	Anderson, Ill.	Arends
Adams	Andrews, Ala.	Ashbrook
Addabbo	Andrews, N. Dak.	Ashley
Albert		Aspinall
Alexander		Ayres

Baring	Fish	MacGregor
Barrett	Fisher	Madden
Beall, Md.	Flood	Mahon
Belcher	Flowers	Mailliard
Bell, Calif.	Flynt	Marsh
Bennett	Foley	Martin
Berry	Ford, Gerald R.	Mathias
Betts	Ford, William D.	Matsunaga
Bevill	Foreman	May
Biaggi	Fountain	Mayne
Biester	Fraser	Meeds
Bingham	Frelinghuysen	Melcher
Blackburn	Frey	Meskill
Blanton	Friedel	Michel
Boggs	Fulton, Pa.	Mikva
Boland	Fulton, Tenn.	Miller, Calif.
Bow	Fuqua	Miller, Ohio
Brademas	Galifianakis	Mills
Brasco	Garmatz	Minish
Bray	Gaydos	Mink
Brinkley	Gettys	Minshall
Brock	Gibbons	Mize
Broomfield	Gilbert	Mizell
Brotzman	Gonzalez	Mollohan
Brown, Calif.	Goodling	Monagan
Brown, Mich.	Gray	Montgomery
Brown, Ohio	Green, Oreg.	Moorhead
Broyhill, N.C.	Green, Pa.	Morgan
Broyhill, Va.	Griffin	Morse
Buchanan	Griffiths	Morton
Burke, Fla.	Gross	Mosher
Burke, Mass.	Grover	Moss
Burleson, Tex.	Gubser	Murphy, Ill.
Burlison, Mo.	Hagan	Murphy, N.Y.
Burton, Calif.	Haley	Myers
Burton, Utah	Hamilton	Natcher
Bush	Hammer-schmidt	Nedzi
Byrne, Pa.	Hanley	Nelsen
Byrnes, Wis.	Hansen, Idaho	Nix
Cabell	Hansen, Wash.	Obey
Caffery	Harrington	O'Hara
Camp	Harsha	O'Konski
Carey	Harvey	Olsen
Carter	Hastings	O'Neal, Ga.
Casey	Hathaway	O'Neill, Mass.
Cederberg	Hawkins	Ottinger
Celler	Hays	Passman
Chamberlain	Hechler, W. Va.	Patman
Chappell	Heckler, Mass.	Patten
Clancy	Helstoski	Pepper
Clark	Henderson	Perkins
Clausen, Don H.	Hicks	Pettis
Clawson, Del	Holifield	Philbin
Cleveland	Horton	Pickle
Cohelan	Hosmer	Pike
Collier	Howard	Pirnie
Collins	Hull	Poage
Colmer	Hungate	Podell
Conable	Hunt	Poff
Conte	Hutchinson	Pollock
Corbett	Ichord	Preyer, N.C.
Corman	Jacobs	Price, Ill.
Coughlin	Jarman	Price, Tex.
Cramer	Johnson, Calif.	Pryor, Ark.
Crane	Johnson, Pa.	Pucinski
Culver	Jonas	Purcell
Daddario	Jones, Ala.	Quie
Daniel, Va.	Jones, N.C.	Quillen
Daniels, N.J.	Jones, Tenn.	Railsback
Davis, Ga.	Karth	Randall
Davis, Wis.	Kastenmeier	Rarick
de la Garza	Kazen	Rees
Delaney	Kee	Reid, Ill.
Dellenback	Keith	Reid, N.Y.
Denney	King	Reifel
Dennis	Kleppe	Reuss
Dent	Kluczynski	Rhodes
Derwinski	Koch	Riegle
Devine	Kuykendall	Rivers
Dickinson	Kyl	Roberts
Diggs	Kyros	Robison
Donohue	Landgrebe	Rodino
Dorn	Landrum	Roe
Dowdy	Langen	Rogers, Colo.
Downing	Latta	Rogers, Fla.
Dulski	Lennon	Rooney, N.Y.
Duncan	Lloyd	Rooney, Pa.
Dwyer	Long, La.	Rosenthal
Eckhardt	Long, Md.	Rostenkowski
Edmondson	Lujan	Roth
Edwards, Ala.	McCarthy	Roudebush
Edwards, Calif.	McClory	Roybal
Edwards, La.	McCloskey	Ruppe
Eilberg	McClure	Ruth
Erlenborn	McCulloch	Ryan
Esch	McDade	St Germain
Eshleman	McDonald, Mich.	St. Onge
Evans, Colo.	McEwen	Sandman
Evins, Tenn.	McKneally	Satterfield
Fallon	McMillan	Saylor
Farbstein	Macdonald, Mass.	Schadeberg
Fascell	Mahon	Scherle
Feighan	Mailliard	Scheuer
Findley	Marsh	Schneebeli
Scott	Sullivan	Whalen
Sebelius	Symington	Whalley
Shipley	Taft	White
Shriver	Talcott	Whitehurst
Sikes	Taylor	Whitten
Sisk	Teague, Calif.	Widnall
Skubitz	Teague, Tex.	Wiggins
Slack	Thompson, Ga.	Williams
Smith, Calif.	Thompson, N.J.	Wilson, Bob
Smith, Iowa	Thomson, Wis.	Wilson, Charles H.
Smith, N.Y.	Tiernan	Winn
Snyder	Udall	Wold
Springer	Ullman	Wolff
Stafford	Utt	Wright
Staggers	Vander Jagt	Wyatt
Stanton	Vanik	Wylie
Steed	Vigorito	Wyman
Steiger, Ariz.	Waggonner	Yates
Steiger, Wis.	Waldie	Yatron
Stephens	Wampler	Young
Stokes	Watkins	Zablocki
Stratton	Watson	Zion
Stubblefield	Watts	Zwach
Stuckey	Weicker	

NAYS—0

NOT VOTING—36

Abbitt	Dawson	Lipscomb
Anderson, Tenn.	Dingell	Lowenstein
Blatnik	Gallagher	Lukens
Bolling	Giaimo	McFall
Brooks	Goldwater	Mann
Button	Gude	Nichols
Cahill	Hall	Pelly
Chisholm	Halpern	Powell
Clay	Hanna	Tunney
Conyers	Hébert	Van Deerlin
Cowger	Hogan	Wydler
Cunningham	Kirwan	
	Leggett	

So (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Hall.
Mr. Brooks with Mr. Goldwater.
Mr. Abbott with Mr. Lukens.
Mr. McFall with Mr. Pelly.
Mr. Dingell with Mr. Cahill.
Mr. Hanna with Mr. Lipscomb.
Mr. Button with Nichols.
Mr. Cowger with Mr. Tunney.
Mr. Van Deerlin with Mr. Conyers.
Mr. Dawson with Mr. Clay.
Mr. Kirwan with Mrs. Chisholm.
Mr. Leggett with Mr. Powell.
Mr. Cunningham with Mr. Anderson of Tennessee.
Mr. Giaimo with Mr. Halpern.
Mr. Gude with Mr. Mann.
Mr. Hogan with Mr. Gallagher.
Mr. Blatnik with Mr. Lowenstein.

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

House Resolution 740 was laid on the table.

GENERAL LEAVE

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed (H.R. 15095), Social Security Amendments of 1969.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

FIFTEEN-PERCENT BENEFIT BOOST FOR ELDERLY COMMENDABLE STOP-GAP MEASURE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. HALPERN) is recognized for 5 minutes.

Mr. HALPERN. Mr. Speaker, unavoidable cricumstances made it impossible for me to arrive at today's session of the House in time for me to vote for H.R. 15095. I am delighted the measure won overwhelming approval and I hope it is only the first important step toward further liberalization of our social security benefits.

The 15-percent across-the-board rise in social security that the House considered today is a commendable step forward, and I support it. But, it falls far short of the reality of today's needs and should be brought up to a 50-percent boost in the next 3 years.

I am a cosponsor of legislation calling for sweeping social security reforms, including a 3-year progression increase to 50 percent, starting with an immediate 15-percent raise in benefits which I think the Nation's retirees need and deserve. Thousands of retired citizens are desperately in need and the 50-percent increase is vital if they are to achieve a life of dignity and security.

I understand that the added benefits under the bill being considered today would increase the minimum from $55 to $64 for single persons and $82.50 to $96 for couples; and provide eventual maximum benefit increases of $218 to $250.70 for single persons and from $323 to $376 for couples. I advocate bringing these up to a minimum of $120 monthly for individuals and $180 for couples, and the maximum monthly benefit for individuals would be $314 and for couples, $471 in the next 3 years.

The average monthly individuals benefits under today's bill would rise from $100 to $116, and the average for a retired couple would rise from $170 to $196. This is far from enough, and should be at least brought up to the realistic figures of $144 monthly for individuals and $242 for retired couples.

These new average rises, commendable as they may be, are still much less than the $355 a month the U.S. Labor Department says a retired couple needs to live modestly in New York.

In New York City today, there are a million men and women age 65 or over, the great majority of whom must make do on fixed incomes that are being steadily reduced by the inexorable rise in prices every month.

Two years ago when Congress raised social security benefits by 13 percent, the Consumer Price Index stood at 119. Last month the CPI had risen to 129.8, a rise of 9.1 percent. We can assume that by the time the proposed 15-percent increase is actually paid, in 1970, the rise will be about 10 percent or more.

Social security has fallen pitifully short of its original intent, which was to replace income loss due to retirement, disability, or death. As a result, millions of elderly are impoverished social castoffs, in an era of unprecedented prosperity for the great majority of Americans.

Out of 24.7 million retired people receiving social security, 8.2 million are classified as poor. This includes 5.8 million out of 16.8 million age 65 or over. If

the 15-percent increase is approved, perhaps 1.8 million would rise out of poverty, but millions of retirees would still be impoverished.

It is my fervent hope that the Ways and Means Committee will give priority to the dire need for realistic revisions of social security early in 1970.

The committee should increase benefits another 35 percent by 1972, to bring it to $120 a month by that time, to abolish the monthly premium payment for medicare part B—doctor—insurance, and to extend medicare coverage to out-of-hospital drugs, among other needed liberalizations. And in particular, let me stress the need to lift the outside earnings limit for senior citizens. The present limitation is ridiculous. How can we expect people to work with dignity and pride for such a pittance. And, how can we encourage productivity and usefulness among our senior citizens when our laws say they cannot work for above poverty wages?

CONGRESSMAN ANNUNZIO SUPPORTS EMERGENCY SOCIAL SECURITY LEGISLATION

(Mr. ANNUNZIO asked and was gvien permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. ANNUNZIO. Mr. Speaker, I rise in support of H.R. 15095—the social security amendments of 1969. This legislation was conceived as an emergency measure to meet the most pressing needs of 25 million people, nearly one-eighth of the Nation, who depend on social security benefits for their major source of income.

Although this bill comes before us as an emergency measure which requires immediate action, I am assured by the report of the Committee on Ways and Means that it was not a hasty measure. Rather it grew out of the evidence presented to the committee at public hearings and executive sessions which were held beginning last October 15. This evidence showed, as the committee report states, "a pressing and urgent need" for a social security benefit increase "as quickly as possible."

As we consider H.R. 15095, I want to emphasize that it is not the definitive social security legislation for the 91st Congress. Rather, it is a stop-gap. It is an immediate answer to a pressing need. The cost of living is up 9.1 percent from February 1968, the date of the last social security increase. And, it will be up 10 or more percent by the time the increased checks are actually received by social security beneficiaries in April.

The Committee on Ways and Means has assured us that when we reconvene for the second session of the 91st Congress that it will continue its consideration of further changes in the social security and welfare programs. I understand this to mean that next spring we can expect another social security bill, a comprehensive bill which will cover all aspects of the program, including, I would hope a second round of benefit increases. Since we can expect comprehensive social security and welfare legislation as soon as it is humanly possible for the committee to report it, I urge, in the meantime, enactment of H.R. 15095 as a stopgap but highly important measure.

CORRECTION OF VOTE

Mr. LOWENSTEIN. Mr. Speaker, on rollcall No. 323 I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

Mr. Speaker, inadvertently the correction of the vote, printed on page H12434 listed the rollcall number incorrectly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

RESOLUTION BY NORTH MIAMI BEACH FOR SOCIAL SECURITY LEGISLATION

(Mr. PEPPER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PEPPER. Mr. Speaker, I am sure you are aware that all over the country there is a strong demand for increased benefits, particularly to senior citizens, as well as other beneficiaries under social security legislation. We all take just pride in the House for passing H.R. 15095 providing an across the-board increase of 15 percent in benefits to the beneficiaries of our social security program. We would all hope I am sure that we can at an early date extend much more substantially such benefits. One of the very progressive and forward looking bills which

has been introduced in the House is H.R. 14430, introduced by the able gentleman from New York, JACOB GILBERT, and known as the Gilbert bill. I am very much pleased that the mayor and the city council of one of the very outstanding cities of my congressional district have endorsed the Gilbert bill because the mayor and the city council recognized the need for the enactment of such legislation. I insert the resolution of the mayor and the city council of North Miami Beach in the RECORD immediately following my remarks:

RESOLUTION BY MAYOR AND CITY COUNCIL OF NORTH MIAMI BEACH, FLA.

(A resolution urging the U.S. Congress to pass the Gilbert Bill—H.R. 14430)

Whereas, the attention of the Mayor and the City Council has been directed to national legislation, to-wit: the "Gilbert Bill" now pending before the Congress of the United States as H.R. 14430; and

Whereas, the City of Miami Beach enjoys the residence of many individuals presently depending upon Social Security, in whole or in part, to sustain themselves; and

Whereas, this City, as most of the nation, has suffered the effects of the inflationary trend now nationally existent; and

Whereas, our citizens are burdened constantly with rising costs for food and all services; and

Whereas, reluctantly, and in order to sustain the level of service necessary to care for its citizens, the City has been unable to prevent a necessitous raise in taxes; and

Whereas, it is recognized that such rising costs and expenses of living are particularly burdensome upon individuals whose income is fixed on straight dollar figures with no opportunity for a commensurate increase in accordance with rising cost of living; and

Whereas, it has been determined by the City Council that it is important to the health, safety and welfare of a substantial and cognizable number of its citizens that additional income be made available to those of its citizens presently living, or to be living, under Social Security.

Now, therefore,

Be it resolved by the City Council of the City of North Miami Beach, Florida:

Section 1: That the Mayor and City Council of the City of North Miami Beach, on behalf of themselves and the City of North Miami Beach, do hereby urge the Congress of the United States of America to pass the "Gilbert Bill", more particularly known as HR 14430, for the reasons above stated, and commend to their Representatives and Senators in Congress, to-wit: Honorable Claude Pepper, Honorable J. Herbert Burke, Honorable Dante B. Fascell, Honorable Spessard L. Holland, Honorable Edward J. Gurney, that they move forward expeditiously and assiduously to aid in the passage of this worthy and needed legislation.

Section 2: That the City Clerk be and she is hereby directed to forward suitably certified copies of this Resolution to the Congressional Representatives and Senators hereinabove set forth.

Approved and adopted in regular meeting assembled this 2d day of December, 1969.

DAVID M. PAPLEN,
Mayor.

Attest:

VIRGINIA H. MOORE,
City Clerk.

CORRECTION OF VOTE

Mr. WYDLER. Mr. Speaker, on rollcall No. 323 I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER pro tempore (Mr. HECHLER of West Virginia). Is there objection to the request of the gentleman from New York?

There was no objection.

SOCIAL SECURITY AMENDMENTS OF 1969

HON. RICHARD T. HANNA

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, December 16, 1969

Mr. HANNA. Mr. Speaker, in March of this year, a noted task force reported to the Special Senate Committee on Aging the following conclusion:

> The average social security benefit payable to an elderly couple who retired in December 1950—even though it has been adjusted over the years—would now purchase a significantly smaller fraction of the Retired Couple's Budget for a Moderate Standard of Living than at the time of retirement.

What this means is that the cost of living has been rising at such a pace, even though social security payments have increased more than 100 percent since 1950, a retired couple actually can purchase less now than he did 20 years ago.

The Department of Labor has determined that a retired couple can have a moderate standard of living with an income of around $340 a month. A poverty, or what has been termed a "lower budget" for an elderly couple averages $220 a month.

Breaking these figures down, the Department of Labor would allow about $15 a week for food for retired couples living at the lower budget. Housing transportation, clothing are similarly scheduled.

Now, of course, these figures are just for the lower budget $220 a month. Present social security benefits are almost 100 percent less than the minimum poverty budget. Today most retired couples depend upon social security for the major portion of their budget. The maximum payment of $118 per month of the retired poor is supplemented by State welfare—old-age assistance—checks. In no instance do welfare payments bring their recipients up to the minimum poverty budget.

In other words, the majority of elderly Americans receive a monthly income that is less than what the Department of Labor considers to be a poverty budget. At the conclusion of this statement, I will attach a report, complete with tables, that was released by the Department of Labor late in October of this year. The report identifies the costs of living for the elderly. It defines the types of budgets and indicates the costs of each.

One additional item needs to be discussed. The average budgets included in the report take into account the differences in the cost of living in various sec-

tions of the country. In my home State of California, an elderly retired couple will find the lower budget costing from 5 to 8 percent more than the average. As a result an older couple in California at the poverty level will find it much more difficult to make ends meet.

Most of these people have really never been able to enjoy the raises in social security that Congress has provided in the past two decades. Most States reduce the amount of old-age assistance payments in direct ratio to the rise in social security payments. When you couple that hard fact with a 4.5-percent rate of inflation in the past year, the elderly poor are being crushed with no real relief in sight.

The 15-percent raise we are talking about really does not solve the depressing financial squeeze now hurting millions of older Americans. The average raise amounts to around $17 per month per couple. With the Consumer Price Index increasing at almost one-half percent a month, 15 percent will not begin to even keep the recipients even with the pace of rising prices. Since 1955, the rise in benefits have not equaled the rise in prices and 1969 will be no exception.

The current conditions in our economy have most seriously hurt those on a fixed income. Older Americans depending on social security for the major part of their income have been hurt more than other groups.

A 15-percent raise is the very least we can do. A 15-percent raise is a minimum gesture and no one is entitled to slap themselves on the back with self-congratulations for their generosity. It is merely a holding action. Hopefully, it will prod us into a meaningful program in the immediate future. If we cannot do better soon the suffering will be tragic.

The report and tables follow:

THREE BUDGETS FOR A RETIRED COUPLE

"In spring 1967, it cost a retired couple almost $2,700 to maintain the level of living specified in the lower budget, roughly $3,900 to live at the intermediate level, and about $6,000 to meet the requirements of the higher budget."

These findings are from "Measuring Retired Couples' Living Costs in Urban Areas," an article that will appear in the November issue of the *Monthly Labor Review*. A research bulletin—*Three Budgets for a Retired Couple in Urban Areas of the United States*—will be published later in 1969 by the U.S. Department of Labor's Bureau of Labor Statistics.

Rising prices between spring 1967 and spring 1969 have added about 9 percent to the cost of goods and services required to sustain the retired couples.

Lower and higher budgets for a retired couple are available for the first time. The intermediate budget (formerly the moderate budget) is a sequel to the retired couple's budget, autumn 1966, which was published in June 1968.

The budgets have been developed to meet the needs of public assistance agencies, voluntary social and welfare agencies, businesses, labor unions, and individuals concerned with retirement planning.

The retired couple is defined as a husband, age 65 or over, and his wife, self-supporting, living independently in a separate dwelling, and enjoying reasonably good health.

The budgets are based on the manner of living and consumer choices of the 1960's. They permit the couple to maintain its health and well-being, and to participate in community activities. The goods and services were selected as follows: nutritional and health standards, as determined by experts, were used for the food-at-home and housing components. However, the selection among the various kinds of foods and housing arrangements were based on actual choices made by families as revealed by surveys of consumer expenditures. In the absence of standards the choices reported in the BLS Survey of Consumer Expenditures were used for housefurnishings, household operation, clothing, personal care, reading, recreation, meals away from home, and alcoholic beverages.

The style of living provided by the lower budget differs from the intermediate and higher levels in this manner: A smaller proportion of couples own their homes, dwelling units lack air conditioning, couples rely more on public transportation, they perform more services for themselves, and they make greater use of free recreation facilities.

By contrast, the higher budget assumes the largest proportion of homeowners, provides new cars for some couples, allows more household appliances and equipment, and more paid services than at the intermediate level.

Also, a majority of the items common to the three budgets are in greater quantity and of better quality at each higher level of living.

Total budget costs in urban United States in spring 1967 averaged $2,671 at the lower level, $3,857 at the intermediate, and $6,039 at the higher.

Consumption items—food, housing, transportation, clothing, personal care, medical care, and other family consumption in the lower budget cost $2,556. In addition, an allowance for gifts and contributions amounted to $115.

The intermediate budget required $3,626 for consumption items plus $231 for gifts and contributions, while the higher budget needed $5,335 for goods and services and $398 for gifts and contributions. Additional allowances are made in the high budget of $71 for life insurance premiums and $235 for personal taxes.

FOOD

Total food costs at spring 1967 prices averaged $789 for the lower budget, $1,048 for the intermediate, and $1,285 for the higher.

Of total food costs in the lower budget, $735 was for food at home. Compared with the two higher budgets, the lower food allowance calls for larger quantities of potatoes, dry beans and peas, flour and cereal, and smaller quantities of meat, and poultry and fish.

The family also has an allowance of $54 which permits them to enjoy a restaurant meal about once a month.

In the intermediate budget, food for home consumption cost $937 and restaurant meals and snacks—$111. At the top level the couples required $1,115 for food consumed at home, and $170 for meals outside the home.

HOUSING

Urban U.S. housing costs ranged from $939 in the lower budget to $2,066 in the higher level. The middle group housing costs amounted to $1,330.

Shelter—the major expense in the housing total—required an average annual outlay of $704 for the lower budget, $849 for the intermediate, and $1,188 for the higher level. These amounts are based on the average costs for rented and owned dwellings.

Rental housing which had 2 or 3 rooms were specified for 40 percent of the couples at the lower level, 35 percent of the middle level, and 30 percent of the higher level couples. The renters' cost included rent plus estimated costs of fuel and utilities, where these were not part of the rent, and insurance on household effects.

The majority of the families at all budget levels lived in 5- or 6-room mortgage-free homes. Typical homeowner costs for these couples include taxes, insurance, fuel and utilities, and routine repair and maintenance charges. The higher budget provides for greater utility usage and a larger repair and maintenance allowance than the intermediate and lower budgets.

TRANSPORTATION

Transportation costs stepped up from $191 at the lower budget level to $382 for the intermediate, and $682 for the higher. These allowances provide for ownership and operation of an automobile for some of the couples at each budget level—except for lower budget families in Boston, Chicago, New York, and Philadelphia who rely on public transit.

The budget level and city size determined whether couples owned an automobile and how much they patronized public transit. In the lower budget it was assumed that car owners bought 6-year-old cars, intermediate group owners bought 2-year-old cars as did 45 percent of the higher budget families. For the remaining 55 percent of the higher budget couples, the purchase of a new car was specified.

CLOTHING AND PERSONAL CARE

Clothing costs—replacement of the clothing, and materials and services—averaged $134 for the lower budget couple. The intermediate budget couple needed $234 and the higher $371, at spring 1967 prices.

The clothing allowances for husband and wife were about the same in the lower and intermeidate budgets. At the higher level, however, the wide's allowance averaged about $20 more than the husband's.

Personal care costs moved from $83 for the lower budget to $123 for the intermediate, and to $178 for the higher budget. These costs constituted about 3 percent of the total family consumption for the three budgets.

MEDICAL CARE

The lower budget couple required $294 to cover its total medical costs for a year. This was only $2 less than the intermediate budget couple's $296, and $5 less than the top level cost of $299. Although there is only a $5 difference between the lower and the higher allowances, in the lower budget medical costs accounted for 12 percent of total family consumption, compared with only 6 percent of family consumption for the higher budget.

The medical care costs include hospital and medical insurance provided by the Federal Medicare program. Also included in the costs are eye examinations and eye glasses, drugs, and a physical checkup for Medicare enrollees not using Medicare services within a year.

OTHER CONSUMPTION

In the lower budget, "other consumption"—reading, recreation, tobacco, alcohol, and miscellaneous expenses—cost $126. For these same items, the intermediate budget required $213 while the higher budget totaled $454.

At the lower level, the largest single cost in "other consumption" was reading ($46), while at the intermediate and higher levels, costs for recreation—$81 and $256, respectively—accounted for the largest portions of the item.

Tobacco—cigars or pipes—and alcohol allowances are part of "other consumption" costs. No allowance was made for cigarettes in view of the findings of the U.S. Public Health Service concerning the effects of cigarette smoking on health.

LIVING COST DIFFERENCES AMONG CITIES

The new budgets provide a wide variety of total budget costs and comparative living cost indexes (tables 1–6) for major categories of consumer goods and services.

All indexes relate to costs for families established in the areas. They do not measure differences in costs associated with mov-

ing from one area to another, or costs incurred by recent arrivals in the community.

Within each budget, the intercity indexes reflect differences among areas in price levels, climatic or regional differences in the quantities and types of items required to provide the specified level of living, and differences in State and local taxes.

The annual cost of the lower budget in spring 1967 amounted to $3,110 in Honolulu and $2,334 in small Southern cities. In relative terms, with U.S. urban average costs equal to 100, this constitutes a range of 87 to 116, or 33 percent. For the other two budgets, Honolulu families spend $4,429 for the intermediate and $7,219 for the higher. In small Southern cities, families averaged $3,222 for the middle budget and $4,827 for the higher.

Of the mainland cities, the lower and intermediate budgets total costs were highest in Hartford—$3,022 and $4,343, respectively. The highest cost mainland city for the higher budget was Boston—$7,198.

For all three budgets, food, rental shelter, and transportation were most expensive in Honolulu, medical care in Los Angeles, and clothing in Portland, Maine. The cost of homeownership was highest in New York for the lower and middle budgets and in Boston for the higher budget.

PUBLICATIONS

"Measuring Retired Couples' Living Costs in Urban Areas" appears in the November issue of the *Monthly Labor Review*. Single copy price 75 cents, annual subscription $9.

The *Three Budgets for a Retired Couple in Urban Areas of the United States 1967–68*, Bulletin No. 1570–6, will become available later in 1969.

Other published bulletins in the series are:

Bulletin 1570–1, *City Worker's Family Budget for a Moderate Living Standard, Autumn 1966*. Price 30 cents.

Bulletin 1570–2, *Revised Equivalence Scale* for estimating budget costs for families of different size, age, and type. Price 35 cents.

Bulletin 1570–3, *Pricing Procedures, Specifications and Average Prices, Autumn 1966*, used for the moderate standard of the city worker's budget. Price 75 cents.

Bulletin 1570–4, *Retired Couple's Budget for a Moderate Living Standard, Autumn 1966*. Price 35 cents.

Bulletin 1570–5, *Three Standards of Living for an Urban Family of Four Persons, Spring 1967*. Price $1.00.

Publications can be purchased from the regional offices of the Bureau of Labor Statistics and the Superintendent of Documents, Washington, D.C. 20402.

TABLE 1.—ANNUAL COSTS OF A LOWER BUDGET FOR A RETIRED COUPLE,[1] SPRING 1967

Area	Total budget costs[2]			Cost of family consumption									
						Housing (shelter, house furnishings, household operations)							
							Shelter						
	Renter and owner combined[3]	Renter families	Homeowner families	Total[3]	Food	Total housing[3]	Renter and owner combined[3]	Renter families[4]	Homeowner families[5]	Transportation[6]	Clothing and personal care	Medical care	Other family consumption
Urban United States	$2,671	$2,723	$2,636	$2,556	$789	$939	$704	$756	$669	$191	$217	$294	$126
Metropolitan areas[7]	2,730	2,785	2,694	2,613	796	991	746	801	710	172	221	298	135
Nonmetropolitan areas[8]	2,492	2,536	2,462	2,385	769	783	578	622	548	248	207	281	97
Northeast:													
Boston, Mass	2,757	2,710	2,789	2,639	835	1,109	852	805	884	47	218	290	140
Buffalo, N.Y	2,944	2,938	2,948	2,817	816	1,085	833	827	837	249	237	293	137
Hartford, Conn	3,022	3,065	2,993	2,892	851	1,121	885	928	856	250	227	298	145
Lancaster, Pa	2,704	2,702	2,705	2,588	827	919	689	687	690	210	216	289	127
New York-northeastern New Jersey	2,803	2,706	2,867	2,683	845	1,142	898	801	962	33	223	301	139
Philadelphia, Pa.-New Jersey	2,620	2,588	2,641	2,508	837	983	744	712	765	47	214	290	137
Pittsburgh, Pa	2,680	2,762	2,625	2,565	802	885	652	734	597	228	224	285	141
Portland, Maine	2,778	2,766	2,786	2,659	802	967	710	698	718	216	237	287	150
Nonmetropolitan areas[8]	2,764	2,827	2,722	2,645	829	952	754	817	712	263	217	286	98
North-central:													
Cedar Rapids, Iowa	2,778	2,862	2,722	2,659	783	1,006	755	839	699	226	228	289	127
Champaign-Urbana, Ill	2,818	2,916	2,753	2,697	794	1,053	812	910	747	219	217	295	119
Chicago, Ill.-northwestern Indiana	2,664	2,798	2,574	2,550	806	1,048	801	935	711	43	227	295	131
Cincinnati, Ohio-Kentucky-Indiana	2,595	2,660	2,551	2,483	783	858	625	690	581	224	204	278	136
Cleveland, Ohio	2,828	2,929	2,761	2,707	778	1,054	809	910	742	236	227	274	138
Dayton, Ohio	2,689	2,845	2,585	2,574	777	948	706	862	602	219	216	281	133
Detroit, Mich	2,656	2,846	2,529	2,542	804	849	607	797	480	236	228	286	139
Green Bay, Wis	2,663	2,655	2,668	2,549	755	930	682	674	687	221	224	292	127
Indianapolis, Ind	2,850	2,969	2,770	2,728	786	1,077	826	945	746	228	224	275	138
Kansas City, Mo.-Kansas	2,691	2,810	2,611	2,576	799	894	647	766	567	239	220	295	129
Milwaukee, Wis	2,795	2,864	2,749	2,675	768	1,036	797	886	751	228	224	287	132
Minneapolis-St. Paul, Minn	2,775	2,849	2,726	2,656	775	1,012	772	846	723	232	228	276	133
St. Louis, Mo.-Illinois	2,757	2,830	2,708	2,639	820	953	711	784	662	242	215	287	122
Wichita, Kans	2,709	2,818	2,637	2,593	799	936	684	793	612	230	214	286	128
Nonmetropolitan areas[8]	2,560	2,635	2,510	2,450	788	829	623	698	573	240	224	275	94
South:													
Atlanta, Ga	2,462	2,566	2,393	2,357	738	752	489	593	420	221	210	292	143
Austin, Tex	2,462	2,593	2,374	2,356	733	787	545	676	457	220	194	295	127
Baltimore, Md	2,616	2,736	2,536	2,504	729	896	641	761	561	238	214	293	134
Baton Rouge, La	2,422	2,542	2,342	2,318	742	714	476	596	396	239	206	285	132
Dallas, Tex	2,511	2,573	2,469	2,403	725	813	574	636	532	228	202	302	133
Durham, N.C	2,554	2,634	2,501	2,444	713	893	651	731	598	218	205	287	128
Houston, Tex	2,531	2,610	2,478	2,422	745	798	549	628	496	246	198	302	133
Nashville, Tenn	2,536	2,573	2,512	2,427	710	857	600	637	576	222	209	291	138
Orlando, Fla	2,572	2,780	2,434	2,462	706	925	673	881	535	213	198	290	130
Washington, D.C.-Maryland-Virginia	2,802	3,014	2,661	2,682	775	1,015	772	984	631	243	221	291	137
Nonmetropolitan areas[8]	2,334	2,359	2,317	2,234	732	692	487	512	470	246	188	280	96
West:													
Bakersfield, Calif	2,650	2,714	2,607	2,536	781	854	612	676	569	243	216	318	124
Denver, Col	2,710	2,723	2,701	2,594	797	922	671	684	662	225	230	296	124
Honolulu, Hawaii	3,110	3,455	2,880	2,976	985	1,066	762	1,107	532	272	215	293	145
Los Angeles-Long Beach, Calif	2,818	2,993	2,702	2,697	781	971	739	914	623	243	226	339	137
San Diego, Calif	2,736	2,836	2,669	2,619	763	948	708	808	641	238	208	325	137
San Francisco-Oakland, Calif	2,926	3,062	2,835	2,800	816	1,016	774	910	683	259	244	324	141
Seattle-Everett, Wash	2,971	3,102	2,884	2,843	851	1,051	787	918	700	257	239	309	136
Nonmetropolitan areas[8]	2,703	2,734	2,683	2,587	819	881	663	694	643	264	227	292	104

[1] A husband age 65 or over and his wife.

[2] The total cost of the budget includes an allowance for gifts and contributions.

[3] The total represents the weighted average costs of renter and homeowner families. The weights in the lower budget were 40 percent for families living in rental dwellings; 60 percent for homeowners.

[4] Average contract rent plus the cost of required amounts of heating fuel, gas, electricity, water, specified equipment, and insurance on household contents.

[5] Taxes; insurance on house and contents; water, refuse disposal, heating fuel, gas, electricity, and specified equipment; and home repair and maintenance costs.

[6] The average costs of automobile owners and nonowners were weighted by the following proportions of families; Boston, Chicago, New York, Philadelphia, 100 percent for nonowners; all other metropolitan areas, 45 percent for car owners, 55 percent for nonowners; nonmetropolitan areas, 55 percent for car owners, 45 percent for nonowners.

[7] For a detailed description see the 1967 edition of "Standard Metropolitan Statistical Areas," prepared by the Bureau of the Budget.

[8] Places with populations of 2,500 to 50,000.

Note: Because of rounding, sums of individual items may not equal totals.

TABLE 2.—ANNUAL COSTS OF AN INTERMEDIATE BUDGET FOR A RETIRED COUPLE,[1] SPRING 1967

Area	Total budget costs[2]			Cost of family consumption										
						Housing (shelter, house furnishings, household operations)								
							Shelter							
	Renter and owner combined[3]	Renter families	Homeowner families	Total[3]	Food	Total housing[3]	Renter and owner combined[3]	Renter families[4]	Homeowner families[5]	Transportation[6]	Clothing and personal care	Medical care	Other family consumption
Urban United States	$3,857	$3,976	$3,793	$3,626	$1,048	$1,330	$849	$968	$785	$382	$357	$296	$213
Metropolitan areas[7]	3,997	4,124	3,928	3,757	1,064	1,425	904	1,031	836	378	362	300	228
Nonmetropolitan areas[8]	3,440	3,538	3,388	3,234	1,002	1,046	683	781	631	394	342	283	167
Northeast:													
Boston, Mass	4,258	4,276	4,248	4,003	1,142	1,621	1,075	1,093	1,065	360	354	292	234
Buffalo, N.Y	4,217	4,259	4,194	3,964	1,089	1,520	980	1,022	957	442	385	296	232
Hartford, Conn	4,343	4,464	4,278	4,083	1,173	1,557	1,035	1,156	970	445	366	300	242
Lancaster, Pa	3,925	4,005	3,882	3,690	1,136	1,302	819	899	776	392	348	291	221
New York–northeastern New Jersey	4,265	4,256	4,270	4,009	1,173	1,682	1,137	1,128	1,142	247	368	303	236
Philadelphia, Pa–New Jersey	3,993	4,015	3,981	3,754	1,124	1,430	921	943	909	330	348	292	230
Pittsburgh, Pa	3,884	4,020	3,811	3,651	1,080	1,273	774	910	701	414	362	287	235
Portland, Maine	4,035	4,062	4,020	3,793	1,104	1,364	836	863	821	407	388	289	241
Nonmetropolitan areas[8]	3,828	3,957	3,759	3,598	1,117	1,255	887	1,016	818	410	361	288	167
North-central:													
Cedar Rapids, Iowa	4,019	4,146	3,950	3,778	1,007	1,479	924	1,051	855	409	370	292	221
Campaign-Urbana, Ill	4,053	4,208	3,969	3,810	1,042	1,506	993	1,148	909	397	356	297	212
Chicago, Ill.-northwestern Indiana	3,945	4,156	3,831	3,709	1,034	1,454	933	1,144	819	335	367	297	222
Cincinnati, Ohio-Kentucky-Indiana	3,765	3,888	3,699	3,539	1,021	1,269	763	886	697	402	337	281	229
Cleveland, Ohio	4,057	4,279	3,938	3,814	1,010	1,506	988	1,210	869	422	372	277	227
Dayton, Ohio	3,791	4,000	3,679	3,564	1,004	1,296	800	1,009	688	401	357	284	222
Detroit, Mich	3,870	4,133	3,728	3,638	1,060	1,265	726	989	584	424	370	288	231
Green Bay, Wis	3,825	3,812	3,832	3,596	974	1,337	840	827	847	411	362	295	217
Indianapolis, Ind	4,065	4,194	3,995	3,822	1,021	1,507	984	1,113	914	417	367	278	232
Kansas City, Mo.-Kansas	3,881	4,051	3,789	3,648	1,032	1,302	771	941	679	434	359	298	223
Milwaukee, Wis	4,040	4,132	3,990	3,798	1,015	1,496	969	1,061	919	411	364	289	223
Minneapolis-St. Paul, Minn	3,972	4,107	3,899	3,734	1,014	1,425	910	1,045	837	419	366	279	231
St. Louis, Mo.-Illinois	3,974	4,096	3,909	3,736	1,073	1,379	861	983	796	436	350	289	209
Wichita, Kans	3,863	3,968	3,796	3,632	1,018	1,324	814	937	747	432	350	288	220
Nonmetropolitan areas[8]	3,555	3,682	3,486	3,342	1,003	1,142	766	893	697	382	370	278	167
South:													
Atlanta, Ga	3,593	3,804	3,479	3,378	995	1,103	597	808	483	403	348	294	235
Austin, Tex	3,574	3,801	3,451	3,360	972	1,155	678	905	555	405	320	297	211
Baltimore, Md	3,781	4,024	3,650	3,554	981	1,276	738	981	607	421	357	295	224
Baton Rouge, La	3,504	3,671	3,414	3,294	995	1,030	569	736	479	436	329	287	217
Dallas, Tex	3,655	3,801	3,577	3,436	978	1,188	710	856	632	411	335	304	220
Durham, N.C	3,667	3,789	3,601	3,447	952	1,249	776	898	710	404	339	289	214
Houston, Tex	3,679	3,796	3,616	3,459	1,003	1,170	674	790	611	440	326	304	216
Nashville, Tenn	3,702	3,835	3,631	3,480	949	1,254	752	885	681	408	347	293	229
Orlando, Fla	3,668	3,967	3,507	3,448	941	1,273	786	1,085	625	396	328	292	218
Washington, D.C.-Maryland Virginia	3,995	4,228	3,870	3,756	1,045	1,393	843	1,082	724	431	370	294	223
Nonmetropolitan areas[8]	3,222	3,289	3,186	3,029	964	912	564	631	528	395	311	282	165
West:													
Bakersfield, Calif	3,815	3,948	3,744	3,586	1,001	1,267	765	898	694	431	355	321	211
Denver, Colo	3,887	3,994	3,829	3,654	1,035	1,318	795	902	737	419	372	297	213
Honolulu, Hawaii	4,429	4,922	4,163	4,164	1,267	1,530	939	1,432	673	476	352	295	244
Los Angeles-Long Beach, Calif	4,019	4,263	3,888	3,778	1,017	1,389	870	1,114	739	430	371	342	229
San Diego, Calif	3,853	4,001	3,774	3,622	995	1,310	810	958	731	419	342	328	228
San Francisco-Oakland, Calif	4,182	4,414	4,058	3,931	1,068	1,448	915	1,147	791	455	397	327	236
Seattle-Everett, Wash	4,273	4,484	4,159	4,017	1,107	1,522	942	1,153	828	458	385	311	234
Nonmetropolitan areas[8]	3,672	3,790	3,609	3,452	1,039	1,159	772	890	709	407	376	294	177

[1] A husband age 65 or over and his wife.
[2] The total cost of the budget includes an allowance for gifts and contributions.
[3] The total represents the weighted average costs of renter and homeowner families. The weights in the intermediate budget were 35 percent for families living in rental dwellings; 65 percent, for homeowners.
[4] Average contract rent plus the cost of required amounts of heating fuel, gas, electricity, water, specified equipment, and insurance on household contents.
[5] Taxes; insurance on house and contents; water, refuse disposal, heating fuel, gas, electricity, and specified equipment; and home repair and maintenance cost.
[6] The average costs of automobile owners and nonowners were weighted by the following proportions of families: New York, 25 percent for car owners, 75 percent for nonowners; Boston, Chicago, Philadelphia, 40 percent for car owners, 60 percent for nonowners; all other metropolitan areas, 60 percent for car owners, 40 percent for nonowners; nonmetropolitan areas, 68 percent for car owners, 32 percent for nonowners.
[7] For a detailed description see the 1967 edition of "Standard Metropolitan Statistical Areas," prepared by the Bureau of the Budget.
[8] Places with populations of 2,500 to 50,000.

Note: Because of rounding, sums of individual items may not equal totals.

TABLE 3.—ANNUAL COSTS OF A HIGHER BUDGET FOR A RETIRED COUPLE,[1] SPRING 1967

Area	Total budget costs			Cost of family consumption										Personal taxes		
						Housing (shelter, housefurnishings, household operations)										
							Shelter									
	Renter and owner combined[2]	Renter families	Homeowner families	Total[3]	Food	Total housing[4]	Renter and owner combined[3]	Renter families[6]	Homeowner families[7]	Transportation[8]	Clothing and personal care	Medical care	Other family consumption	Renter and homeowner combined	Renter families	Homeowners families
Urban United States	$6,039	$6,350	$5,906	$5,335	$1,285	$2,066	$1,888	$1,449	$1,076	$682	$549	$299	$454	$235	$285	$214
Metropolitan areas[9]	6,342	6,701	6,187	5,571	1,305	2,232	1,287	1,588	1,158	697	545	303	489	284	342	258
Nonmetropolitan areas[9]	5,137	5,303	5,065	4,629	1,225	1,569	892	1,033	831	639	560	286	350	92	117	81
Northeast:																
Boston, Mass	7,198	7,312	7,149	6,217	1,375	2,840	1,823	1,916	1,783	675	526	295	506	446	467	437
Buffalo, N.Y	6,626	6,938	6,492	5,791	1,310	2,364	1,364	1,619	1,255	747	569	298	503	332	389	307
Hartford, Conn	6,860	7,244	6,695	6,002	1,432	2,433	1,461	1,784	1,322	760	545	303	529	339	400	313
Lancaster, Pa	6,027	6,141	5,977	5,304	1,371	1,955	1,048	1,144	1,006	670	527	294	487	256	274	248
New York-Northeastern New Jersey	6,917	7,079	6,849	6,012	1,418	2,609	1,618	1,750	1,562	617	550	304	514	385	415	273
Philadelphia, Pa.-New Jersey	6,372	6,827	6,176	5,557	1,365	2,284	1,324	1,703	1,161	591	519	295	503	329	405	296
Pittsburgh, Pa	6,078	6,333	5,968	5,338	1,311	1,990	1,058	1,272	966	699	537	290	511	271	312	253
Portland, Maine	6,069	5,980	6,107	5,380	1,319	1,995	1,035	959	1,067	693	575	292	506	217	204	223
Nonmetropolitan areas[9]	5,724	5,685	5,741	5,102	1,366	1,855	1,165	1,133	1,179	660	568	291	362	170	163	173

Footnotes at end of table.

TABLE 3.—ANNUAL COSTS OF A HIGHER BUDGET FOR A RETIRED COUPLE,[1] SPRING 1967—Continued

Area	Total budget costs			Cost of family consumption										Personal taxes		
						Housing (shelter, housefurnishings, household operations)										
							Shelter									
	Renter and owner combined[2]	Renter families	Homeowner families	Total[3]	Food	Total housing[4]	Renter and owner combined[5]	Renter families[6]	Homeowner families[7]	Transportation[8]	Clothing and personal care	Medical care	Other family consumption	Renter and homeowner combined	Renter families	Homeowners families
Urban United States—Continued																
North Central:																
Cedar Rapids, Iowa	$6,412	$6,861	$6,219	5,590	$1,249	2,284	$1,330	$1,696	$1,173	$725	$568	$294	$470	$334	$417	$298
Champaign-Urbana, Ill	6,288	6,494	6,200	5,553	1,291	2,229	1,332	1,507	1,257	722	551	300	460	250	281	237
Chicago, Ill.-Northwestern Indiana	6,248	6,943	5,950	5,519	1,275	2,268	1,337	1,924	1,085	639	567	299	471	246	354	200
Cincinnati, Ohio-Ky.-Ind	5,724	5,884	5,655	5,078	1,265	1,847	959	1,094	901	680	524	284	478	196	221	185
Cleveland, Ohio	6,234	6,544	6,101	5,489	1,236	2,219	1,288	1,551	1,176	714	574	279	467	264	311	243
Dayton, Ohio	6,030	6,582	5,794	5,307	1,225	2,099	1,192	1,656	994	672	554	287	470	256	344	218
Detroit, Mich	6,377	7,120	6,058	5,608	1,304	2,231	1,279	1,900	1,013	719	570	291	493	279	401	226
Green Bay, Wis	6,161	6,291	6,106	5,353	1,198	2,139	1,232	1,337	1,187	699	562	298	457	338	363	328
Indianapolis, Ind	6,304	6,377	6,272	5,553	1,264	2,231	1,309	1,370	1,283	713	568	281	496	266	278	260
Kansas City, Mo.-Kansas	6,088	6,423	5,944	5,361	1,264	2,023	1,084	1,363	964	741	555	300	478	256	312	232
Milwaukee, Wis	6,305	6,496	6,224	5,460	1,264	2,172	1,268	1,422	1,202	698	561	292	473	366	403	351
Minneapolis-St. Paul, Minn	6,226	6,481	6,118	5,430	1,247	2,143	1,224	1,428	1,137	716	562	281	481	320	371	299
St. Louis, Mo.-Illinois	6,031	6,094	6,003	5,317	1,334	1,953	1,042	1,095	1,019	758	542	292	438	246	256	241
Wichita, Kans	6,025	6,322	5,898	5,299	1,244	2,017	1,100	1,346	994	746	539	291	462	244	295	223
Nonmetropolitan areas[9]	5,265	5,314	5,244	4,726	1,227	1,658	974	1,016	956	617	595	281	348	115	122	112
South:																
Atlanta, Ga	5,475	5,948	5,272	4,908	1,224	1,689	788	1,192	615	689	535	297	474	130	199	100
Austin, Tex	5,515	5,872	5,362	4,940	1,188	1,758	905	1,210	775	727	495	299	473	135	187	112
Baltimore, Md	6,012	6,206	5,929	5,314	1,231	2,057	1,085	1,245	1,016	709	537	298	482	230	264	216
Baton Rouge, La	5,569	5,912	5,422	4,983	1,274	1,668	831	1,123	706	764	505	289	483	143	194	121
Dallas, Tex	5,949	6,664	5,641	5,284	1,226	2,010	1,149	1,757	888	731	517	306	494	200	307	153
Durham, N.C	5,560	5,734	5,485	4,932	1,169	1,774	908	1,051	846	708	518	291	472	189	220	176
Houston, Tex	5,995	6,741	5,674	5,320	1,243	2,019	1,123	1,756	851	780	501	306	471	207	320	158
Nashville, Tenn	5,728	6,000	5,611	5,110	1,161	1,932	1,027	1,258	927	720	531	295	471	166	207	146
Orlando, Fla	5,590	5,808	5,495	5,000	1,170	1,873	980	1,166	900	692	502	294	469	146	178	131
Washington, D.C.-Maryland-Virginia	6,240	6,605	6,084	5,493	1,282	2,137	1,178	1,479	1,049	725	568	296	485	270	334	243
Nonmetropolitan areas[9]	4,827	5,089	4,714	4,388	1,177	1,410	754	979	658	642	527	284	348	40	77	23
West:																
Bakersfield, Calif	5,978	6,283	5,847	5,307	1,232	1,983	1,049	1,309	938	774	526	324	468	204	249	184
Denver, Colo	6,154	6,565	5,978	5,444	1,324	2,100	1,150	1,494	1,003	710	546	300	464	233	300	204
Honolulu, Hawaii	7,219	8,072	6,853	6,204	1,594	2,436	1,344	2,030	1,050	815	521	298	540	481	648	409
Los Angeles-Long Beach, Calif	6,487	7,377	6,105	5,706	1,269	2,301	1,356	2,103	1,036	758	551	344	483	284	427	222
San Diego, Calif	6,127	6,548	5,947	5,425	1,230	2,147	1,216	1,574	1,063	732	507	332	477	226	289	199
San Francisco-Oakland, Calif	6,540	6,870	6,399	5,751	1,341	2,205	1,232	1,511	1,113	796	588	330	491	289	340	267
Seattle-Everett, Wash	6,497	6,725	6,399	5,717	1,367	2,192	1,177	1,370	1,094	793	568	314	483	282	317	267
Nonmetropolitan areas[9]	5,519	5,794	5,401	4,909	1,285	1,714	982	1,208	885	660	597	296	357	173	222	152

[1] A husband age 65 or over and his wife.
[3] The total cost of the budget includes an allowance for gifts and contributions.
[5] The total represents the weighted average costs of renter and homeowner families. The weights in the higher budget were 30 percent for families living in rental dwellings; 70 percent for homeowners.
[4] The total includes an allowance of $53 for lodging away from home city. The allowance is the same for all areas. This allowance is not shown separately or included in any of the housing subgroups.
[6] The average costs of automobile owners and nonowners were weighted by the following proportions of families: Boston, Chicago, New York, Philadelphia, 75 percent for car owners, 25 percent for nonowners; all other metropolitan and nonmetropolitan areas, 100 percent for car owners.
[8] Average contract rent plus the cost of required amounts of heating fuel, gas, electricity, water specified equipment, and insurance on household contents.
[7] Taxes; insurance on house and contents; water, refuse disposal, heating fuel, gas, electricity, and specified equipment; and home repair and maintenance costs.
[2] For a detailed description see the 1967 edition of "Standard Metropolitan Statistical Areas," prepared by the Bureau of the Budget.
[9] Places with populations of 2,500 to 50,000.

Note: Because of rounding, sums of individual items may not equal totals.

TABLE 4.—INDEXES OF COMPARATIVE COSTS BASED ON A LOWER LEVEL BUDGET FOR A RETIRED COUPLE, SPRING 1967[1]

[U.S. urban average costs=100]

Area	Total budget costs			Cost of family consumption									
						Housing (shelter, house furnishings, household operation)							
							Shelter						
	Renter and owner combined[2]	Renter families	Homeowner families	Total[2]	Food	Total[3]	Renter and owner combined[4]	Renter families[5]	Homeowner families[6]	Transportation[7]	Clothing and personal care	Medical care	Other family consumption
Urban United States	100	100	100	100	100	100	100	100	100	100	100	100	100
Metropolitan areas[8]	102	102	102	102	101	106	106	106	106	90	102	101	108
Nonmetropolitan areas[9]	93	93	93	93	97	83	82	82	82	130	95	96	77
Northeast:													
Boston, Mass	103	100	106	103	106	118	121	106	132	25	100	99	111
Buffalo, N.Y	110	108	112	110	103	116	118	109	125	131	109	100	109
Hartford, Conn	113	113	114	113	108	119	126	123	128	131	105	101	115
Lancaster, Pa	101	99	103	101	105	98	98	91	103	110	99	98	101
New York-Northeastern New Jersey	105	99	109	105	107	122	127	106	144	17	103	102	111
Philadelphia, Pa.-N.J	98	95	100	98	106	105	106	94	114	24	99	98	109
Pittsburgh, Pa	100	101	100	100	102	94	93	97	89	120	103	97	112
Portland, Maine	104	102	106	104	102	103	101	92	107	113	109	98	119
Nonmetropolitan areas[9]	104	104	103	104	105	101	107	108	106	138	100	97	78
North Central:													
Cedar Rapids, Iowa	104	105	103	104	99	107	107	111	104	118	105	98	101
Champaign-Urbana, Ill	106	107	104	106	101	112	115	120	112	115	100	100	95
Chicago, Ill.-Northwestern Indiana	100	103	98	100	102	112	114	124	106	22	105	100	104
Cincinnati, Ohio-Kentucky-Indiana	97	98	97	97	99	91	89	91	87	117	94	95	108
Cleveland, Ohio	106	108	105	106	99	112	115	120	111	124	104	93	110
Dayton, Ohio	101	105	98	101	98	101	100	114	90	115	100	95	105
Detroit, Mich	99	104	96	99	102	90	86	105	72	124	105	97	111
Green Bay, Wis	100	98	101	100	96	99	97	89	103	116	103	99	101
Indianapolis, Ind	107	109	105	107	100	115	117	125	111	119	103	94	110
Kansas City, Mo.-Kans	101	103	99	101	101	95	92	101	85	125	102	100	102
Milwaukee, Wis	105	105	104	105	97	110	113	115	112	119	103	98	105
Minneapolis-St. Paul, Minn	104	105	103	104	98	108	110	112	108	122	105	94	105
St. Louis, Mo.-Ill	103	104	103	103	104	102	101	104	99	127	99	98	97
Wichita, Kans	101	103	100	101	101	100	97	105	92	121	99	97	102
Nonmetropolitan areas[9]	96	97	95	96	100	88	88	92	86	126	103	94	75

See footnotes at end of table 6.

TABLE 4.—INDEXES OF COMPARATIVE COSTS BASED ON A LOWER LEVEL BUDGET FOR A RETIRED COUPLE, SPRING 1967 [1]—Continued

[U.S. urban average costs=100]

Area	Total budget costs [2]			Cost of family consumption									
						Housing (shelter, house furnishings, household operations)							
							Shelter						
	Renter and owner combined [3]	Renter families	Homeowner families	Total [3]	Food	Total [3]	Renter and owner combined [4]	Renter families [5]	Homeowner families [6]	Transportation [7]	Clothing and personal care	Medical care	Other family consumption
Urban United States—Continued													
South:													
Atlanta, Ga.	92	94	91	92	94	80	69	78	63	116	97	99	114
Austin, Tex.	92	95	90	92	93	84	77	89	68	116	89	100	101
Baltimore, Md.	98	101	96	98	92	95	91	101	84	124	99	100	107
Baton Rouge, La.	91	93	89	91	94	76	68	79	59	125	95	97	105
Dallas, Tex.	94	94	94	94	92	87	81	84	80	119	93	103	105
Durham, N.C.	96	97	95	96	90	95	92	97	89	115	94	98	102
Houston, Tex.	95	96	94	95	94	85	78	83	74	129	91	103	105
Nashville, Tenn.	95	94	95	95	90	91	85	84	86	116	96	99	110
Orlando, Fla.	96	102	92	96	89	99	96	117	80	112	91	99	103
Washington, D.C.-Md.-Va.	105	111	101	105	98	108	110	130	94	127	102	99	109
Nonmetropolitan areas [8]	87	87	88	87	93	74	69	68	70	129	87	95	77
West:													
Bakersfield, Calif.	99	100	99	99	99	91	87	89	85	128	100	108	98
Denver, Colo.	101	100	102	101	101	98	95	90	99	118	106	101	99
Honolulu, Hawaii	116	127	109	116	125	114	108	146	80	143	99	100	116
Los Angeles-Long Beach, Calif.	106	110	103	106	99	103	105	121	93	127	104	115	109
San Diego, Calif.	102	104	101	102	97	101	101	107	96	125	96	110	109
San Francisco-Oakland, Calif.	110	112	108	110	103	108	110	120	102	136	112	110	112
Seattle-Everett, Wash.	111	114	109	111	108	112	112	121	105	134	110	105	108
Nonmetropolitan areas [8]	101	100	102	101	104	94	94	92	96	138	104	99	83

TABLE 5.—INDEXES OF COMPARATIVE COSTS BASED ON AN INTERMEDIATE LEVEL BUDGET FOR A RETIRED COUPLE, SPRING 1967 [1]

[U.S. Urban Average Costs=100]

Area	Total budget costs			Cost of family consumption									
						Housing (shelter, house furnishings, household operations)							
							Shelter						
	Renter and owner combined [3]	Renter families	Homeowner families	Total [3]	Food	Total [3]	Renter and owner combined [4]	Renter families [5]	Homeowner families [6]	Transportation [7]	Clothing and personal care	Medical care	Other family consumption
Urban United States	100	100	100	100	100	100	100	100	100	100	100	100	100
Metropolitan areas [8]	104	104	104	104	101	107	106	106	107	99	101	101	107
Nonmetropolitan areas [8]	89	89	89	89	96	79	81	81	80	103	96	96	78
Northeast:													
Boston, Mass.	110	108	112	110	109	122	127	113	136	94	99	99	110
Buffalo, N.Y.	109	107	111	109	104	114	115	106	122	116	108	100	109
Hartford, Conn.	113	112	113	113	112	117	122	119	124	116	103	101	113
Lancaster, Pa.	102	101	102	102	108	98	96	93	99	103	98	98	104
New York-Northeastern New Jersey	111	107	113	111	112	126	134	117	146	65	103	102	111
Philadelphia, Pa.-New Jersey	104	101	105	104	107	107	108	97	116	86	98	99	108
Pittsburgh, Pa.	101	101	100	101	103	96	91	94	89	108	102	97	110
Portland, Maine	105	102	106	105	105	103	98	89	105	106	109	98	113
Nonmetropolitan areas [8]	99	100	99	99	107	94	105	105	104	107	101	97	79
North Central:													
Cedar Rapids, Iowa	104	104	104	104	96	111	109	108	109	107	104	98	104
Champaign-Urbana, Ill.	105	106	105	105	99	113	117	119	116	104	100	100	100
Chicago, Ill.-Northwestern Indiana	102	105	101	102	99	109	110	118	104	88	103	100	104
Cincinnati, Ohio-Kentucky-Indiana	98	98	98	98	97	95	90	91	89	105	95	95	107
Cleveland, Ohio	105	108	104	105	96	113	116	125	111	110	104	93	107
Dayton, Ohio	98	101	97	98	96	97	94	104	88	105	100	96	104
Detroit, Mich.	100	104	98	100	101	95	85	102	74	111	104	97	109
Green Bay, Wis.	99	96	101	99	93	100	99	85	108	108	102	99	102
Indianapolis, Ind.	105	105	105	105	97	113	116	115	116	109	103	94	109
Kansas City, Mo.-Kans.	101	102	100	101	99	98	91	97	87	113	101	100	105
Milwaukee, Wis.	105	104	105	105	97	112	114	110	117	107	102	98	104
Minneapolis-St. Paul, Minn.	103	103	103	103	97	107	107	108	107	110	103	94	108
St. Louis Mo.-Ill.	103	103	103	103	102	104	101	102	101	114	98	98	98
Wichita, Kans.	100	100	100	100	97	99	96	97	95	113	98	97	103
Nonmetropolitan areas [8]	92	93	92	92	96	86	90	92	89	100	104	94	78
South:													
Atlanta, Ga.	93	96	92	93	95	83	70	83	62	105	98	99	110
Austin, Tex.	93	96	91	93	93	87	80	93	71	106	90	100	99
Baltimore, Md.	98	101	96	98	94	96	87	101	77	110	100	100	105
Baton Rouge, La.	91	92	90	91	95	77	67	76	61	114	92	97	102
Dallas, Tex.	95	96	94	95	93	89	84	88	81	108	94	103	103
Durham, N.C.	95	95	95	95	91	94	91	93	90	105	95	98	101
Houston, Tex.	95	95	95	95	96	88	79	82	78	115	92	103	101
Nashville, Tenn.	96	96	96	96	91	94	89	91	87	107	98	99	107
Orlando, Fla.	95	100	92	95	90	96	93	112	80	104	92	99	103
Washington, D.C.-Md.-Va.	104	106	102	104	100	105	100	112	92	113	104	99	105
Nonmetropolitan areas [8]	84	83	84	84	92	69	66	65	67	103	87	95	77
West:													
Bakersfield, Calif.	99	99	99	99	96	95	90	93	88	113	100	108	99
Denver, Colo.	101	100	101	101	99	99	94	93	94	110	104	100	100
Honolulu, Hawaii	115	124	110	115	121	115	110	148	86	125	99	100	114
Los Angeles-Long Beach, Calif.	104	107	102	104	97	104	102	115	94	113	104	115	108
San Diego, Calif.	100	101	99	100	95	99	95	99	93	110	96	111	107
San Francisco-Oakland, Calif.	108	111	107	108	102	109	108	119	101	119	111	110	111
Seattle-Everett, Wash.	111	113	110	111	106	114	111	119	106	120	108	105	110
Nonmetropolitan areas [8]	95	95	95	95	99	87	91	92	90	106	106	99	83

See footnotes at end of table 6.

TABLE 6.—INDEXES OF COMPARATIVE COSTS BASED ON A HIGHER LEVEL BUDGET FOR A RETIRED COUPLE, SPRING 1967 [1]

[U.S. urban average costs—100]

Area	Total budget costs [2]			Cost of family consumption									
						Housing (shelter, house furnishings, household operations)							
							Shelter						
	Renter and owner combined [3]	Renter families	Homeowner families	Total [3]	Food	Total [3]	Renter and owner combined [4]	Renter families [5]	Homeowner families [6]	Transportation [7]	Clothing and personal care	Medical care	Other family consumption
Urban United States	100	100	100	100	100	100	100	100	100	100	100	100	100
Metropolitan areas [8]	105	106	105	104	102	108	108	110	108	102	99	101	108
Nonmetropolitan areas [9]	85	83	86	86	95	76	75	71	77	94	102	96	77
Northeast:													
Boston, Mass	119	115	121	117	107	137	153	132	166	99	96	99	111
Buffalo, N.Y	110	109	110	109	102	114	115	112	117	109	104	100	111
Hartford, Conn	114	114	113	112	111	118	123	123	123	111	99	102	116
Lancaster, Pa	100	97	101	99	107	95	88	79	93	98	96	98	107
New York-northeastern N.J	115	111	116	113	110	126	136	121	145	90	100	102	113
Philadelphia, Pa.-N.J	105	107	105	104	106	111	111	118	108	87	95	99	111
Pittsburgh, Pa	101	100	101	100	102	96	89	88	90	102	98	97	112
Portland, Maine	100	94	103	101	103	97	87	66	99	102	105	98	111
Nonmetropolitan areas [9]	95	90	97	96	106	90	98	78	110	97	103	97	80
North Central:													
Cedar Rapids, Iowa	106	108	105	105	97	111	112	117	109	106	103	99	103
Champaign-Urbana, Ill	104	102	105	104	100	108	112	104	117	106	109	100	101
Chicago, Ill.-Northwestern Ind	103	109	101	103	99	110	113	133	101	94	103	106	104
Cincinnati, Ohio-Ky.-Ind	95	93	96	95	98	89	81	76	84	100	95	95	105
Cleveland, Ohio	103	103	103	103	96	107	108	107	109	105	105	94	103
Dayton, Ohio	100	104	98	99	95	102	100	114	92	98	101	96	104
Detroit, Mich	106	112	103	105	101	108	108	131	94	105	104	98	109
Green Bay, Wis	102	99	103	100	93	104	104	92	110	102	102	100	101
Indianapolis, Ind	104	100	106	104	98	108	110	95	119	105	103	94	109
Kansas City, Mo.-Kans	101	101	101	100	98	98	91	94	90	109	101	101	105
Milwaukee, Wis	104	102	105	102	98	105	107	98	112	102	102	98	104
Minneapolis-St. Paul, Minn	103	102	104	102	97	104	103	98	106	105	102	94	106
St. Louis, Mo.-Ill	100	96	102	100	104	95	88	76	95	111	99	98	97
Wichita, Kans	100	100	100	99	97	98	93	93	92	109	98	98	102
Nonmetropolitan areas [9]	87	84	89	89	96	80	82	70	89	90	108	94	77
South:													
Atlanta, Ga	91	94	89	92	95	82	66	82	57	101	97	99	105
Austin, Tex	91	92	91	93	92	85	76	84	72	107	90	100	104
Baltimore, Md	100	98	100	100	96	100	91	86	94	104	98	100	106
Baton Rouge, La	92	93	92	93	99	81	70	78	66	112	92	97	106
Dallas, Tex	98	105	96	99	95	97	97	121	83	107	94	102	109
Durham, N.C	92	90	93	92	91	86	76	73	79	104	94	98	104
Houston, Tex	99	106	96	100	97	98	94	121	79	114	91	103	104
Nashville, Tenn	95	94	95	96	90	94	86	87	86	106	97	99	104
Orlando, Fla	93	91	93	94	91	91	82	80	84	101	92	99	103
Washington, D.C.-Md.-Va	103	104	103	103	100	103	99	102	97	106	103	99	107
Nonmetropolitan areas [9]	80	80	80	82	92	68	63	68	61	94	96	95	76
West:													
Bakersfield, Calif	99	99	99	99	96	96	88	90	87	113	96	108	103
Denver, Colo	102	103	101	102	103	102	97	103	93	104	99	100	102
Honolulu, Hawaii	120	127	116	116	124	118	113	140	98	119	95	100	119
Los Angeles-Long Beach, Calif	107	116	103	107	99	111	114	145	96	111	100	115	106
San Diego, Calif	101	103	101	102	96	104	102	109	99	107	92	111	105
San Francisco-Oakland, Calif	108	108	108	108	104	107	104	104	103	117	107	110	108
Seattle-Everett, Wash	108	106	108	107	106	106	99	95	102	116	103	105	106
Nonmetropolitan areas [9]	91	91	91	92	100	83	83	83	82	97	109	99	79

[1] The family consists of a retired husband and wife, age 65 years or over.

[2] The total represents the weighted average costs of renter and homeowner families. See the weights cited in footnote 4.

[3] The lower and intermediate budgets do not include an allowance for lodging away from home city, but the higher budget includes $53 for all areas. These costs are not shown separately or included in any of the housing subgroups.

[4] The average cost of shelter is weighted by the following proportions: Lower budget, 40 percent for renters, 60 percent for homeowners; intermediate budget, 35 percent for renters, 65 percent for homeowners; higher budget, 30 percent for renters, 70 percent for homeowners.

[5] Average contract rent plus the cost of required amounts of heating fuel, gas, electricity, water, specified equipment, and insurance on household contents.

[6] Taxes, insurance on house and contents, water, refuse disposal, heating fuel, gas, electricity, specified equipment, and home repair and maintenance costs.

[7] The average costs to automobile owners and nonowners in the lower budget are weighted by the following proportions of families: New York, Boston, Chicago, and Philadelphia, 100 percent for nonowners; all other metropolitan areas, 45 percent for automobile owners, 55 percent for nonowners; nonmetropolitan areas, 55 percent for owners, 45 percent for nonowners. The intermediate budget proportions are: New York, 25 percent for owners, 75 percent for nonowners; Boston, Philadelphia, and Chicago, 40 percent for owners, 60 percent for nonowners; all other metropolitan areas, 60 percent for owners, 40 percent for nonowners; nonmetropolitan areas, 68 percent for owners, and 32 percent for nonowners. The higher budget proportions are: New York, Boston, Philadelphia, and Chicago, 75 percent for owners, 25 percent for nonowners; all other areas, 100 percent for automobile owners. Intermediate budget costs for automobile owners in autumn 1966 were revised prior to updating to spring 1967 cost levels.

[8] For a detailed description, see the 1967 edition of the Standard Metropolitan Statistical Areas, prepared by the Bureau of the Budget.

[9] Places with population of 2,500 to 50,000.

TABLE 7.—ANNUAL COSTS OF CONSUMPTION FOR 3 LEVELS OF LIVING FOR A RETIRED COUPLE, URBAN UNITED STATES, SPRING 1967, AUTUMN 1968, AND SPRING 1969 [1]
(ESTIMATED ON THE BASIS OF THE CONSUMER PRICE INDEX)

	Spring 1967	Autumn 1968	Spring 1969 [1]	Percent change, spring 1967 to spring 1969
Lower:				
Food	$789	$835	$851	7.9
Housing	939	986	1,010	7.6
Transportation	191	200	205	7.3
Clothing and personal care	217	234	240	10.6
Medical care	294	321	334	13.6
Other family consumption	126	135	137	8.7
Total family consumption	2,556	2,711	2,777	8.6
Intermediate:				
Food	1,048	1,111	1,131	7.9
Housing	1,330	1,400	1,433	7.7
Transportation	382	400	412	7.9
Clothing and personal care	357	387	396	10.9
Medical care	296	323	337	13.9
Other family consumption	213	229	231	8.5
Total family consumption	3,626	3,850	3,940	8.7
Higher:				
Food	1,285	1,363	1,387	7.9
Housing	2,066	2,183	2,239	8.4
Transportation	682	713	735	7.8
Clothing and personal care	549	595	608	10.7
Medical care	299	326	339	13.4
Other family consumption	454	484	495	9.0
Total family consumption	5,335	5,664	5,803	8.8

[1] The budget estimates for spring 1969 reflect a slower rise than the 9.6-percent increase in the CPI because a majority of the retired couples live in mortgage-free homes. Therefore, their budgets were not affected by the sharp rise in mortgage interest rates. Data for spring 1969 will be revised later to reflect the spring 1969 repricing of goods and services that make up the budgets.

PERSONAL ANNOUNCEMENT

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, December 16, 1969

Mr. CONYERS. Mr. Speaker, previous commitments in my district unavoidably prevented my voting on rollcall 323. Had I been present to vote on H.R. 15095, the Social Security Amendments of 1969, I would have voted "yea."

SOCIAL SECURITY AMENDMENTS OF 1969

SPEECH OF

HON. THADDEUS J. DULSKI

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, December 15, 1969

Mr. DULSKI. Mr. Speaker, I am in full support of the pending legislation, H.R. 15095, to increase all social security benefits by 15 percent effective next month.

I commend the Committee on Ways and Means and particularly its chairman, the gentleman from Arkansas (Mr. MILLS) for bringing this measure before the House at this time.

Obviously, there are other adjustments which should also be made in the social security law. But the current need for an across-the-board increase in benefits cannot wait for the necessary deliberations of the committee on those details.

Our senior citizens, with their fixed incomes, are feeling the effects of inflation more than anyone else. For example, there is no provision in their benefits for escalation in line with the steady increase in the cost of living.

Incidentally, because of the timelag necessary to adjust the payment schedules of all of the individual beneficiaries, the first monthly check to show the proposed increase will not be received until the first week in April. But shortly thereafter an additional check will be sent to each beneficiary to cover the monthly increases for January through March.

Since January, I have sponsored a number of bills calling for changes in the social security law. One provided for the across-the-board 15-percent increase—the same amount called for in the pending bill—but it also provided for an automatic system to cover increases in the cost of living.

I remain convinced that we must install a semiautomatic system tied to the cost of living. However, I recognize the problem of the Ways and Means Committee in trying to deal with anything beyond the across-the-board increase at this point in the legislative session.

In this connection, I appreciate the assurance from the chairman that his committee will consider the other social security law changes when Congress reconvenes next month. There are a number of glaring inequities which must be acted upon.

Mr. Speaker, I hope that the pending bill, H.R. 15095, will have the unanimous support of the House and thus give assurance to our senior citizens in particular and to all Americans in general, that we recognize the inadequacy of the present system of benefits.

SUPPORT FOR SOCIAL SECURITY INCREASE

SPEECH OF

HON. WILLIAM (BILL) CLAY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Monday, December 15, 1969

Mr. CLAY. Mr. Speaker, I support H.R. 15095, to provide for a 15-percent across-the-board increase in social security payments. One of my first acts in Congress was to introduce similar legislation—providing for a 15-percent benefit increase, and for cost-of-living adjustments in benefits. Since social security payments were increased, a year and a half ago, the cost of living has increased 10 percent. And the meager increase at that time still left the majority of social security recipients living on incomes below the subsistence level.

Inflation has had its most harsh effect upon older Americans. They have no way to fight it—no way out of the cycle. Sources of income for older Americans are limited. Full-time employment for the elderly is exceedingly difficult to find. Due to the restriction on the outside earnings imposed by social security regulations, the senior citizen suffers another squeeze.

Many of these citizens were not so fortunate as to participate in pension plans which would guarantee them sufficient retirement income. Many who felt they had saved and invested for their later years have seen their dollars washed away by inflation until their plans for self-sufficiency have become lost dreams.

These citizens cannot be blamed for their plight and they should not be required to suffer as they now do. There are 1.2 million social security recipients who must rely on old age assistance to supplement their meager social security payments. Many have lost their dignity through public assistance and others have humbly called upon offspring and other relatives to supplement their inadequate incomes.

At a time when all middle- and low-income Americans must pinch pennies, a father of three finds it difficult, if not impossible, to support parents and/or grandparents in addition to his immediate family.

It is shameful that we have delegated our older citizens to such an existence. Today, the average social security benefit is less than one-third the $3,900 which the Bureau of Labor Statistics says is necessary for a modest standard of living. The 2.5 million widows drawing survivor's benefits are living on average payments of $87 a month—or only $1,044 a year. For 80 percent of the older Americans dependent upon social security, the basic necessities of life must be compromised. They go without sufficient food, or clothing, or heat or lights, or housing.

These Americans have been robbed of their dignity—dignity and respect which should be a reward for the toil and tribulations of having lived and worked in this society.

Poverty knows no age limits. It hits the old and the young with equal strength, and equal cruelty. The young must cling to some hope for relief—that things will get better. The old who have had hard times in youth, the old who have worked but who could not anticipate the nature of the present economy, the old who are disabled, widowed, and those who have no families—none of these senior citizens deserve the hardships of old age which they now reap.

The 15-percent increase in social security benefits to be effective January 1, 1970—is the very least we can do for senior citizens now.

of our consideration of the social security system. Mr. MILLS has promised to undertake an extensive review of all aspects of social security—disability insurance, hospital insurance, supplementary hospital benefits, and others—and report a comprehensive reform bill to the House next March.

Among the measures to which I hope the committee will give careful consideration is one which I, along with many of my colleagues, have long advocated. It calls for a standard cost-of-living increase in social security benefits, to be applied automatically—as they generally are to civil service and military retirement benefits. Certainly, our senior citizens should not be forced to bear the brunt of inflation, by living on fixed income when wages and prices for the rest of our society are rising. Raising their social security benefits to meet the rising cost of living is not generosity—it is only fairness, and I hope that the Ways and Means Committee will recognize this in their deliberations next year.

For now, however, I applaud the step we have taken—remembering, as I say, that it is only the first of many that we must take to give our senior citizens what they deserve. Yesterday's vote, if accepted by the Senate, will do much to improve the lot of our retired citizens. The average benefit paid to a retired worker would rise from $100 to $116 a month. For a married couple, benefits would rise from $170 to $196 a month. Average widows benefits would rise from $88 to $100 monthly. A disabled worker's benefits would rise from $113 to $130 a month. And a widow with two children would find her social security check rising from $254 to $292 a month.

Some 25 million people would benefit from the increases provided in this bill.

It is, let me reiterate, a beginning to what I hope will be an extensive revamping our entire social security system. But this bill is a good beginning, and I am glad to support it.

SOCIAL SECURITY RISE

HON. HASTINGS KEITH

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, December 17, 1969

Mr. KEITH. Mr. Speaker, the 15-percent across-the-board increase in social security benefits as it has just passed the House is a much-needed step in the right direction. When one considers that the cost of living has risen 9.1 percent since the last social security rise in February of 1968, and that the benefits we are now voting will not take effect until next April, then the rightness of our vote becomes obvious.

As Chairman MILLS of the Ways and Means Committee has pointed out, this measure is only a beginning, not the end.

TAX REFORM ACT OF 1969

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The ACTING PRESIDENT pro tempore. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. H.R. 13270, an act to reform the income tax laws.

The ACTING PRESIDENT pro tempore. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

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INCREASE IN SOCIAL SECURITY PAYMENTS

Mr. LONG. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG's amendment was to add at the end of the bill the following new title:

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

That this title may be cited as the "Social Security Amendments of 1969".

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$16.20	$55.40 or less	----------	$76	$64.00	$96.00
$16.21	16.84	56.50	$77	78	65.00	97.50
16.85	17.60	57.70	79	80	66.40	99.60
17.61	18.40	58.80	81	81	67.70	101.60
18.41	19.24	59.90	82	83	68.90	103.40
19.25	20.00	61.10	84	85	70.30	105.50
20.01	20.64	62.20	86	87	71.60	107.40
20.65	21.28	63.30	88	89	72.80	109.20
21.29	21.88	64.50	90	90	74.20	111.30
21.89	22.28	65.60	91	92	75.50	113.30
22.29	22.68	66.70	93	94	76.80	115.20
22.69	23.08	67.80	95	96	78.00	117.00
23.09	23.44	69.00	97	97	79.40	119.10
23.45	23.76	70.20	98	99	80.80	121.20
23.77	24.20	71.50	100	101	82.30	123.50
24.21	24.60	72.60	102	102	83.50	125.30
24.61	25.00	73.80	103	104	84.90	127.40
25.01	25.48	75.10	105	106	86.40	129.60
25.49	25.92	76.30	107	107	87.80	131.70
25.93	26.40	77.50	108	109	89.20	133.80
26.41	26.94	78.70	110	113	90.60	135.90
26.95	27.46	79.90	114	118	91.90	137.90
27.47	28.00	81.10	119	122	93.30	140.00
28.01	28.68	82.30	123	127	94.70	142.10
28.69	29.25	83.60	128	132	96.20	144.30
29.26	29.68	84.70	133	136	97.50	146.30
29.69	30.36	85.90	137	141	98.80	148.20
30.37	30.92	87.20	142	146	100.30	150.50
30.93	31.36	88.40	147	150	101.70	152.60
31.37	32.00	89.50	151	155	103.00	154.50
32.01	32.60	90.80	156	160	104.50	156.80
32.61	33.20	92.00	161	164	105.80	158.70
33.21	33.88	93.20	165	169	107.20	160.80
33.89	34.50	94.40	170	174	108.60	162.90
34.51	35.00	95.60	175	178	100.00	165.00
35.01	35.80	96.80	179	183	111.40	167.10
35.81	36.80	98.09	186	188	112.70	169.10
36.41	37.08	99.50	189	193	114.20	171.30
37.09	37.60	100.50	194	197	115.60	173.40
37.61	38.20	101.60	198	202	116.90	175.40
38.21	39.12	101.90	203	207	118.40	177.60
39.13	39.68	104.10	208	211	119.80	179.70
39.69	40.33	105.20	212	216	121.00	181.50

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1967 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$40.34	$41.12	$106.50	$217	$221	$122.50	$181.50
41.13	41.76	107.70	222	225	123.90	185.90
41.77	42.44	108.90	226	230	125.30	188.00
42.45	43.20	110.10	231	235	126.70	190.10
43.21	43.76	111.40	236	239	128.20	192.30
43.77	44.44	112.60	240	244	129.50	195.20
44.45	44.88	113.70	245	249	130.80	199.20
44.89	45.60	115.00	250	253	132.30	202.40
		116.20	254	258	133.70	206.40
		117.30	259	263	134.90	210.40
		118.60	264	267	136.40	213.60
		119.80	268	272	137.80	217.60
		121.00	273	277	139.20	221.60
		122.20	278	281	140.60	224.80
		123.40	282	286	142.00	228.80
		124.70	287	291	143.50	232.80
		125.80	292	295	144.70	236.00
		127.10	296	300	146.20	240.00
		128.30	301	305	147.60	244.00
		129.40	306	309	148.90	247.20
		130.70	310	314	150.40	251.20
		131.90	315	319	151.70	255.20
		133.00	320	323	153.00	258.40
		134.30	324	328	154.50	262.40
		135.50	329	333	155.90	266.40
		136.80	334	337	157.40	269.60
		137.90	338	342	158.60	273.60
		139.10	343	347	160.00	277.60
		140.40	348	351	161.50	280.80
		141.50	352	356	162.80	284.80
		142.80	357	361	164.30	288.80
		144.00	362	365	165.60	292.00
		145.10	366	370	166.90	296.00
		146.40	371	375	168.40	300.00
		147.60	376	379	169.80	303.20
		148.90	380	384	171.30	307.20
		150.00	385	389	172.50	311.20
		151.20	390	393	173.90	314.40
		152.50	394	398	175.40	318.40
		153.60	399	403	176.70	322.40
		154.90	404	407	178.20	325.60
		156.00	408	412	179.40	329.60
		157.10	413	417	180.70	333.60
		158.20	418	421	182.00	336.80
		159.40	422	426	183.40	340.80
		160.50	427	431	184.60	344.80
		161.60	432	436	185.90	348.80
		162.80	437	440	187.30	350.40
		163.90	441	445	188.50	352.40
		165.00	446	450	189.80	354.40
		166.20	451	454	191.20	356.00
		167.30	455	459	192.40	358.00
		168.40	460	464	193.70	360.00
		169.50	465	468	195.00	361.60
		170.70	469	473	196.40	363.60
		171.80	474	478	197.60	365.60
		172.90	479	482	198.90	367.20
		174.10	483	487	200.30	369.20
		175.20	488	492	201.50	371.20
		176.30	493	496	202.80	372.80
		177.50	497	501	204.20	374.80
		178.60	502	506	205.40	376.80
		179.70	507	510	206.70	378.40
		180.80	511	515	208.00	380.40
		182.00	516	520	209.30	382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	574	574	225.40	404.00
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	405.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60
		201.00	589	591	231.20	410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00
		207.00	610	612	238.10	419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40
		213.00	631	634	245.00	428.00
		214.00	635	637	246.10	420.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to January 1970, for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or".

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969".

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

"Primary Insurance Amount Under 1967 Act

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the pri-

mary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 3. (a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46," and by striking out "$20" and inserting in lieu thereof "$23".

(2) Section 227(b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$46".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFITS

SEC. 4. (a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

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

(b) Section 202(c)(3) of such Act is amended to read as follows:

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

(c) Sections 202(c)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) One-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-emplyoment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 5. (a) Section 201(b)(1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201(b)(2) of such Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

Mr. LONG. Mr. President, I submit this amendment on behalf of myself and the Senator from Connecticut (Mr. RIBICOFF). In a moment, I shall ask that the amendment be temporarily laid aside so that the amendment of the Senator from Texas (Mr. YARBOROUGH) may be considered next, but it is my feeling that before the Senate adjourns, we should vote on the increase in the social security payments recommended by the House of Representatives.

The House Ways and Means Committee has recommended a simple 15-percent across-the-board increase. Although, that may be opposed by the administration, there is no doubt in my mind that it will become law if the Congress is permitted to vote on it between now and January 1.

I do not wish to usurp the prerogatives of the House of Representatives at all. Ordinarily, the House would pass the bill, send it to us, and we would then have an opportunity to vote on it. But I do feel that we should vote on the measure before we adjourn for the Yuletide recess, if indeed there is one. In order that we can vote on it before the recess, I think it appropriate that the amendment should be offered. Senators who would like to add their names as cosponsors are welcome to do so, and I shall call the amendment up and ask for a vote on it at some point further along in the consideration of this measure.

I ask unanimous consent that the names of the distinguished majority leader (Mr. MANSFIELD), the Senator from Rhode Island (Mr. PASTORE), the Senator from Tennessee (Mr. GORE), the Senator from New Mexico (Mr. MONTOYA), and the Senator from Nevada (Mr. CANNON) be added as cosponsors of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SCOTT. Mr. President, if the Senator will yield, I would like to be sure the Senator is not going to bring that amendment up today.

Mr. LONG. I have offered the amendment only because I wanted to direct it to the attention of the Senate. I shall not ask for a vote on it at this moment. I ask that it be temporarily laid aside, so that Senators who would like to do so may add their names to it as cosponsors, and I would hope that the House of Representatives will act on this measure before we have concluded action on this bill, so that we would not be jumping the gun on the House of Representatives, so to speak, by our action. It is the House's committee that has worked on this measure and, under the Constitution, the House should work on it first.

However, I do not think we should withhold action on the matter because, in voting for a simple 15-percent across-the-board increase in social security benefits, the House Ways and Means Committee is obviously planning to send us later a much more detailed bill. Though that subsequent bill may have much less revenue impact, it would probably deal with many more problems than are involved in this across-the-board increase upon which it is now proposed that the House of Representatives vote.

We are not likely to have time to conduct hearings on the bill increasing benefits 15 percent, and there is really not much reason for doing so. I think Senators will pretty well know how they want to vote on this matter when it comes before the Senate, and I think we would like to vote on it before Congress adjourns for this year. For fear that we might not have another opportunity to vote on it, it will be offered as an amendment to this bill.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. PROUTY. I understand this does not increase the minimum benefit; that still remains at $55, plus the 15-percent increase?

Mr. LONG. Yes. The minimum benefit would be $64, a 15-percent increase, rounded up to the next whole dollar. Basically, the bill simply provides a 15-percent across-the-board increase. It is my understanding that the House of Representatives, in voting on this matter, has in mind sending to us next year a much more detailed bill, going into the kind of matters that the Senator from Vermont has in mind. I would hope we could avoid going into very many other questions, such as the Senator from Vermont has in the past brought to the attention of the Finance Committee, and simply pass, before we go home, a 15-percent across-the-board increase; then, when we come back next year, we would consider the more extensive measure which the House of Representatives is planning to send us.

Mr. PROUTY. If the Senator will yield further, I have an amendment at the desk now which would increase the minimum monthly payment to $90, which is the same amount recommended by the President for welfare recipients who are 65 years of age or older.

I have another amendment which would simply increase the minimum to $70, and then 15 percent across the board. I shall offer that.

Mr. LONG. The Senator certainly has the right to do so. I would hope, however, that he will withhold doing that until we have the other amendment before us.

Mr. PROUTY. If the Senator will let me know when he calls it up.

Mr. LONG. Yes.

Mr. YOUNG of Ohio. Mr. President, will the Senator yield to me?

Mr. LONG. I yield.

Mr. YOUNG of Ohio. I ask the distinguished chairman of the Committee on Finance, is it not a fact that at the present time the surplus in the social security fund, plus the surplus in the social security disability fund, approximates $33 billion, and by reason of that fact, the social security system will continue as an actuarially sound insurance system with the granting of this 15-percent increase retroactive to December 1 of this year, as provided in the bill just passed by the House of Representatives?

Mr. LONG. Mr. President, the Senator, I am sure, is using those figures because he has reviewed them recently.

Mr. YOUNG of Ohio. I am familiar with them.

Mr. LONG. I have not reviewed them in the last month, and, therefore, I shall

have to accept the Senator's word for it. But I shall be glad, when we get the amendment before us for a vote, to have the latest information available so that I can respond more accurately to the Senator's question.

Mr. YOUNG of Ohio. May I say that years ago I served on the taxwriting Ways and Means Committee of the House of Representatives. Also, I was a Member of the other body at the time that President Franklin D. Roosevelt proposed the Social Security System. I have followed it with great interest since. The fact is that the present surplus in both the disability and the social security funds exceeds $33 billion. Very definitely, the system will continue to be actuarily sound, as all of us want it to continue to be, if we grant this 15-percent increase to every present recipient—child, man, and woman—who receives his social security check on the third day of every month.

Mr. LONG. Mr. President, the House Ways and Means Committee has been responsible in the way it has handled social security bills, and I am sure that the same would be true in this instance; so I have no doubt that the answer to the Senator's question would be "Yes."

Mr. YOUNG of Ohio. And that is true without any increase in contributions, as matters stand.

Mr. CRANSTON. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. CRANSTON. I ask that my name be added to the amendment as a cosponsor.

Mr. LONG. I ask unanimous consent that the Senator's name be added, and also the name of the Senator from South Dakota (Mr. McGOVERN).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. YOUNG of Ohio. My name also.

Mr. LONG. I have already asked that the Senator's name be added.

Mr. President, I ask unanimous consent that the names of the Senator from California (Mr. CRANSTON), the Senator from South Dakota (Mr. McGOVERN), the Senator from Ohio (Mr. YOUNG), the Senator from West Virginia (Mr. BYRD), and the Senator from North Dakota (Mr. BURDICK) be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MAGNUSON. Mr. President, I could not hear the Senator. However, am I correct in understanding that this would not be a substitute for the measure next year when the Senator will have before his committee and there will be before the Ways and Means Committee the so-called package deal that will be 15 percent at that time, but will raise the minimum proposal, whether or not we raise the exemption from $7,500 to $9,000.

If we do all of that, it is my understanding—because I have been listening to testimony on the matter this week—that the fund is running about 1.16 percent above what the actuarians say we might have to pay out.

If we include that 1.16 percent and keep the reserve of close to $31 billion, we could increase the minimum up to $100, if we wish, and we would still have the fund intact and still keep the reserves. We are running at the present time 1.16 percent above what is needed.

We could do this and still keep it sound, though the figure, as the Senator pointed out, of more than $30 billion is enough to keep it in sound shape and ready to do the job.

Mr. LONG. Mr. President, I thank the Senator.

Mr. President, I am not going to ask for a vote at this point. I prefer that we vote on the matter at a later time, after the Senators have had a chance to consider the matter further.

Mr. President, I ask unanimous consent that the amendment be temporarily laid aside.

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The PRESIDING OFFICER. The Senator from California is recognized.

AMENDMENT NO. 320

Mr. MURPHY. Mr. President, I call up my amendment number 320 and ask that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MURPHY's amendment (No. 320) is as follows:

AMENDMENT NO. 320

At the proper place insert the following:

SEC.—DEDUCTIONS FOR MEDICAL CARE, MEDICINE, AND DRUGS FOR INDIVIDUALS WHO HAVE ATTAINED THE AGE OF 65.

(a) IN GENERAL.—

(1) Section 213(a) (relating to allowance of deduction for medical, dental, etc., expenses) is amended to read as follows:

"(a) ALLOWANCE OF DEDUCTION.—There shall be allowed as a deduction the following amounts, not compensated for by insurance or otherwise:

"(1) If neither the taxpayer nor his spouse has attained the age of 65 before the close of the taxable year—

"(A) the amount of the expenses paid during the taxable year for medical care of any dependent (as defined in section 152) who—

"(i) is the mother or father of the taxpayer or of his spouse, and

"(ii) has attained the age of 65 before the close of the taxable year;

"(B) the amount by which the amount of expenses paid during the taxable year (reduced by any amount deductible under subparagraph (C)) for medical care of the taxpayer, his spouse, and dependents (other than any dependent described in subparagraph (A)) exceeds 3 per centum of the adjusted gross income; and

"(C) an amount (not in excess of $150) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents (other than any dependent described in subparagraph (A)).

"(2) If either the taxpayer or his spouse has attained the age of 65 before the close of the taxable year—

"(A) the amount of the expenses paid during the taxable year for medical care of the taxpayer, his spouse, and any dependent described in paragraph (1)(A);

"(B) the amount by which the amount of expenses paid during the taxable year (reduced by any amount deductible under subparagraph (C)) for medical care of dependents (other than any dependent described in paragraph (1)(A)) exceeds 3 percent of the adjusted gross income; and

"(C) an amount (not in excess of $150) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care of dependents (other than any dependent described in paragraph (1)(A))."

(2) Section 213(b) (relating to limitation with respect to medicine and drugs) is amended by adding at the end thereof the following new sentence: "The preceding sentence shall not apply to amounts paid for the care of—

"(1) the taxpayer and his spouse, if either of them has attained the age of 65 before the close of the taxable year, or

"(2) any dependent described in subsection (a)(1)(A)."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 1969.

Mr. MURPHY. Mr. President, this is a very simple amendment. May we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. MURPHY. This amendment does two things. It would provide that the medical and drug expenses incurred by a person aged 65 or over, or his spouse, shall be a fully deductible income tax item; and that medical and drug expenses paid by persons under age 65 on behalf of dependent parents 65 or over shall be fully deductible.

Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order. The Senator from California may proceed.

Mr. MURPHY. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. MURPHY. Mr. President, this amendment would restore—

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. MURPHY. I am happy to yield to the majority leader.

Mr. LONG. Mr. President, if the Senator will yield, I ask unanimous consent that further debate on the pending amendment be limited to one-half hour, to be equally divided between the Senator from California and the manager of the bill.

The PRESIDING OFFICER. Is there objection?

Mr. GRIFFIN. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard. The Senator from California may proceed.

Mr. MURPHY. Mr. President, this amendment would restore the Federal income tax treatment of medical care and drug expenses applicable for persons age 65 and over that existed prior to the changes made by the Social Security amendments of 1965. Before the 1965 change, an income tax deduction was allowed without application of the 3-percent floor for medical expenses or the 1-percent floor for drug expenses of a taxpayer and his spouse if either were 65 or over. The 1965 change limited the medical expense deduction to those in excess of 3 percent of the taxpayer's adjusted gross income and the cost of medicine and drugs could be deducted only to the extent that they exceeded 1 percent of the taxpayer's adjusted gross income. My amendment would restore the full medical expense and drug expense deductions for persons 65 and over without regard to the 3- and 1-percent floors.

The Senate in considering the Social Security Amendments of 1967 adopted provisions restoring the full deduction for a person 65 and over but the provision was subsequently deleted in a conference with the House.

The case for full income tax deductibility for medical expenses of persons age 65 and over is clear and compelling. Immediate restoration of medical deductions as permitted before 1965 amendments to the Internal Revenue Code is badly needed. It is a matter of equity for millions of older Americans, many of whom are helpless victims of rising costs.

Adoption of this proposal in no way should be regarded as an alternative to more effective help through medicare or medicaid provisions of the Social Security Act. Necessary improvements in these programs should be given careful consideration by the Senate when it acts on social security amendments.

Tax reform, however, is before the Senate now. I cannot urge too strongly the importance of compassionate and more equitable income tax treatment of persons past 65, especially on costs of illness and keeping well.

As a member of the Senate Special Committee on Aging, I invite your attention to a statement from a working paper on "Health Aspects of the Economics of Aging," prepared for the committee and published in July of this year. It says:

Although Medicare and Medicaid have replaced a large segment of private spending for health care, 30 percent of the cost of personal health care for the aged remains as a private responsibility for the aged and their children.

In addition to the 45 percent covered by Medicare, 25 percent of the fiscal 1968 expenditures of the aged were met by Medicaid and other public programs. Nevertheless, the amount paid privately by the aged remains higher per capita ($176) than for the nonaged ($153).

In my own State of California, I believe it fair to say that a better job has been done for older persons with lowest incomes than in most other States. Despite certain growing pains encountered in development of medi-cal, our version of medicaid, I think most agree that it is among the best of such programs.

Mr. President, the fact remains, however, that even under most favorable circumstances, these Federal and Federal-State programs now leave many gaps in the armamentarium designed to protect older persons against costs of illness. My proposal, offered as the Senate considers the whole question of taxation, aims to fill one of these gaps. No one needs to be reminded that medical costs have been rising sharply. Much of this falls on older people whose fixed incomes make it most difficult for them to protect themselves against such increases. At the same time, as additional persons attain the age of 65, inflationary pressures are increasing the number, already in the millions, who are subject to Federal income taxes. While the tax reform bill now before the Senate hopefully will provide some general relief taxwise to persons past 65, the benefits, particularly for those with health problems, could be short lived without adoption of my proposal to make medical expenses fully deductible for older people.

Those of us who have given special attention to the aging, and wishes of the aging about themselves, have been im-

pressed repeatedly by the practically universal desire of older Americans to take care of themselves whenever possible. Unfortunately many, through circumstances beyond their control, have been unable to fulfill this wish for economic independence. Government has a responsibility to come to their aid.

Mr. President, government also has a responsibility, especially through its tax laws, to see that as many older persons as possible who are already independent shall remain independent and give consideration to younger persons willing to assume responsibility for their elders. Nowhere is this governmental responsibility more applicable than in relation to health care costs. Through our tax laws, we can help prevent the financial drain caused by medical costs to our senior citizens.

This is a needed tax change that has a very positive value. It helps people to help themselves. I urge favorable consideration of this amendment as an exercise in such responsibility and in responsiveness to needs of older Americans.

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. MURPHY. I yield.

Mr. LONG. Mr. President, I ask unanimous consent that on the Murphy amendment there be a time limitation of 30 minutes, to be equally divided between the Senator from California (Mr. MURPHY) and the manager of the bill.

The PRESIDING OFFICER. Is there objection?

Mr. MURPHY. Mr. President, reserving the right to object, and I will not object, do I correctly understand that the debate be limited to 30 minutes on each side?

Mr. LONG. An additional 15 minutes on each side.

Mr. PROUTY. Mr. President, reserving the right to object, I would like to be assured of having about 10 minutes.

Mr. MURPHY. Mr. President, the Senator from Vermont can have 10 minutes.

The PRESIDING OFFICER. Is there objection? The Chair hears none and it is so ordered.

Mr. MURPHY. Mr. President, as I said this is a very simple amendment. It has been debated on the floor previously. The Senate has twice restored this needed tax deduction for medical expenses.

The amendment merely restores what was pre-1965 law. I believe the change in 1965 was a mistake, and has caused hardship to many senior citizens. My amendment corrects this mistake and allows older persons to take their actual deduction for their true medical costs in making out their income tax.

Mr. President, I yield to the Senator from Vermont.

Mr. PROUTY. Mr. President, inasmuch as the amendment is the same or almost the same as the one I have offered in the past, I hope that my friend the distinguished Senator from California, will permit me to be listed as a cosponsor.

Mr. MURPHY. Mr. President, I ask unanimous consent that the name of the Senator from Vermont (Mr. PROUTY) be added as a cosponsor of my amendment. His leadership in this field is known by all Members of this body. His support and help has been great.

The PRESIDING OFFICER. Without objection, it is so ordered.

How much time does the Senator yield to the Senator from Vermont?

Mr. MURPHY. Mr. President, I yield as much time as he requires to the Senator from Vermont.

Mr. PROUTY. Mr. President, the amendment offered by the Senator from California (Mr. MURPHY) will restore a much-needed mechanism of tax relief for older Americans, burdened by rising medical costs.

I commend Senator MURPHY for introducing this amendment; I am pleased to join him as a cosponsor and an advocate for its adoption.

I have offered this amendment before. It was adopted by the Senate in 1965, 1966, and 1967, but each time it was struck in conference.

I would like to review briefly the history of this tax provision.

Under a tax law first enacted in 1948, taxpayers 65 and older benefited from a provision which allowed them to deduct the cost of medical care up to certain specified maximums, for themselves and their spouses, who were also 65 and older. Other taxpayers were denied deductions for their medical expenses except to the extent that these expenses exceeded 3 percent of their adjusted gross income. These provisions stood for 17 years, reflecting congressional concern over the fact that our older citizens were caught in a vicious inflationary spiral of increasing medical bills and decreasing incomes. They needed help, and allowing a deduction of medical expenses was eminently proper.

However, Mr. President, with the consideration of the medicare bill in 1965, these tax deduction provisions were seriously challenged. At this time the House acted to repeal these provisions on the rationale that medicare would pay for virtually all medical needs of the aged, thus rendering the tax deduction superfluous, unnecessary, and overcomplicated. These deductions were not available to older citizens when they filed their 1967 income tax returns.

When the medicare bill came to the Senate, the Committee on Finance recognized the hardships and complexity that could occur if the medical expense deduction for the aged were cut back. The committee deleted the restricting amendments of the House bill. Members of the Finance Committee knew that medicare would pay no more than 40 to 50 percent of an aged individual's medical costs and that the remaining amounts would have to be paid for out of the aged person's own resources.

The Senate agreed to the committee amendments, but unfortunately the conferees on the medicare bill finally adopted the other body's provisions to cut back on the tax deduction, beginning in 1967.

Three years ago, the Committee on Finance again sought to retain the full deduction for the medical expenses of persons age 65 and over. The committee added an amendment to the Foreign Investors Tax Act designed to prevent the tax restrictions included in the 1965 medicare law from going into effect. The Senate passed the amendment, but once again the other body's conferees refused to accept it and it was stricken from the final form of the bill. In 1967, the Senate again adopted an amendment to restore this deduction. Since then, it has become apparent that many of our older citizens are worse off under medicare than they were previously when the tax deduction was allowed. This is so, Mr. President, because as it has developed, contrary to the view of the House of Representatives in 1965, medicare does not cover 100 percent of the medical expenses of the older Americans. In reality, only from 50 to 60 percent of costs are covered. Let us consider what costs must be met by the individual over 65.

Under hospital medicare insurance the first $40 must be paid by the individual.

After 60 days' care, the individual must pay $10 a day for the next 30 days of treatment.

Under medical insurance, the individual must pay $3 a month to receive benefits.

All drug costs except those provided in the hospital must be met by the individual.

None of these costs enumerated above can any longer be deducted unless they are in excess of 3 percent of the older taxpayer's adjusted gross income or in the case of drugs, exceed 1 percent of the adjusted gross income.

It is quite true that the poorest of our aged would not benefit from a reinstatement of the tax deduction. Those 8 million older Americans who do not file income tax returns would not be affected. However, Mr. President, there are some 14 million older Americans who do file income tax forms, and these people would be benefited.

Mr. President, this is an equitable amendment. The Senate has approved it on three previous occasions. Today, I urge my colleagues once again to respond to the obvious need to provide additional relief for those older Americans who are burdened by soaring medical costs.

Mr. MURPHY. Mr. President, I know it will be said that this amendment may benefit some people who do not need the help. However, I assure my distinguished friends in the Senate that my mail reflects that an awful lot is not being done by medicare and that a tremendous burden is being carried by older people.

I can think of nothing that desirves our attention more than the possibility of taking whatever action we can to alleviate the problem, as great as it may be.

I therefore urge the Senate to do what it has done three times in the past.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MURPHY. I yield.

Mr. JAVITS. Mr. President, as the Senator knows, I feel very much as he does about this matter. However, I am worried about one thing.

Would the Senator consent to some limitation on the taxable income of people to be eligible for this benefit?

I have always worried about the fact that a large number of taxpayers with high incomes get a benefit which they do not need.

Could we put some limitation in this provision—$10,000 or $15,000—on income as the income limit for which this would be available?

Mr. MURPHY. Mr. President, I am aware of the Treasury Departments claims regarding this amendment. I just do not believe their estimates are accurate. They claim medicare covers most of the older citizens expenses; yet, at the same time they argue the bill will cost over $200 million. If medicare were covering most expenses, how can we have these cost estimates. They cannot argue both ways.

Based on the reflection of my mail, I would respectfully hope that my colleague would permit this amendment to go through as it is. If we find any inequities, I would be glad to join with him later in discussing a limitation.

Mr. JAVITS. I do not think we have to wait that long. Would the Senator be sympathetic, assuming that the amendment is adopted—and I hope it will be—to the consideration in conference of what if any equity restrictions ought to be placed on it? It may be quite a finite question.

For example, the Senator from Delaware (Mr. WILLIAMS) just pointed out that in the case of catastrophic illness, the cost may be so great that a limitation based upon an income level may have to be adjusted to that kind of catastrophe. But if I could feel that the Senator is sympathetic to the idea of that kind of consideration, I think we could leave the rest to the conferees.

Mr. MURPHY. As I said to my distinguished colleague while he was talking with the Senator from Delaware, I have never been one to say that there should be a limit or whether it should be $10,000, or $15,000. I simply do not believe there has been great abuse. If there is, I will gladly not only join but lead efforts to correct it. I also would point out that catastrophic illness can strike those with higher incomes and wipe them out. That is why I fear limitations.

I serve on the Special Committee on Aging, and I know of the great need. My mail reflects that there are untold cases in which people of means, who have been very successful, have worked hard all their lives, suddenly, in a year or two, can have everything they have stored up for their old age wiped out completely. Medical costs can be unbelievable.

I understand, of course, that in conference these things will be considered. I hope we can let it go on the merits and on the basis on which I have put it, and if there is abuse, we can later correct it.

Mr. JAVITS. I shall vote for the amendment. I hope, however, that the conferees will consider this point, not for any ground of discrimination against rich people—I agree with the Senator that that is wrong—but I think that inasmuch as we are dealing with revenue—dollars—and it is a hard situation, only from that point of view, under present exigencies, would I, as one Senator, hope that they would give consideration to that question.

Mr. MURPHY. I thank my distinguished colleague.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator from California has 5 minutes remaining.

Mr. MURPHY. I reserve the rest of my time.

Mr. LONG. Mr. President, this amendment would have cost approximately $210 million when the matter was considered by the Senate before and now would cost $225 million.

It is estimated that most of the benefits of this amendment would go to high-bracket taxpayers.

Mr. GORE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. GORE. We hear a great deal about the poor and the crippled and the people on medicare, but this amendment is not designed for those people. Is that correct?

Mr. LONG. That is correct.

Let me explain this. Everyone can deduct extraordinary medical expenses that exceed 3 percent of his income. But he cannot deduct that if he is using the standard deduction of 10 percent, and most of the aged people take the standard deduction. So they cannot deduct medical expenses, because they are using the 10-percent standard deduction in which medical expenses are included.

If we look at how many people are in the zero to $3,000 earned income bracket, they would only get $2 million worth of benefits. Look at the small number involved in the $50,000 and over category. Those making $50,000 and over would get $93 million of benefits from this amendment.

I have a letter from the Secretary of the Treasury, Mr. Henry Fowler, in 1967, with respect to the same amendment. He said:

> Less than 4 percent, or 8 million dollars, of this $210 million is divided among all taxpayers with adjusted gross incomes up to $5,000. To put it another way, $93 million in revenue loss would be distributed among 60,000 persons with incomes over $50,000, for an average of $1500 each, whereas $8 million is distributed among 600,000 taxpayers with adjusted gross incomes up to $5,000, for an average benefit of $13 per taxpayer.

Imagine that! These taxpayers, the aged people in the $5,000 and less bracket, would get a $13 benefit, on the average, from this amendment, while the 60,000 people with incomes of over $50,000 would get an average of $1500 each under this amendment.

One of the facts of life about the Gore amendment of yesterday—and I ask the Senator from Tennessee to listen to this—is that the Gore amendment has the effect of doubling the personal exemption for aged people. In other words, the aged people are able to take the personal exemption twice. So that those over 65 who were taking $600 plus $600, or $1,200, would be able to take, if the Gore amendment prevails—and I shall support it in conference—an additional $400 deduction.

This amendment would add $225 million to the cost of this bill, and it would not particularly benefit those who really need it, because they have to pay for Medicare and Medicaid, and they take the standard deduction. This would only allow the deduction of the first 3 percent of medical expenses for a group who, for the most part, have little need of it.

Mr. President, I submit that the amendment is very much calculated to aid most those who need it the least, and to aid least those who might need it the most.

Mr. GORE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. GORE. And will not this almost $225 million a year be an annual loss from the Treasury?

Mr. LONG. An annual loss.

May I say that if one wants to help those in the upper income tax brackets for this much money, he could put the top limit of taxes at 60 percent rather than 70 percent, and let all people above the $50,000 bracket have some benefit from it.

Mr. President, we did dispose of this amendment by voice vote previously, and the Senate agreed to it, and we took it to conference. The House would not agree to it. If the Senator insists on a rollcall vote, we will accommodate him. It would be all right with me to dispose of it by a voice vote, if the Senator would be so inclined. But if the Senator insists on the yeas and nays, we will have a rollcall vote.

Mr. PROUTY. Mr. President, I insist on the yeas and nays.

Mr. MURPHY. I think we should have the yeas and nays.

Mr. LONG. Mr. President, I ask unanimous consent that the letter the Secretary of the Treasury sent me about this amendment in 1967, as well as the Treasury letter and the statement I made at that time be printed at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

> THE SECRETARY OF THE TREASURY,
> *Washington, December 4, 1967.*
>
> HON. RUSSELL B. LONG,
> *Chairman, Senate Finance Committee,*
> *U.S. Senate, Washington, D.C.*
>
> DEAR MR. CHAIRMAN: There are a series of amendments to the Social Security Bill added in the Senate Finance Committee dealing with various income tax matters. While these are generally minor provisions which members of my staff will be prepared to discuss at the forthcoming conference, there is one of considerable fiscal importance to which the Treasury Department is strongly opposed. That is the amendment which removes the 3 percent and 1 percent floors on medical expense deductions for taxpayers over age 65. These floors were applied to taxpayers over 65 as part of the Social Security Amendments of 1965, applicable to 1967 and subsequent years. The proposed amendment would repeal that change effective for 1967 so as to prevent it from taking effect.
>
> The only justification for the previous absence of these floors for those over 65 was to give additional aid to the elderly with their medical expenses. However, aid ex-

tended in this fashion is extermely inefficeint and costly. When Medicare was adopted much of the problem of medical expenses of the aged was solved in a uniform and equitable way and therefore the inequitable partial relief under the tax system was unjustified.

The inequity of this provision is demonstrated by the revenue loss involved in eliminating the floors and the distribution of that revenue loss. Elimination of these floors will result in an annual revenue loss of approximately $210 million. (This estimate is concurred in by the Staff of the Joint Committee and apparently also by the analysts in the Library of Congress; Congressman Brown of Michigan stated at page H15946 of the November 28, 1967 Congressional Record that the Legislative Reference Service in a study made for him estimated a revenue loss of $192 million for the tax year 1967.) Of this total, approximately 45 percent or $93 million goes to taxpayers with adjusted gross income of $50,000 and over. Less than 4 percent, or $8 million, is divided among all taxpayers with adjusted gross incomes of up to $5,000. To put it another way, $93 million in revenue loss is distributed among 60,000 people with incomes of over $50,000, for an average tax benefit of $1500 each whereas $8 million is distributed among 600,000 taxpayers with adjusted gross incomes up to $5,000 for an average benefit of $13 per taxpayer. Little can be said in defense of a provision aimed at aiding the financial problems of elderly people caused by medical expenses which gives over one hundred times more benefit to the elderly taxpayer with the least need than to the lower income elderly with the most need.

Sincerely yours,

HENRY H. FOWLER.

TREASURY DEPARTMENT,
Washington, D.C., October 3, 1967.

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

DEAR MR. CHAIRMAN: Several bills have recently been introduced to allow persons age 65 or over an unlimited deduction for medical expenses. These bills would reverse the legislative change made by the Social Security Amendments of 1965 (Medicare) which removed the special exceptions permitting persons age 65 or over to deduct their medical expenses without regard to the 3 percent and 1 percent of adjusted gross income limitations which are applicable to taxpayers generally. It is also possible that similar amendments may be proposed in connection with the Social Security legislation currently being considered by your Committee. For these reasons we consider it appropriate to inform you of the Treasury Department's views on this matter.

The attached memorandum sets forth the background of this problem and explains the reasons for the Treasury Department's opposition to the proposal.

The Bureau of the Budget has advised the Treasury Department that there is no objection from the standpoint of the Administration's program to the submission of our views.

Sincerely yours,

STANLEY S. SURREY.

PROPOSALS FOR RESTORING THE UNLIMITED MEDICAL EXPENSE DEDUCTION FOR PERSONS 65 OR OVER

It has been proposed that the action taken in 1965 be reversed and that the special exception to Section 213 of the Internal Revenue Code which allowed taxpayers age 65 or over an unlimited medical expense deduction be restored. Adoption of this proposal would be extremely costly to the Federal government; yet, it would provide very little benefit to those individuals most in need of financial assistance. For example, as the attached table indicates, for the taxable year 1967 the proposal would result in a revenue loss of approximately $210 million. Of this amount, nearly 70 percent would go to the limited class of persons age 65 or over with adjusted gross incomes of $20,000 or more. Indeed, 45 percent or $93 million would benefit those with over $50,000 adjusted gross income.

BACKGROUND OF THE PROPOSAL

Prior to the Social Security Amendments of 1965 (Medicare) persons 65 or over were excepted from the general rule that medical expenses are deductible during a given year only to the extent that they exceed 3 percent of a taxpayer's adjusted gross income and drug expenses are taken into account in computing medical expenses for purposes of the 3 percent limit only to the extent that they exceed 1 percent of a taxpayer's adjusted gross income. The Medicare Amendments eliminated the unlimited deduction accorded persons 65 or over effective for taxable years beginning after December 31, 1966. Thus, for tax year 1967 persons 65 or over are subject to the same 3 and 1 percent floors accorded all other taxpayers. The proposal would reverse the change made by the Medicare Amendments.

THE PROPOSAL SHOULD NOT BE ADOPTED

The considerations which prompted the elimination of the special exceptions for persons over 65 were sound. Those exceptions were an extremely costly and inefficient method of providing Federal aid to older citizens. They were introduced into the tax law at a time when the federal government had no general health insurance program designed to alleviate the burdens which medical costs impose upon older people. Recognizing the hardships generated for those 65 and over by increasing medical needs, Congress sought to mitigate the difficulty indirectly—through the tax law—by granting larger medical expense deductions to the members of this group than were available to taxpayers in general. However, since the tax benefit which was conferred decreased as the level of adjusted gross income diminished and the tax rate declined, the provision inevitably afforded greatest assistance to those who needed it least and, conversely, least assistance to those who needed it most.

The Social Security Amendments of 1965 attacked the fundamental problem in this area directly; it established programs carefully fashioned to enable all income groups of the aged to meet a substantial part of their medical costs. Since our elder citizens were accorded far more meaningful help in meeting their medical expenses under Medicare than under the special tax provisions, it was determined that there was no longer a need for the special tax provisions and they were eliminated. The attached example illustrates the extent to which an elderly couple is better off under the present medicare and income tax laws than would be the case if the arrangements prior to medicare were still in effect. The example shows that an elderly married couple with adjusted gross income of $10,000 and medical expenses of $770 for the year (medicine and drugs $100, hospitalization $520,[1] and surgery $150[2]) would have out-of-pocket costs of $275 under present law as compared with $624 if total medical expenses were tax deductible and there was no medicare program.

The reason our elder citizens are so much better off today is a reflection of the fact that the maximum benefit from the unlimited deduction could never exceed 3 percent of adjusted gross income for medical expenses and 1 percent for drug expenses reduced by multiplying that amount by the applicable marginal tax rate. Thus, for the couple in the above example, the maximum possible benefit they could derive under any circumstances from the fact that the deduction was unlimited was only $76 (3 percent and 1 percent of $10,000 x 19 percent=$76).

Those who argue that the special exceptions to the uniform percentage floors previously extended to persons 65 or over should be restored point out that the Medicare provisions do not cover all the medical expenses of older people. However, this argument misses the point. Neither the unlimited deduction provision nor the Medicare program made any pretense of paying 100 percent of the medical expenses of persons 65 or over. The unlimited deduction was repealed because it was replaced by a more equitable and meaningful program for defraying a portion of the medical expenses of older persons. To the extent that proponents of the present measure feel that the Medicare program does not go far enough, the answer is to expand that program, not perpetuate the costly and inefficient form of federal aid that the unlimited deduction represented.

It should also be noted that the increase in revenue resulting from the elimination of the special exceptions to the percentage floor was intended to help defray the cost of the general fund of the voluntary insurance provisions of the Medicare Act. In addition, the Medicare Amendments also added a provision permitting all taxpayers to deduct one-half of their medical insurance premiums up to a maximum of $150 without regard to the 3 percent floor. Thus, removing the floor for persons 65 or over at this time would result in the medical expense deduction becoming even more costly than it had been prior to the enactment of the Medicare Amendments.

There are no considerations that have arisen since 1965 which would make it advisable to reverse the action taken at that time to apply the medical expense deduction floor to elderly persons. Indeed, the contrary would appear true. Not only has Medicare proved to be an unqualified success, but pursuant to the President's request, H.E.W. has undertaken a comprehensive study of the feasibility of expanding Medicare to include payments for the cost of prescription drugs.

Estimated revenue loss from removing the 1-percent drug floor and the 3-percent floor on medical expenses in computing the medical deduction of taxpayers over 65, 1967

[Loss in millions of dollars]

Adjusted gross income class ($000):	Revenue loss
0–3	2
3–5	6
5–7	11
7–10	16
10–20	30
20–50	52
50 and over	93
Total	210

COMPARISON OF BENEFITS UNDER UNLIMITED MEDICAL EXPENSE DEDUCTION WITH BENEFITS UNDER MEDICARE PROGRAM

The following is a comparison showing how an elderly couple (both age 65 or over) would fare in 1967 under (1) the existing medicare and income tax laws and (2) a full tax deduction allowance for medical expenses and no medicare law. It is assumed that the couple has adjusted gross income of $10,000 and that a tax rate of 19 percent applies to the amounts in question. It is assumed further that the couple has medical expenses for the year as follows:

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[1] The average benefit payment per hospital admission in fiscal year 1967 was $480 after taking into account a $40 deductible.

[2] The average reasonable charge for surgery under part B of the medicare program was $150. This was derived from a preliminary report based on bills representing part of a 5 percent sample of claims.

Medicine and drugs	$100
Hospitalization	[1] 520
Surgery	[2] 150

	Total	Paid by medicare	Paid by beneficiary
Under present law:			
Health care expenses:			
Medicine and drugs	$100		$100
Hospitalization	520	$480	40
Surgery	150	80	70
SMI premiums	72		72
Total	842	560	282
Less asvings as tax deduction on ½ of SMI premiums			7
Total cost to couple			275
Under full allowance and no medicare:			
(a) With no health insurance protection:			
Health care expenses paid by couple			$770
Less savings as tax deduction at 19 percent			146
Total cost to couple			624

[1] Average benefit payment per hospital admission in fiscal year 1967 ($480) plus $40 deductible.
[2] Average reasonable charge for surgery under pt. B as shown in a preliminary report based on bills representing part of a 5-percent sample of claims.

Mr. LONG of Louisiana. I yield myself such time as I may require.

Mr. President, when this amendment was voted by the Senate a year ago, as I recall, I favored it. May I say that the more I study it, however, the less enthusiasm I have for it and the less merit I find in it. I say this because the studies indicate that the people who would benefit from the amendment most are the elderly with the very largest incomes. It also would cost the Government a great deal of money as the Senator from Florida [Mr. SMATHERS] acknowledged—$110 million more than the Finance Committee amendment and $210 million more than present law.

As I have said, the benefits would be concentrated among those who are in the upper income brackets, who do not really need it. aged people do not pay any income tax at all, because they have the double exemptions and also either an exclusion for their social security benefits or the retirement income credit. Therefore, they either do not pay an income tax at all or, if they do, many of them take the standard deduction, with the result that the pending amendment would not help them. It would help only someone who pays taxes and then only if he itemizes his deductions.

Mr. President, if one looks at how the $210 million of revenue loss resulting from the restoration of pre-1967 law would be distributed the 60,000 people who are in income brackets over $50,000 a year would get nearly one-half of the total benefits under this provision. That would mean an average tax benefit of about $1,500 apiece for those people who are already in the high-income brackets and need this help the least. Out of the slightly over half of the benefits which are left, nearly a half of these benefits—or about a quarter of the total—would go to people making between $20,000 a year and $50,000 a year—people who have large amounts of real estate, stocks, and other large investments. Those are the people who are to be given the special right to deduct all of their medical expenses, even though they do not exceed 3 percent of their adjusted gross incomes. They are to be given unlimited deductions insofar as medical expenses are concerned. Between those two categories—that is, those with adjusted gross incomes of $20,000 and over—we have accounted for more than two-thirds of the total benefits involved.

Persons in the bracket of $10,000 to $20,000 who are retired would get almost one-half of the benefits remaining. Those in the income brackets of $5,000 to $10,000—and that is the largest group in terms of the number of people involved since there are about 860,000 of them—who could claim some need would get only about one-eighth of the total benefits which the bill provides.

With regard to 600,000 people in income brackets of 0–$5,000, they would get only a pittance of the benefits provided by this amendment, or about $8 million of the benefits involved.

As a practical matter the committee felt, in view of the fact that the Senate voted on an identical proposal before, that we might try to hold the costs of this proposal down by saying the elderly could deduct their entire medical expenses, including the first 3 percent; but if anyone found it to be to his advantage to do so, then he should waive advantages under the medicare program. The latter was felt to be a proper restraint to hold the cost down to $100 million. These who waive their rights to medicare certainly are the only ones who can claim that they have not been helped—and helped very substantially—by the adoption of the medicare program.

Mr. President, I shall not insist on a roll-call vote. But I find less and less appeal in this proposal when I see who gets the benefits. It seems to me that it provides very liberally for those whose need is little and practically nothing for those who need it the most. I have no enthusiasm for the amendment and I shall not vote for it.

I recognize that there are not many Senators in the Chamber to hear the debate. If I insisted on the yeas and nays they would all come in and vote, perhaps as they did a year ago. Therefore, I shall let the matter go on a voice vote.

Mr. MURPHY. Mr. President, I have read the letter from the Treasury. I know it is very simple to make averages, to write formulas, to take a slide rule and show what the effect is going to be. But my approach to this amendment is based on the mail I have received; it is based on actual cases; and it does not come down to a matter of how much each family gets. Catastrophe spares no income levels.

For that matter, as far as I am concerned, this measure would alleviate the suffering of many families. It would cost about $1 apiece for everyone in the United States; $200 million is not a great amount of money when we talk about such large amounts of money compared to the hardship it can alleviate.

Mr. PROUTY. Mr. President, first, it should be pointed out that the figure of $210 million is an educated guess. A determination for this year has not been reached. The figure to which I referred was based on the figures for calendar year 1966. I understand they arrived at those figures in even numbered years and as of yesterday, the Treasury indicated that medical expense deductions for calender year 1968 have not yet been analyzed.

However, I wish to point out that if one visits with members of these organizations of retired people, not the officers but the rank and file members, it will be found they are desperately in need of this help.

Mr. LONG. Mr. President, I saw a cartoon in the Senate gym this afternoon which showed a picture of Santa Claus passing out tax benefits to everyone and saying, "Please do not forget old Santa who is responsible for all this—a tax cut the Nation can ill afford."

If the Senator is agreeable I will take the amendment to conference. The conference turned it down before. The cost now is estimated even higher than the amendment we debated before. It is now estimated at $225 million.

There is no other amendment that would do so much for so few nor so little for so many.

Mr. WILLIAMS of Delaware. Mr. President, I support the chairman of the committee. I express the hope the amendment will not be agreed to. I realize a good argument can be made for the amendment, but under existing law the persons referred to as needing this relief so much will use the standard deduction anyway. The amendment will not in any way affect those who are retired and over 65 in the lower income brackets. Even under existing law, doctor expenses and other medical expenses of those over 65, which exceed 3 percent of adjusted gross income, are deductible anyway. Thus, it will only help those persons in the higher tax brackets and I think there are other areas where we could use this money to greater advantage.

Mr. LONG. I agree with the Senator.

I am ready to vote, and I yield back the remainder of my time.

Mr. MURPHY. I am ready to vote, and I yield back the remainder of my time.

The PRESIDING OFFICER (Mr. CRANSTON in the chair). All time having been yielded back, the question is on agreeing to the amendment of the Senator from California (Mr. MURPHY). On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. INOUYE (after having voted in the negative). On this vote I have a pair with the Senator from Michigan (Mr. HART). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Indiana (Mr. BAYH), the Senator from Michigan (Mr. HART), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Missouri (Mr. SYMINGTON), and the Senator from Ohio (Mr. YOUNG) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) and the Senator from Pennsylvania (Mr. SCOTT) are absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Colorado (Mr. DOMINICK), and the Senator from South Carolina (Mr. THURMOND), and the Senator from Tennessee (Mr. BAKER) are necessarily absent.

If present and voting, the Senator from Colorado (Mr. DOMINICK), the Senator from Arizona (Mr. GOLDWATER) and the Senator from Pennsylvania (Mr. SCOTT) would each vote "yea."

The result was announced—yeas 46, nays 41, as follows:

[No. 172 Leg.]

YEAS—46

Aiken	Goodell	Pastore
Allen	Gurney	Pearson
Bellmon	Hartke	Prouty
Boggs	Hatfield	Ribicoff
Brooke	Hruska	Schweiker
Burdick	Jackson	Smith, Maine
Byrd, W. Va.	Javits	Smith, Ill.
Cannon	Magnuson	Sparkman
Case	Mathias	Stevens
Church	McGee	Tower
Cooper	McIntyre	Tydings
Cotton	Metcalf	Williams, N.J.
Dodd	Montoya	Yarborough
Fannin	Moss	Young, N. Dak.
Fong	Murphy	
Fulbright	Packwood	

NAYS—41

Allott	Griffin	Mondale
Bennett	Hansen	Muskie
Bible	Harris	Nelson
Byrd, Va.	Holland	Pell
Cook	Hughes	Percy
Cranston	Jordan, N.C.	Proxmire
Curtis	Jordan, Idaho	Randolph
Dole	Kennedy	Russell
Eagleton	Long	Saxbe
Eastland	Mansfield	Spong
Ellender	McCarthy	Stennis
Ervin	McClellan	Talmadge
Gore	McGovern	Williams, Del.
Gravel	Miller	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Inouye, against.

NOT VOTING—12

Anderson	Goldwater	Scott
Baker	Hart	Symington
Bayh	Hollings	Thurmond
Dominick	Mundt	Young, Ohio

So Mr. MURPHY's amendment was agreed to.

Mr. JAVITS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. PROUTY. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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Mr. LONG. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LONG. Earlier today, I called up an amendment to the social security law and, having called it up for consideration, I then asked unanimous consent that it be temporarily laid aside. It was my impression that when an amendment is temporarily laid aside, it becomes the pending business after the consideration of any other measure that is then called up.

I ask the Chair if my understanding is correct.

The PRESIDING OFFICER. If it was temporarily laid aside for the purpose of offering another amendment, that is correct.

Mr. LONG. That was my understanding at the time.

Mr. President, I would like to make it clear for the RECORD that my purpose in offering the amendment at that time was that I thought we should not vote on amendments to the social security bill prior to the time the House had occasion to indicate to the Senate its judgment with regard to social security. I would hope that we would not be voting on social security amendments prior to that time. I have not objected to other Senators bringing up their amendments, but I ask whether it is necessary for a Senator to have unanimous consent to displace the amendment.

The PRESIDING OFFICER. The Journal indicates that it was not laid aside for the purpose of taking up another amendment.

Mr. LONG. I should like to ask, then, that the Journal be corrected to indicate that the amendment was laid aside in order that the succeeding amendments be offered, and that it has been laid aside for that purpose.

Mr. GORE. Mr. President, reserving the right to object——

The PRESIDING OFFICER. Is there objection to the request that the Journal be so corrected?

Mr. GORE. I reserve the right to object.

Mr. GRIFFIN. I reserve the right to object.

The PRESIDING OFFICER. The Senator from Tennessee is recognized.

Mr. GORE. Mr. President, I had introduced at the same time an amendment to provide a 15-percent increase in social security benefits in each category for which benefits presently are paid. I do not know why I should give consent to the prejudice of my own amendment. I would do this: I would give consent to an amendment reported by the Finance Committee. Really, if I may respectfully make a suggestion to the distinguished chairman, if he would modify his request to preserve in some way the priority of an amendment with respect to social security benefits that has been recommended by the Committee on Finance, by majority approval, by a poll of the majority of the members or otherwise—I do not wish to supplant any action of my committee, but if it is left to each Member to offer his amendment, then I have one at the desk.

Mr. LONG. Mr. President, it is my impression that when I withdrew the amendment, it was for the purpose of considering the amendment of the Senator from Texas. That was my intention when I did it. If the Parliamentarian wishes to tell me that that is not what I did, then I will do it again on the appro-

priate occasion. It will not require unanimous consent.

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AMENDMENT NO. 367

Mr. LONG. Mr. President, I call up my social security amendment.

The PRESIDING OFFICER. The amendment wil be stated.

The LEGISLATIVE CLERK. Add at the end of the bill the following new title:

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

That this title may be cited as the "Social Security Amendments of 1969".

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$16.20	$55.40 or less	----------	$76	$64.00	$96.00
$16.21	16.84	56.50	$77	78	65.00	97.50
16.85	17.60	57.70	79	80	66.40	99.60
17.61	18.40	58.80	81	81	67.70	101.60
18.41	19.24	59.90	82	83	68.90	103.40
19.25	20.00	61.10	84	85	70.30	105.50
20.01	20.64	62.20	86	87	71.60	107.40
20.65	21.28	63.30	88	89	72.80	169.20
21.29	21.88	64.50	90	90	74.20	111.30
21.89	22.28	65.60	91	92	75.50	113.30
22.29	22.68	66.70	93	94	76.80	115.20
22.69	23.08	67.80	95	96	78.00	117.00
23.09	23.44	69.00	97	97	79.40	119.10
23.45	23.76	70.20	98	99	80.80	121.20
23.77	24.20	71.56	100	101	82.30	123.50
24.21	24.60	72.60	102	102	83.50	125.30
24.61	25.00	73.80	103	104	84.90	127.40
25.01	25.48	75.10	105	106	86.40	129.60
25.49	25.92	76.30	107	107	87.80	131.70
25.93	26.40	77.50	108	109	89.20	133.80
26.41	26.94	78.70	110	113	90.60	135.90
26.95	27.46	79.90	114	118	91.90	137.90
27.47	28.00	81.10	119	122	93.30	140.00
28.01	28.68	82.30	123	127	94.70	142.11
28.69	29.25	83.60	128	132	96.20	144.30
29.26	29.68	84.70	133	136	97.50	146.30
29.69	30.36	85.90	137	141	98.80	148.20
30.37	30.92	87.20	142	146	100.30	150.50
30.93	31.36	88.40	147	150	101.70	152.60
31.37	32.00	89.50	151	155	103.00	154.50
32.01	32.60	90.80	156	160	104.50	156.80
32.61	33.20	92.00	161	164	105.80	158.70
33.21	33.88	93.20	165	169	107.20	160.80
33.89	34.50	94.40	170	174	108.60	162.90
34.51	35.00	95.60	175	178	110.00	165.00
35.01	35.80	96.80	179	183	111.40	167.10
35.81	36.40	98.00	184	188	112.70	169.10
36.41	37.08	99.50	189	193	114.20	171.30
37.09	37.60	100.50	194	197	115.60	173.40
37.61	38.20	101.60	198	202	116.90	175.40
38.21	39.12	102.90	203	207	118.40	177.60
39.13	39.68	104.10	208	211	119.80	179.70
39.69	40.33	105.20	212	216	121.00	181.50
40.34	41.12	106.50	217	221	122.50	183.80
41.13	41.76	107.70	222	225	123.90	185.90
41.77	42.44	108.90	226	230	125.30	188.00
42.45	43.20	110.10	231	235	126.70	190.10
43.21	43.76	111.40	236	239	128.20	192.30
43.77	44.44	112.60	240	244	129.50	195.20
44.45	44.88	133.70	245	249	130.80	199.20
44.89	45.60	115.00	250	253	132.30	202.40
		116.20	254	258	133.70	206.40
		117.30	259	263	134.90	210.40
		118.60	264	267	136.40	213.60
		119.80	268	272	137.80	217.60
		121.00	273	277	139.20	221.60
		122.20	278	281	140.60	224.80
		123.40	282	286	142.00	228.80
		124.70	287	291	143.50	232.80
		125.80	292	295	144.70	236.00
		127.10	296	300	146.20	240.00
		128.30	301	305	147.60	244.00
		129.40	306	309	148.90	247.20
		130.70	310	314	150.40	251.20
		131.90	315	319	151.70	255.20
		133.00	320	323	153.00	258.40
		134.30	324	328	154.50	262.40
		135.50	329	333	155.90	266.40
		136.80	334	337	157.40	269.60
		137.90	338	342	158.60	273.60
		139.10	343	347	160.00	277.60
		140.40	348	351	161.50	280.80
		141.50	352	356	162.80	284.80
		142.80	357	361	164.30	288.80
		144.00	362	365	165.60	292.00
		145.10	366	370	166.90	296.00
		146.40	371	375	168.40	300.00
		147.60	376	379	169.80	303.20
		148.90	380	384	171.30	307.20
		150.60	385	389	172.50	311.20
		151.20	390	393	173.90	314.40
		152.50	394	398	175.40	318.40
		153.60	399	403	176.70	322.40
		154.90	404	407	178.20	325.60
		156.00	408	412	179.40	329.60
		157.10	413	417	180.70	333.60
		158.20	418	421	182.00	336.80
		159.40	422	426	183.40	340.80
		160.50	427	431	184.60	344.80
		161.60	432	436	185.90	348.80
		162.80	437	440	187.30	350.40
		163.90	441	445	188.50	352.40
		165.00	446	450	189.80	354.40
		166.20	451	454	191.20	356.00
		167.30	455	459	192.40	358.00
		168.40	460	464	193.70	360.00
		169.50	465	468	195.00	361.60
		170.70	469	473	196.40	363.60
		171.80	474	478	197.60	365.60
		172.90	479	482	198.90	367.20
		174.10	483	487	200.30	369.20
		175.20	488	492	201.50	371.20
		176.30	493	496	202.80	372.80
		177.50	497	501	204.20	374.80
		178.60	502	506	205.40	376.80
		179.70	507	510	206.70	378.40
		180.80	511	515	208.00	380.40
		182.00	516	520	209.30	382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	405.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60
		201.00	589	591	231.20	410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 act, as modified)		II (Primary insurance amount under 1967 act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 20 (a)) on the bassi of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$207.00	$610	$612	$238.10	$419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40

"I (Primary insurance benefits under 1939 act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$213.00	$631	$634	$245.00	$428.00
		214.00	635	637	246.10	429.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40"

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to January 1970, for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) as applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or".

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969".

(d) Section 215(e) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1967 Act

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his ability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 27 AND OVER

SEC. 3. (a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46," and by striking out "$20" and inserting in lieu thereof "$23".

(2) Section 227(b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$46".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFITS

SEC. 4. (a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

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

(b) Section 202(c)(3) of such Act is amended to read as follows:

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

(c) Sections 202(c)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 5. (a) Section 201(b)(1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201(b)(2) of such Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

Mr. LONG. Mr. President, I ask unanimous consent that my amendment be temporarily laid aside in order that the Senator from Michigan may offer his amendment.

Mr. GORE. I object, Mr. President.

The PRESIDING OFFICER. Objection is heard.

Mr. CURTIS. Mr. President, I should like to offer an amendment.

The PRESIDING OFFICER. It would require unanimous consent at this point,

unless it is an amendment to the pending amendment. Is there objection?

Mr. GORE. Mr. President, I wish to speak on the social security amendment.

Mr. MANSFIELD. Mr. President, I hope this matter will not get out of hand. I understand the position in which the distinguished chairman of the commitee finds himself, and I sympathize with him thoroughly; but a commitment has been made to the Senate as a whole that the Mondale amendment would be called up as the stated order of business tonight, and if we get involved in the social security amendment now, all the agreements made to the Members and the good faith of the leadership will be in question. I would hope that this matter would be kept under control and that the Senate would do what it could to maintain its record for integrity, and that if this matter is to come up, it come up after the consideration of the Mondale, the Javits, and the Metcalf amendments, and the disposal of the Cannon amendment, on which all time has been used.

So I appeal to my colleagues to let us operate under the procedure agreed to; and once that part is out of the way, then whatever the Senate does is another ballgame.

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Mr. MANSFIELD. Mr. President, I have heard enough.

Mr. President, will the Senator from Nebraska withhold the amendment, so that the leadership can keep its word as to what will be brought up tonight and tomorrow?

Mr. CURTIS. Certainly.

Mr. MANSFIELD. Will the distinguished manager of the bill allow me to ask unanimous consent that the pending amendment be laid aside temporarily or otherwise and that I may ask that the Mondale amendment, under an agreement of the Senate, be laid before the Senate for consideration tonight and tomorrow?

Mr. CURTIS. Mr. President, will the Senator yield for an observation?

Mr. LONG. Mr. President, I am willing that it be laid aside for the purpose of offering another amendment. That does not bother me at all. That is what I did, to begin with. I want the RECORD to show that is the reason why I asked that it be laid aside.

Mr. CURTIS. Mr. President, if the Senator will yield, I would like to make an observation.

Mr. MANSFIELD. I yield.

Mr. CURTIS. Mr. President, in connection with the amendment I have offered, I was of the opinion it could be disposed of within the purview of the agreement. I did not anticipate asking for a rollcall vote. It is very much in the nature of a corrective amendment.

Mr. MANSFIELD. That would be perfectly all right. That is what the amendment of the Senator from Michigan, the acting Republican leader, would do. I understand there is no difficulty connected with it. But I want to get the Mondale amendment laid before the Senate and keep my agreement.

Mr. GORE. Mr. President, reserving the right to object, I have no desire whatever to interfere with the majority leader keeping his word or with the Senate proceeding. If the Long amendment should be the pending business before the Senate after the Mondale amendment it is entirely agreeable with me.

My point is I do not entirely agree that the House of Representatives has any priority over social security; the Senate has equal authority, equal jurisdiction on any revenue measure and with respect to any part of a revenue measure, if that revenue measure itself has originated in the House. For entirely too long the assumption has been that because the revenue measure may originate in the House that somehow the Senate did not have an equal right to amend, alter, or add to any measure, the piece of paper of which originated in the House.

Unless we add the social security increase to this bill it is not likely to become effective until March, and there is a cold winter ahead. People simply cannot adequately live upon the small amounts they now receive.

I have no desire whatever to run ahead of the distinguished chairman of the committee. In fact, it seems to me the committee should have preference. If it is agreed that after the Mondale amendment is voted upon the Long amendment is still the pending business I would have no disagreement.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MANSFIELD. Mr. President, would it be possible, instead of confining that suggestion to just the Mondale amendment that it also be considered in relation to the Griffin amendment, the Javits amendment, and the Metcalf amendment, because commitments have been made; and then it could become the pending business.

Mr. GORE. Mr. President, that would meet my objection. I want to see social security increased in this bill.

Mr. MANSFIELD. And by at least 15 percent.

Mr. GORE. Without waiting for the other side to act.

Mr. JAVITS. That is satisfactory.

Mr. MANSFIELD. Mr. President, I ask unanimous consent with respect to the amendments to be offered by the distinguished Senator from Nebraska (Mr. CURTIS), the amendment to be offered by the acting Republican leader, the distinguished Senator from Michigan (Mr. GRIFFIN), the amendment to be offered by the distinguished Senator from Minnesota (Mr. MONDALE), the amendment to be offered by the distinguished senior Senate from New York (Mr. JAVITS), the amendment to be offered by the distinguished junior Senator from Montana (Mr. METCALF), and the amendment to be offered by the distinguished senior Senator from Arizona (Mr. FANNIN), that during the period of their consideration, the pending amendment, having to do with social security sponsored by the distinguished Senator from Louisiana (Mr. LONG), be laid aside and once again become the pending business thereafter.

The PRESIDING OFFICER. Is there objection? The Chair hears no objection, and it is so ordered.

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AMENDMENT NO. 367

Mr. LONG. Mr. President, I call up my amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and the amendment will be printed in the RECORD.

The amendment (No. 367) ordered to be printed in the RECORD, was to add at the end of the bill the following new title:

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

SECTION 1. That this title may be cited as the "Social Security Amendments of 1969".

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
.....	$16.20	$55.40 or less	.....	$76	$64.00	$96.00
$16.21	16.84	56.50	$77	78	65.00	97.50
16.85	17.60	57.70	79	80	66.40	99.60
17.61	18.40	58.80	81	81	67.70	101.60
18.41	19.24	59.90	82	83	68.90	103.40
19.25	20.00	61.10	84	85	70.30	105.50
20.01	20.64	62.20	86	87	71.60	107.40
20.65	21.28	63.30	88	89	72.80	109.20
21.29	21.88	64.50	90	90	74.20	111.30
21.89	22.28	65.60	91	92	75.50	113.30
22.29	22.68	66.70	93	94	76.80	115.20
22.69	23.08	67.80	95	96	78.00	117.00
23.09	23.44	69.00	97	97	79.40	119.10
23.45	23.76	70.20	98	99	80.80	121.20
23.77	24.20	71.50	100	101	82.30	123.50
24.21	24.60	72.60	102	102	83.50	125.30
24.61	25.00	73.80	103	104	84.90	127.40
25.01	25.48	75.10	105	106	86.40	129.60
25.49	25.92	76.30	107	107	87.80	131.70
25.93	26.40	77.50	108	109	89.20	133.80
26.41	26.94	78.70	110	113	90.60	135.90
26.95	27.46	79.90	114	118	91.90	137.90
27.47	28.00	81.10	119	122	93.30	140.00
28.01	28.68	82.30	123	127	94.70	142.10
28.69	29.25	83.60	128	132	96.20	144.30
29.26	29.68	84.70	133	136	97.50	146.30
29.69	30.36	85.90	137	141	98.80	148.20
30.37	30.92	87.20	142	146	100.30	150.50
30.93	31.36	88.40	147	150	101.70	152.60
31.37	32.00	89.50	151	155	103.00	154.50
32.01	32.60	90.80	156	160	104.50	156.80
32.61	33.20	92.00	161	164	105.80	158.70
33.21	33.88	93.20	165	169	107.20	160.80
33.89	34.50	94.40	170	174	108.60	162.90
34.51	35.00	95.60	175	178	110.00	165.00
35.01	35.80	96.80	179	183	111.40	167.10
35.81	36.80	98.00	184	188	112.70	169.10
36.41	37.08	99.30	189	193	114.20	171.30
37.09	37.60	100.50	194	197	115.60	173.40
37.61	38.20	101.60	198	202	116.90	175.40
38.21	39.12	102.90	203	207	118.40	177.60
39.13	39.68	104.10	208	211	119.80	179.70
39.69	40.33	105.20	212	216	121.00	181.50
40.34	41.12	106.50	217	221	122.50	183.80
41.13	41.76	107.70	222	225	123.90	185.90
41.77	42.44	108.90	226	230	125.30	188.00
42.45	43.20	110.10	231	235	126.70	190.10
43.21	43.76	111.40	236	239	128.20	192.30
43.77	44.44	112.60	240	244	129.50	195.20
44.45	44.88	113.70	245	249	130.80	199.20
44.89	45.00	115.00	250	253	132.30	202.40
		116.20	254	258	133.70	206.40
		117.30	259	263	134.90	210.40
		118.60	264	267	136.40	213.60
		119.80	268	272	137.80	217.60
		121.00	273	277	139.20	221.60
		122.20	278	281	140.60	224.80
		123.40	282	286	142.00	228.80
		124.70	287	291	143.50	232.80
		125.80	292	295	144.70	236.00
		127.10	296	300	146.20	240.00
		128.30	301	305	147.60	244.00
		129.40	306	309	148.90	247.20
		130.70	310	314	150.40	251.20
		131.90	315	319	151.70	255.20
		133.00	320	323	153.00	258.40
		134.30	324	328	154.50	262.40
		135.50	329	333	155.90	266.40
		136.80	334	337	157.40	269.60
		137.90	338	342	158.60	273.60
		139.10	343	347	160.00	277.60
		$140.40	$348	$351	$161.50	$280.80
		141.50	352	356	162.80	284.80
		142.80	357	361	164.30	288.80
		144.00	362	365	165.60	292.00
		145.10	366	370	166.90	296.00
		146.40	371	375	168.40	300.00
		147.60	376	379	169.80	303.20
		148.90	380	384	171.30	307.20
		150.00	385	389	172.50	311.20
		151.20	390	393	173.90	314.40
		152.50	394	398	175.40	318.40
		153.60	399	403	176.70	322.40
		154.90	404	407	178.20	325.60
		156.00	408	412	179.40	329.60
		157.10	413	417	180.70	333.60
		158.20	418	421	182.00	336.80
		159.40	422	426	183.40	340.80
		160.50	427	431	184.60	344.80
		161.60	432	436	185.90	348.80
		162.80	437	440	187.30	350.40
		163.90	441	445	188.50	352.40
		165.00	446	450	189.80	354.40
		166.20	451	454	191.20	356.00
		167.30	455	459	192.40	358.00
		168.40	460	464	193.70	360.00
		169.50	465	468	195.00	361.60
		170.70	469	473	196.40	363.60
		171.80	474	478	197.60	365.60
		172.90	479	482	198.90	367.20
		174.10	483	487	200.30	369.20
		175.20	488	492	201.50	371.20
		176.30	493	496	202.80	372.80
		177.50	497	501	204.20	374.80
		178.60	502	506	205.40	376.80
		179.70	507	510	206.70	378.40
		180.80	511	515	208.00	380.40
		182.00	516	520	209.30	382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	405.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60
		201.00	589	591	231.20	410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00
		207.00	610	612	238.10	419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40
		213.00	631	634	245.00	428.00
		214.00	635	637	246.10	429.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40"

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to January 1970, for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (1) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)

(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or".

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969".

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

"Primary Insurance Amount Under 1967 Act

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefits is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC 3. (a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46," and by striking out "$20" and inserting in lieu thereof "$23"

(2) Section 227(b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$46".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23"

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFITS

SEC. 4 (a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

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

(b) Section 202(c)(3) of such Act is amended to read as follows:

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

(c) Sections 202(e)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b) and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 5. (a) Section 201(b)(1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201(b)(2) of such Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

Mr. LONG. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. LONG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I ask unanimous consent that the name of the Senator from West Virginia (Mr. RANDOLPH) be added as a cosponsor of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TALMADGE. Mr. President, I ask unanimous consent that my name also be listed as a cosponsor of the amendment of the Senator from Louisiana.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, the pending amendment provides for a 15-percent increase in social security benefits for 25 million current beneficiaries, effective with the January 1970 benefits.

The minimum benefit would be increased from $55 to $64 a month. The eventual maximum benefits would be increased from $218 to $250.70 a month for a single worker, and from $323 to $376 for a married couple.

For those age 72 or over, the special payments would also be increased 15 percent from $40 to $46 a month for a single person and from $60 to $69 for a married couple.

The 15-percent increase would be financed from the actuarial surplus of 1.16 percent of taxable payroll. Additional payments from the 15-percent increase in fiscal year 1970 would be $1.7 billion. For the fiscal year 1971, it would be $4.4 billion.

Mr. President, I ask unanimous consent that there be printed at this point in the RECORD a tabulation I have had prepared showing that the fund, without any further tax increase, can stand a 15-percent increase in benefits on an across-the-board basis, and that it would still be in actuarial balance after such an increase.

There being no objection, the tabulations were ordered to be printed in the RECORD, as follows:

ACTUARIAL BALANCE OF OASDI TRUST FUND

[Percent of taxable payroll]

Present law	+1.16
Benefit increase of 15 percent	−1.24
Actuarial balance under bill	−0.08

BALANCE OF OLD-AGE AND SURVIVORS TRUST FUND

[In billions of dollars]

Year	Contributions	Benefits	Balance at end of year[1]
1967	$23.2	$19.5	$24.2
1968	24.1	22.6	25.7
1969	28.5	24.2	30.2
1970[2]	30.1	28.7	31.8
1971[2]	34.5	30.2	36.6
1972[2]	36.5	31.4	42.4

[1] Reflects administrative expenses, interest, and railroad retirement finance charge in addition to contributions and benefits.
[2] Under the Long amendment.

Mr. HARRIS. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. HARRIS. Mr. President, first I commend the distinguished Senator from Louisiana for offering his amendment, which I support.

I know that the House action on social security does not do this, but I ask the Senator what he would think about making sure that at the time we grant a 15-percent increase in social security benefits, there also be some increase out of the funds that the State would otherwise have as a result of the social security benefit increase, for an increase for some 3 million additional people on welfare who would not otherwise be helped by the amendment but who could be helped, at least to some degree, without additional Federal contribution.

Has the Senator given that matter any thought?

Mr. LONG. Mr. President, the kind of thing the Senator advocates has a great deal of appeal to the Senator from Louisiana. On some occasions I have offered amendments of that nature myself. I have rather consistently supported amendments seeking to achieve the result that welfare payments not be reduced by the same amount that social security benefits are increased. The idea

of the Senator from Oklahoma—and that of his predecessor, former Senator Kerr—was that those in need should not have their social security increases entirely offset by a reduction in their public welfare checks, as has happened in some instances.

It is my judgment, however, that such a provision should not be put in the pending bill. If we seek to do so, I believe that the House of Representatives would take the view that it is sending us a social security package that will include the consideration of amendments of the sort the Senator is discussing at the moment. When we get into those matters, we will find a great number of meritorious amendments to the social security and welfare programs that are justified. I doubt very much that the House is going to be willing to accept on this bill anything other than its own handiwork. I think it might take some doing to prevail upon them even to accept their own bill as an amendment to this tax bill, because they have some pride of authorship, and they studied this matter while we were working on this tax bill. I think the Senator is aware of that.

I would hope we could simply agree to an amendment which is identical with that proposed by the Ways and Means Committee, to see that we enact a 15-percent benefit increase before Christmas, and that we postpone consideration of the many other meritorious things that can be done in connection with the social security bill until we have a chance to take a good look at those measures and study them thoroughly.

I am sure the Senator realizes that we will be evaluating many matters such as the one he has in mind. The Senator wants us to require that the States make certain changes in their welfare laws, and this might be worthwhile, but it would undoubtedly receive opposition from some of the States. They should be entitled to make their presentation, to show what their problem would be, prior to our acting on such a proposal.

Mr. HARRIS. Mr. President, will the Senator yield further?

Mr. LONG. I yield.

Mr. HARRIS. The Senator recalls that in prior years—I believe the last time we had a social security increase—we put in a provision that $7.50 of it would not be chargeable against welfare. A million and a half people receive some welfare payment and some social security payment. If the social security payment goes up, their welfare payment is generally decreased by the same amount. So that while we are improving the social security recipient's situation, one and a half million people who are on partial social security and another million and a half who are on welfare totally are likely to receive no increase at all.

It seems to me—and I think the Senator will agree with this principle—that if it is important, as I think it is, to improve the position of social security recipients by Christmas, it is equally important that we do that for 3 million or so others who may be—who probably are—in worse economic condition.

Mr. LONG. Let me mention to the Senator something that comes into play here. We are told that it takes some time for the Department of Health, Education, and Welfare to adjust their computers in order to send out checks that are 15 percent higher to 25 million beneficiaries. The Social Security Administration tells us that it will require until April 1 to change over and to put this new schedule of payments into effect.

Assuming that we could pass a 15-percent benefit increase and make it effective before the first of the year, it would nevertheless take until April 1 for the beneficiaries to actually receive the higher benefits. Thus a person now receiving a $100 monthly social security check would receive a check in the amount of $145 in early April—a $115 new benefit amount plus $30 in back payments for January and February. I should think that by April the members of the Finance Committee could do justice to a legislative proposal along the lines the Senator has suggested, that welfare checks should not be reduced by the amount of the social security increase. That way the States would have an opportunity to be heard, rather than our just telling the sovereign States that they must do something, without their having opportunity to present their case.

Something else should be considered in connection with this matter. I suspect that one of these days the Federal Government is going to preempt the field of social welfare for the needy and blanket under Social Security those persons who presently must rely upon State welfare payments, relieving the States of the very heavy burden they presently bear in connection with providing benefits to meet the essential needs of needy persons.

Assuming that we proceed in the fashion that I have suggested, we would have time to act on a measure of the sort the Senator from Oklahoma has suggested before the first social security increase checks actually reach those persons. I do not think that the welfare departments should be allowed to reduce welfare payments to persons on account of social security increases that have accrued to them but that they have not actually received. And by the time they get the social security increase, I would hope that we could act to consider the kind of amendment the Senator from Oklahoma has suggested.

Mr. HARRIS. Mr. President, I believe that we should federalize the welfare system. I am in the process of trying to draft workable legislation which would do that.

In the meatime, I think there is an immediate problem in this bill, and that is the retroactive feature of the social security payment when it comes, unless something is written into the law. It seems to me that three things might be done in this bill which would be relatively noncontroversial and would not require additional Federal contribution in order to pass along some increase to those on welfare or partial welfare.

First, it seems to me that a provision might be written into this bill that when the social security increase comes, the retroactive payment under social security not be considered as part of the resources available to public assistance recipients during that period. I think the amount of trouble the welfare departments would have in checking back, and so forth, would not make it worthwhile. Furthermore, these people are entitled to that. That is No. 1, the retroactive feature, and its effect on welfare recipients.

Second, it seems to me that we might increase in this bill the provision we once put in the law, providing that $7.50 of the social security increase would not be considered in connection with reducing the welfare assistance of those who are on partial social security and partial welfare. We might increase that to 15 percent. That would do something, then, for the 1½ million people who are on part welfare and part social security.

Third, for the other people, it seems to me that we might write into this bill that the balance of the money that the States would realize and which could be used as they pleased, because they would not need to spend as much for welfare because of this increased social security that they should use it in trying to meet budgeted but unmet public assistance needs, or through some kind of blanket or general increase in public assistance.

Some of my staff people are meeting presently with the staff of the Finance Committee with respect to one or two ways I think one might go at doing what I am talking about. Basically, I am not talking about something that would be controversial, to the extent that it would require additional Federal contribution. I do not know that we can get ready in time—we only learned yesterday this matter was going to come up today—to draft and secure sufficient support for an amendment applicable to all welfare recipients. It is going to be tough enough, if we can do it at all, to accomplish what I have discussed. Full welfare reform and more humane levels I hope will follow soon.

I am very pleased about what the Senator has pointed out—that we would have some time between now and April, perhaps, to do some of these things. But I would hope that before final action would be taken on the Senator's amendment, I might have the opportunity to offer an amendment to it. My staff people are presently talking with the staff of the Finance Committee, to see whether an amendment such as that I have discussed could be drawn in simple enough form and noncontroversial enough form that it might be adopted. In no event do I want to take away from or differ with what the distinguished Senator is trying to do with regard to social security.

Mr. LONG. May I say to my good friend from Oklahoma, who has repeatedly demonstrated his great interest in meeting the needs of the needy, the less fortunate, and those who have very modest means, that the adoption of the amendment I have offered does not prejudice the Senator's right to offer the amendment he has in mind. I am sure the Senator agrees with that.

There are some Senators who would like to vote for this increase in social security benefits on an across-the-board basis. I think the Senator from Okla-

homa himself would be the first to agree that it would be desirable to act on the 15-percent increase and to act favorably upon it; and that this would not at all affect the rights of Senators to offer amendments such as the one he has suggested. They could be offered either immediately after this amendment or they could be offered almost at any point in the bill. It is simply a matter of amending the basic social security and public welfare laws, if that is what the Senator seeks to do. The adoption of my amendment at this time would not foreclose him from offering his amendment later.

Mr. HARRIS. I thank the Senator for yielding so that we might have this discussion. I think the discussion is very helpful in connection with this matter and especially with respect to what we might do next year if we do not do something in connection with this bill. I will get together with the staff later this afternoon.

I thank the Senator for yielding to me.

Mr. WILLIAMS of Delaware. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. HUGHES in the chair). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I send to the desk an amendment to the amendment of the Senator from Louisiana. The amendment is offered on behalf of the Senator from Utah (Mr. BENNETT), the Senator from Nebraska (Mr. CURTIS), the Senator from Iowa (Mr. MILLER), the Senator from Idaho (Mr. JORDAN), the Senator from Arizona (Mr. FANNIN), and the Senator from Wyoming (Mr. HANSEN), and myself.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and without objection, the amendment will be printed in the RECORD.

The amendment to the amendment of the Senator from Louisiana, ordered to be printed in the RECORD, was, beginning on line 7, page 1 of the amendment No. 317, strike out all down to and including line 11, page 9, and in lieu thereof insert the following:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1969"

TABLE OF CONTENTS

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 2. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
.....	$16.20	$55.40 or less	.....	$76	$61.00	$91.50
$16.21	16.84	56.50	$77	78	62.20	93.30
$16.85	17.60	57.70	79	80	63.50	95.30
$17.61	18.40	58.80	81	81	64.70	97.10
$18.41	19.24	59.90	82	83	65.90	98.90
$19.25	20.00	61.10	84	85	67.30	101.00
$20.01	20.64	62.20	86	87	68.50	102.80
$20.65	21.28	63.30	88	89	69.70	104.60
$21.29	21.88	64.50	90	90	71.00	106.50
$21.89	22.28	65.60	91	92	72.20	108.30
$22.29	22.68	66.70	93	94	73.40	110.10
$22.69	23.08	67.80	95	96	74.60	111.90
$23.09	23.44	69.00	97	97	75.90	113.90
$23.45	23.76	70.20	98	99	77.30	116.00
$23.77	24.20	71.50	100	101	78.70	118.10
$24.21	24.60	72.60	102	102	79.90	119.90
$24.61	25.00	73.80	103	104	81.20	121.80
$25.01	25.48	75.10	105	106	82.70	124.10
$25.49	25.92	76.30	107	107	84.00	126.00
$25.93	26.40	77.50	108	109	85.30	128.00
$26.41	26.94	78.70	110	113	86.60	129.90
$26.95	27.46	79.90	114	118	87.90	131.90
$27.47	28.00	81.10	119	122	89.30	134.00
$28.01	28.68	82.30	123	127	90.60	135.90
$28.69	29.25	83.60	128	132	92.00	138.00
$29.26	29.68	84.70	133	136	93.20	139.80
$29.69	30.36	85.90	137	141	94.50	141.80
$30.37	30.92	87.20	142	146	96.00	144.00
$30.93	31.36	88.40	147	150	97.30	146.00
$31.37	32.00	89.50	151	156	98.50	147.80
$32.01	32.60	90.80	156	160	99.90	149.90
$32.61	33.20	92.00	161	164	101.20	151.80
$33.21	33.88	93.20	165	169	102.60	153.90
$33.89	34.50	94.40	170	174	103.90	155.90
$34.51	35.00	95.60	175	178	105.20	157.80
$35.01	35.80	96.80	179	183	106.50	159.80
$35.81	36.40	98.00	184	188	107.80	161.70
$36.41	37.08	99.30	189	193	109.30	164.00
$37.09	37.60	100.50	194	197	110.60	165.90
$37.61	38.20	101.60	$198	$202	$111.80	$167.70
$38.21	39.12	102.90	203	207	113.20	169.80
$39.13	39.68	104.10	208	211	114.60	171.90
$39.69	40.33	105.20	212	216	115.80	173.70
$40.34	41.12	106.50	217	221	117.20	176.80
$41.13	41.76	107.70	222	225	118.50	180.00
$41.77	42.44	108.90	226	230	119.80	184.00
$42.45	43.20	110.10	231	235	121.20	188.00
$43.21	43.76	111.40	236	239	122.60	191.20
$43.77	44.44	112.60	240	244	123.90	195.20
$44.45	44.88	113.70	245	249	125.10	199.20
$44.89	45.60	115.00	250	253	126.50	202.40
		116.20	254	258	127.90	206.40
		117.30	259	263	129.10	210.40
		118.60	264	267	130.50	213.60
		119.80	268	272	131.80	217.60
		121.00	273	277	133.10	221.60
		122.20	278	281	134.50	224.80
		123.40	282	286	135.80	228.80
		124.70	287	291	137.20	232.80
		125.80	292	295	138.40	236.00
		127.10	296	300	139.90	240.00
		128.30	301	305	141.20	244.00
		129.40	306	309	142.40	247.20
		130.70	310	314	143.80	251.20
		131.90	315	319	145.10	255.20
		133.00	320	323	146.30	258.40
		134.30	324	328	147.80	262.40
		135.50	329	333	149.10	266.40
		136.80	334	337	150.50	269.60
		137.90	338	342	151.70	273.60
		139.10	343	347	153.10	277.60
		140.40	348	351	154.50	280.80
		141.50	352	356	155.70	284.80
		142.80	357	361	157.10	288.80
		144.00	362	365	158.40	292.00
		145.10	366	370	159.70	296.00
		146.40	371	375	161.10	300.00
		147.60	376	379	162.40	303.20
		148.90	380	384	163.80	307.20

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I	II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)	(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—	Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least— But not more than—		At least—	But not more than—		
	$150.00	$385	$389	$165.00	$311.20
	151.20	390	393	166.40	314.40
	152.50	394	398	167.80	318.40
	153.60	399	403	169.00	322.40
	154.90	404	407	170.40	325.60
	156.00	408	412	171.60	329.60
	157.10	413	417	172.90	333.60
	158.20	418	421	174.10	366.80
	159.40	422	426	175.40	340.80
	160.50	427	431	176.60	344.80
	161.60	432	436	177.80	348.80
	162.80	437	440	179.10	352.00
	163.90	441	445	180.30	356.00
	165.00	446	450	181.50	360.00
	166.20	451	454	182.90	361.60
	167.30	455	459	184.10	363.60
	168.40	460	464	185.30	365.60
	169.50	465	468	186.50	367.20
	170.70	469	473	187.80	369.20
	171.80	474	478	189.00	371.20
	172.90	479	482	190.20	372.80
	174.10	483	487	191.60	374.80
	175.20	488	492	192.80	376.80
	176.30	493	496	194.00	378.40
	177.50	497	501	195.30	380.40
	178.60	502	506	196.50	382.40
	179.70	507	510	197.70	384.00
	180.80	511	515	198.90	386.00
	182.00	516	520	200.20	388.00
	183.10	521	524	201.50	389.60
	184.20	525	529	202.70	391.60
	185.40	530	524	204.00	393.60
	186.50	535	538	205.20	395.20
	187.60	539	543	206.40	397.20
	188.80	544	548	207.70	399.20
	189.90	549	553	208.90	401.20
	191.00	554	556	210.10	402.40

"I	II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)	(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—	Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least— But not more than—		At least—	But not more than—		
	$192.00	$557	$560	$211.20	$404.00
	193.00	561	563	212.30	405.20
	194.00	564	567	213.40	406.80
	195.00	568	570	214.50	408.00
	196.00	571	574	215.60	409.60
	197.00	575	577	216.70	410.80
	198.00	578	581	217.80	412.40
	199.00	582	584	218.90	413.60
	200.00	585	588	220.00	415.20
	201.00	589	591	221.10	416.40
	202.00	592	595	222.20	418.00
	203.00	596	598	223.30	419.20
	204.00	599	602	224.40	420.80
	205.00	603	605	225.50	422.00
	206.00	606	609	226.60	423.60
	207.00	610	612	227.70	424.80
	208.00	613	616	228.80	426.40
	209.00	617	620	229.90	428.00
	210.00	621	623	231.00	429.20
	211.00	624	627	232.10	430.80
	212.00	628	630	233.20	432.00
	213.00	631	634	234.30	433.60
	214.00	635	637	235.40	434.80
	215.00	638	641	236.50	436.40
	216.00	642	644	237.60	437.60
	217.00	645	648	238.70	439.20
	218.00	649	656	239.80	442.40
		657	666	241.00	446.40
		667	676	242.00	450.40
		677	685	243.00	454.00
		686	695	244.00	458.00
		696	705	245.00	462.00
		706	715	246.00	466.00
		716	725	247.00	470.00
		726	734	248.00	473.60
		735	744	249.00	477.60
		745	750	250.00	480.00."

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for March 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for February 1970 on the basis of such wages and self-employment income, such total of benefits for March 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to March 1970, for each such person for such month, by 110 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

But in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for March 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for March 1970, or".

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu therof "February 1970".

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

"PRIMARY INSURANCE AMOUNT UNDER 1967 ACT

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before March 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970 and with respect to lump-sum death payments under such title in the case of deaths occurring after February 1970.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for February 1970 and became entitled to old-age insurance benefits under section 202(a) of such Act for March 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 3. (a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$44," and by striking out "$20" and inserting in lieu thereof "$22.".

(2) Section 227(b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$44".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44", and by striking out "$20" and inserting in lieu thereof "$22".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$22".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$44".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$22".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after February 1970.

AUTOMATIC ADJUSTMENT OF BENEFITS

SEC. 4. (a) Section 215 of the Social Security Act is amended by adding after subsection (h) the following new subsection:

"COST-OF-LIVING INCREASES IN BENEFITS

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

"(A) the term 'base quarter' shall mean the period of 3 consecutive calendar months ending on September 30, 1969, and the period of 3 consecutive calendar months ending on September 30 of each year thereafter.

"(B) the term 'cost-of-living computation quarter' shall mean the base quarter in which the monthly average of the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, the monthly average of such Index in the later of: (i) the 3 calendar-month period ending on September 30, 1969 or (ii) the base quarter which was most recently a cost-of-living computation quarter.

"(2)(A) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall, effective for January of the next calendar year, increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228 and the primary insurance amount of each individual, specified in subparagraph (B) of this paragraph, by an amount derived by multiplying such amount of each such individual (including each such individual's primary insurance amount or benefit amount under section 227 or 228 as previously increased under this subparagraph) by the same per centum (rounded to the nearest one-tenth of 1 per centum) as the monthly average of the Consumer Price Index for such cost-of-living computation quarter exceeds the monthly average of such Index for the base quarter determined after the application of clauses (i) and (ii) of paragraph (1)(B). Such increased primary insurance amount shall be considered such individual's primary insurance amount for purposes of this subsection, section 202, and section 223.

"(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply in the case of monthly benefits under this title for months after December of the calendar year in which occurred such cost-of-living computation quarter, based on the wages and self-employment income of an individual who became entitled to monthly benefits under section 202, 223, 227, or 228 (without regard to section 202(j)(1) or section 223(b)), or who died, in or before December of the calendar year in which occurred such cost-of-living computation quarter.

"(C) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register on or before December 1 of such calendar year a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time a revision of the benefit table contained in subsection (a), as it may have been revised previously, pursuant to this subparagraph. Such revision shall be determined as follows:

"(i) The amount of each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table in effect before this revision.

"(ii) The amount of each line of column IV shall be increased from the amount shown in the table in effect before this revision by increasing such amount by the per centum specified in subparagraph (A) of paragraph (2), raising each such increased amount, if not a multiple of $.10, to the next higher multiple of $.10.

"(iii) If the contribution and benefit base (as defined in section 230(b)) for the calendar year in which such benefit table is revised is lower than such base for the following calendar year, columns III, IV, and V shall be extended. The amount in the first additional line in column IV shall be the amount in the last line of such column as determined under clause (ii), plus $1.00, rounding such increased amount to the nearest multiple of $1.00. The amount of each succeeding line of column IV shall be the amount on the preceding line increased by $1.00, until the amount on the last line of such column shall be equal to one-thirty-sixth of the contribution and earnings base for the calendar year succeeding the calendar year in which such benefit table is revised, rounding such amount, if not a multiple of $1.00, to the nearest multiple of $1.00. The amount in each additional line of column III shall be determined so that the second figure in the last line of column III shall be one-twelfth of the contribution and earnings base for the calendar year following the calendar year in which such benefit table is revised, and the remaining figures in column III shall be determined in consistent mathematical intervals from column IV. The second figure in the last line of column III before the extension of the column shall be increased to a figure mathematically consistent with the figures determined in accordance with the preceding sentence. The amount on each line of column V shall be increased, to the extent necessary, so that each such amount shall be equal to 40 per centum of the second figure in the same line of column III, plus 40 per centum of the smaller of (I) such second figure or (II) the larger of $450 or 50 per centum of the largest figure in column III.

"(iv) The amount on each line of column V shall be increased, if necessary, so that such amount shall be at least equal to one and one-half times the amount shown on the corresponding line in column IV. Any such increased amount that is not a multiple of $.10 shall be increased to the next higher multiple of $.10."

(b) Section 203(a) of such Act is amended by striking out the period at the end of the first sentence and inserting in lieu thereof ", or" and adding the following new paragraph:

"(4) when two or more persons are entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for December in the calendar year in which occurs a cost-of-living computation quarter (as defined in section 215(i)(1)) on the basis of the wages and self-employment income of such insured individual, such total of benefits for the month immediately following shall be reduced to not less than the amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section) as in effect for December for each such person by the same per centum increase as such individual's primary insurance amount (including such amount as previously increased under section 215(i)(2)) is increased and raising each such increased amount, if not a multiple of $0.10, to the next highest multiple of $0.10.".

(c)(1) Section 202(a) of such Act is amended by striking out "(as defined in section 215(a)).".

(2) Section 215(f)(4) of such Act is amended by adding at the end before the period the following: "(including a primary insurance amount as increased under subsection (i)(2))".

(3) Section 215(g) of such Act is amended by striking out "primary insurance amount" and inserting in lieu thereof "primary insurance amount (including a primary insurance amount as increased under subsection (i)(2))".

LIBERALIZATION OF EARNINGS TEST

SEC. 5. (a)(1) Paragraphs (1) and (4)(B) of section 203(f) of the Social Security Act are each amended by striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)".

(2) Paragraph (1)(A) of section 203(h) of such Act is amended by striking out "$140" and inserting in lieu thereof "$150 or the exempt amount as determined under paragraph (8)".

(3) Paragraph (3) section 203(f) of such Act is amended to read as follows:

"(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be 50 per centum of his earnings for such year in execess of the product of $150 or the exempt amount as determined under paragraph (8) multiplied by the number of months in such year. 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."

(b) Subsection (f) of section 203 of such Act is amended by adding at the end thereof the following new paragraph:

"(8)(A) On or before October 1 of 1972 and of each even-numbered year thereafter, the Secretary shall determine and publish in the Federal Register the exempt amount as defined in subparagraph (B) for each month in the two taxable years which end after the calendar year following the year in which such determination is made.

"(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger:

"(i) the product of $150 and the ratio of (I) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subparagraph (A) is made for each such month of such particular taxable year to (II) the average of the taxable wages of all persons for whom wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $10, shall be rounded to the nearest multiple of $10, or

"(ii) the exempt amount for each month in the taxable year preceding such particular taxable year; except that the provisions in clause (i) shall not apply with respect to any taxable year unless the contribution and earnings base for such year is determined under section 230(b)(1)."

(c) Clause (B) of Section 203(f)(1) of the Social Security Act is amended to read as follows:

"(B) in which such individual was age 72 or over, excluding from such excess earnings the earnings of an individual in or after the month in which he was age 72 in the year in which he attained age 72, with the amount (if any) of an individual's self-employment income in such year being prorated in an equitable manner under regulations prescribed by the Secretary,".

(d) The amendments made by this section shall apply with respect to taxable years ending after December 1970.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 6. (a)(1)(A) Section 209(a)(5) of the Social Security Act is amended by inserting "and prior to 1972" after "1967".

(B) Section 209(a) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(6) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $9,000 with respect to employment has been paid to an individual during any calendar year after 1971 and prior to 1974, is paid to such individual during any such calendar year;

"(7) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to the contribution and earnings base (determined under sec-

tion 230) with respect to employment paid to an individual during the calendar year with respect to which such contribution and earnings base effective, is paid to such individual during such calendar year;

(2) (A) Section 211(b) (1) (E) of such Act is amended by inserting "and prior to 1972" after "1967", by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211(b) (1) of such Act is further amended by adding at the end thereof the following new subparagraphs:

"(F) For any taxable year ending after 1971 and prior to 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) For any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230) effective for such calendar year, minus (ii) the amount of the wages to such individual during such taxable year, or".

(3) (A) Section 213(a) (2) (ii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and before 1972, or $9,000 in the case of a calendar year after 1971 and before 1974, or an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year with respect to which such contribution and earnings base was effective".

(B) Section 213(a) (2) (iii) of such Act is amended by striking out "after 1967" and inserting in lieu thereof "after 1967 and prior to 1972, or $9,000 in the case of a taxable year ending after 1971 and prior to 1974 or the amount equal to the contribution and earnings base (as determined under section 230), in the case of any taxable year ending in any calendar year after 1973, effective for such calendar year".

(4) Section 215(e) (1) of such Act is amended by striking out "and the excess over $7,800 in the case of any calendar year after 1967" and inserting in lieu thereof "the excess over $7,800 in the case of any calendar year after 1967 and before 1972, the excess over $9,000 in the case of any calendar year after 1971 and before 1974, and the excess over an amount equal to the contribution and earnings base (as determined under section 230) in the case of any calendar year after 1973 with respect to which such contribution and earnings base was effective".

(b) (1) (A) Section 1402(b) (1) (E) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1972" after "1967", and by striking out "; or" and inserting in lieu thereof "; and ".

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

"(F) for any taxable year ending after 1971 and before 1974, (i) $9,000, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(G) for any taxable year ending in any calendar year after 1973, (i) an amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or".

(2) (A) Section 3121(a) (1) of such Code (relating to definition of wages) is amended by striking out "$7,800" each place it appears and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, section 3121(a) (1) of such Code is amended by (1) striking out "$9,000" each place it appears and inserting in lieu thereof "the contribution and earnings base (as determined under section 230 of the Social Security Act)", and (2) striking out "by an employer during any calendar year", and inserting in lieu thereof "by an employer during the calendar year with respect to which such contribution and earnings base was effective".

(3) (A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$7,800" and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, the second sentence of section 3122 of such Code is amended by striking out "$9,000" and inserting in lieu thereof "the contribution and earnings base".

(4) (A) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$7,800" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$9,000".

(B) Effective with remuneration paid after 1973, the second sentence of section 3125 of such Code is amended by striking out "$9,000" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "the contribution and earnings base".

(5) Section 6413(c) (1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting "and prior to the calendar year 1972" after "after the calendar year 1967".

(B) by inserting after "exceed $7,800" the following: "or (E) during any calendar year after the calendar year 1971 and prior to the calendar year 1974, the wages received by him during such year exceed $9,000, or (F) during any calendar year after 1973, the wages received by him during such year exceed the contribution and earnings base (as determined under section 230 of the Social Security Act) effective with respect to such year," and

(C) by inserting before the period at the end thereof the following: "and before 1972, or which exceeds the tax with respect to the first $9,000 of such wages received in such calendar year after 1971 and before 1974, or which exceeds the tax with respect to the first amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) of such wages received in the calendar year after 1973 with respect to which such contribution and earnings base was effective".

(6) Section 6413(c) (2) (A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by—

(A) striking out "or $7,800 for any calendar year after 1967" and inserting in lieu thereof "$7,800 for the calendar year 1968, 1969, 1970 and 1971, or $9,000 for the calendar year 1972 or 1973, or an amount equal to the contribution and earnings base (as determined under section 230 of the Social Security Act) for any calendar year after 1973 with respect to which such contribution and earnings base was effective".

(c) The amendments made by subsections (a) (1) and (a) (3) (A), and the amendments made by subsection (b) (except paragraph (1) thereof), shall apply only with respect to remuneration paid after December 1971. The amendments made by subsections (a) (2), (a) (3) (B), and (b) (1) shall apply only with respect to taxable years ending after 1971. The amendment made by subsection (a) (4) shall apply only with respect to calendar years after 1971.

AUTOMATIC ADJUSTMENT OF EARNINGS BASE

SEC. 7. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"AUTOMATIC ADJUSTMENT OF EARNINGS BASE

"SEC. 230. (a) On or before October 1 of 1972, and each even-numbered year thereafter, the Secretary shall determine and publish in the Federal Register the contribution and earnings base (as defined in subsection (b)) for the two calendar years succeeding the calendar year following the year in which the determination is made.

"(b) The contribution and earnings base for a particular calendar year shall be whichever of the following is the larger.

"(1) the product of $9,000 and the ratio of (A) the average taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of the calendar year in which a determination under subsection (a) is made for such particular calendar year to (B) the average of the taxable wages of all persons for whom taxable wages were reported to the Secretary for the first calendar quarter of 1971; such product, if not a multiple of $600, shall be rounded to the nearest multiple of $600, or

"(2) the contribution and earnings base for the calendar year preceding such particular calendar year."

(b) That part of section 215(a) of the Social Security Act which precedes the table is amended by striking out "or" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof "or the amount equal to his primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (5); or", and by inserting after paragraph (4) the following:

"(5) If such insured individual's average monthly wage (as determined under subsection (b)) exceeds $750, the amount equal to the sum of (A) $54.48 and (B) 28.47 per centum of such average monthly wage; such sum, if it is not a multiple of $1, shall be rounded to the nearest multiple of $1."

(c) So much of section 203(a) as precedes paragraph (2) is amended to read as follows:

"SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an insured individual exceeds the larger of: (I) the amount appearing in column V of the table in section 215(a) on the line on which appears in column IV such insured individual's primary insurance amount, and (II) the amount which is equal to the sum of $180 and 40 per centum of the highest average monthly wage (as determined under section 215(b)), which will produce the primary insurance amount of such individual (as determined under section 215(a) (5)), such total of monthly benefits to which such individuals are entitled shall be reduced to the larger amount determined under (I) or (II) above, whichever is applicable; except that—

"(1) when any such individuals so entitled would (but for the provisions of section 202(k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total benefits shall not be reduced to less than the larger of:

"(A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, but not more than the last figure in column V of the table appearing in section 215(a), and

"(B) the amount determined under clause (II) for the highest primary insurance amount of any insured individual (if such primary insurance amount is determined under section 215(a) (15))."

(d) (1) Section 201(c) of the Social Security Act is amended by inserting before the last sentence the following sentence: "The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401(a), 3101(a), and 3111 (a) of the Internal Revenue Code of 1954,

which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated income in relationship to the estimated outgo of the Trust Funds during such year."

(2) Section 1817(b) of such Act is amended by inserting before the last sentence the following sentence: "The report shall further include a recommendation as to the appropriateness of the tax rates in sections 1401(b), 3101(b), and 3111(b) of the Internal Revenue Code of 1954, which will be in effect for the following calendar year; this recommendation shall be made in the light of the need for the estimated income in relationship to the estimated outgo of the Trust Fund during such year."

(e) The amendments made by subsections (b) and (c) shall apply with respect to monthly benefits for months after December 1973 and with respect to lump-sum death payments under such title in the case of deaths occurring after 1973.

CHANGES IN TAX SCHEDULES

SEC. 8. (a)(1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4), and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1975, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1974, and before January 1, 1977, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and

"(3) in the case of any taxable year beginning after December 31, 1976, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;

"(2) with respect to wages received during the calendar years 1975 and 1976, the rate shall be 4.6 percent;

"(3) with respect to wages received during the calendar years 1977, 1978, and 1979, the rate shall be 4.8 percent;

"(4) with respect to wages received during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and

"(5) with respect to wages received after December 31, 1986, the rate shall be 5.0 percent."

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1970, 1971, 1972, 1973 and 1974, the rate shall be 4.2 percent;

"(2) with respect to wages paid during the calendar years 1975 and 1976, the rate shall be 4.6 percent;

"(3) with respect to wages paid during the calendar years 1977, 1978, and 1979, the rate shall be 4.8 percent;

"(4) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 4.9 percent; and

"(5) with respect to wages paid after December 31, 1986, the rate shall be 5.0 percent."

(b)(1) Section 1401(b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1969, and before January 1, 1971, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year; and

"(2) in the case of any taxable year beginning after December 31, 1970, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar year 1970, the rate shall be 0.60 percent; and

"(2) with respect to wages received after December 31, 1970, the rate shall be 0.90 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1), (2), (3), (4), and (5) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar year 1970, the rate shall be 0.60 percent; and

"(2) with respect to wages paid after December 31, 1970, the rate shall be 0.90 percent."

(c) The amendment made by subsections (a)(1) and (b)(1) shall apply only with respect to taxable years beginning after December 31, 1969. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1969.

AGE—62 COMPUTATION POINT FOR MEN

SEC. 9. (a) Section 214(a)(1) of the Social Security Act is amended by striking out "before—" and by striking out all of subparagraphs (A), (B), and (C) and by inserting in lieu thereof "before the year in which he died or (if earlier) the year in which he attained age 62,".

(b) Section 215(b)(3) of such Act is amended by striking out "before—" and all of subparagraphs (A), (B), and (C) and by inserting in lieu thereof "before the year in which he died or, if it occurred earlier but after 1960, the year in which he attained age 62.".

(c) Section 215(f) of such Act is amended by striking out paragraph (5) and inserting in lieu thereof the following:

"(5) In the case of an individual who is entitled to monthly benefits for a month after December 1971, on the basis of the wages and self-employment income of an insured individual who prior to January 1972 became entitled to benefits under section 202(a), became entitled to benefits under section 223 after the year in which he attained age 62, or died in a year after the year in which he attained age 62, the Secretary shall, notwithstanding paragraphs (1) and (2), recompute the primary insurance amount of such insured individual. Such recomputation shall be made under whichever of the following alternative computation methods yields the higher primary insurance amount:

"(A) the computation methods of this section, as amended by the Social Security Amendments of 1969, which would be applicable in the case of an insured individual who attained age 62 after December 1971, or

"(B) under the provisions in subparagraph (A) (but without regard to the limitation, 'but after 1960' contained in paragraph (3) of subsection (b)), except that for any such recomputation, when the number of an individual's benefit computation years is less than 5, his average monthly wage shall, if it is in excess of $400, be reduced to such amount."

(d) Section 223(a)(2) of such Act is amended by—

(1) striking out "(if a woman) or age 65 (if a man)",

(2) striking out "in the case of a woman" and inserting in lieu thereof "in the case of an individual," and

(3) striking out "she" and inserting in lieu thereof "he".

(e) Section 223(c)(1)(A) is amended by striking out "(if a woman) or age 65 (if a man)".

(f) The amendments made by the preceding subsections of this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971 and with respect to lump-sum death payments made in the case of an insured individual who died after such month.

(g) Sections 209(i), 216(i)(3)(A) and 213(a)(2) of the Social Security Act are amended by striking out "(if a woman) or age 65 (if a man)".

ENTITLEMENT TO CHILD'S INSURANCE BENEFITS BASED ON DISABILITY WHICH BEGAN BETWEEN 18 AND 22

SEC. 10. (a) Clause (ii) of section 202(d)(1)(B) of the Social Security Act is amended by striking out "which began before he attained the age of 18" and inserting in lieu thereof "which began before he attained the age of 22".

(b) Subparagraphs (F) and (G) of section 202(d)(1) of such Act are amended to read as follows:

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month; or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at or prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month."

(c) Section 202(d)(1) of such Act is further amended by adding at the end thereof the following new sentence: "No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223(d) except for paragraph (1)(B) thereof for any month in which he engages in substantial gainful activity."

(d) Paragraph (6) of section 202(d) is amended by striking out "in which he is a full-time student and has not attained the age of 22" and all that follows and inserting in lieu thereof "in which he—

"(A) (i) is a full-time student or (ii) is under a disability (as defined in section 223(d)), and

"(B) had not attained the age of 22, but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

"(C) the first month in which an event specified in paragraph (1)(D) occurs; or

"(D) the earlier of (i) the first month during no part of which he is a full-time student or (ii) the month in which he attains the age of 22, but only if he is not under a dis-

ability (as so defined) in such earlier month; or

"(E) if he was under a disability (as so defined), the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

(e) Section 202(s) of such Act is amended—

(1) by striking out "before he attained such age" in paragraph (1) and inserting in lieu thereof "before he attained the age of 22"; and

(2) by striking out "before such child attained the age of 18" in paragraphs (2) and (3) and inserting in lieu thereof "before such child attained the age of 22".

(f) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under section 202 of the Social Security Act for months after December 1970, except that in the case of an individual who was not entitled to a monthly benefit under such section for December 1970, such amendments shall apply only on the basis of an application filed after September 30, 1970.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 11. (a) Section 201)b)(1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.05 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201(b)(2) of such Act is amended by

(1) striking out "and" at the end of clause (B);

(2) striking out "1967" and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.7875 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

WAGE CREDITS FOR MEMBERS OF THE UNIFORMED SERVICES

SEC. 12. (a) Subsection 229(a) of such Act is amended by—

(1) striking out "after December 1967," and inserting in lieu thereof "after December 1970";

(2) striking out "after 1967" and inserting in lieu thereof "after 1956"; and

(3) striking out all of paragraphs (1), (2), and (3), and inserting in lieu thereof "$300".

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1970 and with respect to lump-sum death payments in the case of deaths occurring after December 1970, except that, in the case of any individual who is entitled, on the basis of the wages and self-employment income of any individual to whom section 229 applies, to monthly benefits under title II of such Act for December 1970, such amendments shall apply (A) only if an application for recomputation by reason of such amendments is filed by such individual, or any other individual, entitled to benefits under such title II on the basis of such wages and self-employment income, and (B) only with respect to such benefits for months after whichever of the following is later: December 1970 or the twelfth month before the month in which such application was filed. Recomputations of benefits as required to carry out the provisions of this paragraph shall be made notwithstanding the provisions of section 215(f)(1) of the Social Security Act; but no such recomputation shall be regarded as a recomputation for purposes of section 215(f) of such act.

PARENT'S INSURANCE BENEFITS IN CASE OF RETIRED OR DISABLED WORKER

SEC. 13. (a) Paragraphs (1) and (2) of section 202 (h) of the Social Security Act are amended to read as follows:

"(1) Every parent (as defined in this subsection) of an individual entitled to old-age or disability insurance benefits, or of an individual who died a fully insured individual, if such parent—

"(A) has attained age 62,

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

"(i) if such individual is entitled to old-age or disability insurance benefits, at the time he became entitled to such benefits,

"(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 had died) until the month of his death, at the beginning of such period of disability,

and has filed proof of such support within two years after the month in which such individual filed application with respect to such period of disability, became entitled to such benefits, or died, as the case may be,

"(C) is not entitled to old-age or disability insurance benefits, or is entitled to such benefits, each of which is (i) less than 50 percent of the primary insurance amount of such individual if such individual is entitled to old-age or disability insurance benefits, or (ii) less than 82½ percent of the primary insurance amount of such individual if such individual is deceased, and if the amount of the parent's insurance benefit for such month is determinable under paragraph (2)(A) (or 75 percent of such primary insurance amount in any other case),

"(D) has not married since the time with respect to which the Secretary determines, under subparagraph (B) of this paragraph, that such parent was receiving at least one-half of his support from such individual, and

"(E) has filed application for parent's insurance benefits,

shall be entitled to a parent's insurance benefit for each month, beginning with the first month in which such parent becomes so entitled to such parent's insurance benefits and ending with the month preceding the first month in which any of the following occurs—

"(F) such parent dies or marries, or

"(G)(i) if such individual is entitled to old-age or disability insurance benefits, such parent becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or (ii) if such individual has died, such parent becomes entitled to an old-age or disability insurance benefit which is equal to or exceeds 82½ percent of the primary insurance amount of such deceased individual if the amount of the parent's insurance benefit for such month is determinable under paragraph (2)(A) (or 75 percent of such primary insurance amount in any other case), or

"(H) such individual, if living, is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

"(2)(A) Except as provided in subparagraphs (B) and (C), such parent's insurance benefit for each month shall be equal to—

"(i) if the individual on the basis of whose wages and self-employment income the parent is entitled to such benefit has not died prior to the end of such month, one-half of the primary insurance amount of such individual for such month, or

"(ii) if such individual has died in or prior to such month, 82½ percent of the primary insurance amount of such deceased individual;

"(B) For any month for which more than one parent is entitled to parent's insurance benefits on the basis of the wages and self-employment income of an individual who died in or prior to such month, such benefit for each such parent for such month shall (except as provided in subparagraph (C)) be equal to 75 percent of the primary insurance amount of such deceased individual;

"(C) In any case in which—

"(i) any parent is entitled to a parent's insurance benefit for a month on the basis of the wages and self-employment income of an individual who died in or prior to such month, and

"(ii) another parent of such deceased individual is entitled to a parent's insurance benefit for such month on the basis of such wages and self-employment income, and on the basis of an application filed after such month and after the month in which the application for the parent's insurance benefits referred to in clause (i) was filed,

the amount of the parent's insurance benefit of the parent referred to in clause (i) for the month referred to in such clause shall be determined under subparagraph (A) instead of subparagraph (B) and the amount of the parent's insurance benefit of the parent referred to in clause (ii) for such month shall be equal to 150 percent of the primary insurance amount of such individual minus the amount (before the application of section 203(a)) of the benefit for such month of the parent referred to in clause (i)."

(b) Section 202(q) of such Act is amended by—

(1) inserting in paragraph (1) after "husband's," the following: "parent's," and by striking out in such paragraph (1) "or husband's" and inserting in lieu thereof ", husband's, or parent's";

(2) inserting in paragraph (3) after "husband's," wherever it appears the following: "parent's," and by striking out in such paragraph (3) "or husband's" wherever it appears and inserting in lieu thereof "husband's, or parent's";

(3) inserting in paragraph (6) after "husband's," wherever it appears the following: "parent's,"; and by striking out in such paragraph (6) "or husband's" wherever it appears and inserting in lieu thereof "husband's, or parent's";

(4) inserting in paragraph (7) after "husband's," the following: "parent's," and by striking out "or husband's" and inserting in lieu thereof "husband's, or parent's"; and

(5) adding at the end thereof the following new paragraph:

"(10) For purposes of this subsection, 'parent's insurance benefits' means benefits payable under this section to a parent on the basis of the wages and self-employment income of an individual entitled to old-age insurance benefits or disability insurance benefits."

(c) Section 202(r) of such Act is amended—

(1) by striking out "or Husband's" in the heading and inserting in lieu thereof, "Husband's, or Parent's"; and

(2) by striking out "or husband's" each time it appears in paragraphs (1) and (2) and inserting in lieu thereof, "husband's, or parent's".

(d) Section 203(d)(1) of such Act is amended by striking out "or child's" wherever it appears and inserting in lieu thereof "child's, or parents's" and by striking out "or child" and inserting in lieu thereof "child, or parent".

(e) Subparagraph (C) of section 202(q)(7) of such Act is amended—

(1) by striking out "wife's or husband's

increase benefits" and inserting in lieu thereof "wife's, husband's, or parent's insurance benefits", and

(2) by striking out "the spouse" and inserting in lieu thereof "the individual".

(f) Section 222(b)(3) of such Act is amended—

(1) by striking out "husband's, or child's" wherever it appears and inserting in lieu thereof "husband's, parent's, or child's", and

(2) by striking out "husband, or child" and inserting in lieu thereof "husband, parent, or child".

(g) Where—

(1) one or more persons were entitled (without the application of section 202(j)(1) of the Social Security Act) to monthly benefits unedr section 202 or 223 of such Act for December 1970 on the basis of the wages and self-employment income of an individual, and

(2) one or more persons are entitled to monthly benefits for January 1971 solely by reason of this section on the basis of such wages and self-employment income, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment income for January 1971 is reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced), then the amount of the benefit to which each person referred to in paragraph (1) of the subsection is entitled for months after December 1970 shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph (2).

(h) The amendments made by this section shall apply only with respect to monthly insurance benefits payable under section 202 of the Social Security Act for months after December 1970 and only on the basis of an application filed after September 30, 1970.

(i) The requirement in section 202(h)(1)(B) of the Social Security Act that proof of support be filed within two years after a specified date in order to establish eligibility for parent's insurance benefits shall, insofar as such requirement applies to cases where applications under such subsection are filed by parents on the basis of the wages and self-employment income of an individual entitled to old-age or disability insurance benefits, not apply if such proof of support is filed within two years after the date of enactment of this Act.

INCREASED WIDOW'S AND WIDOWER'S INSURANCE BENEFITS

SEC. 14. (a) Subsection (e) of section 202 of the Social Security Act is amended as follows:

(1) Paragraphs (1) and (2) of such subsection are amended by striking out "82½ percent of" wherever it appears.

(2) Paragraph (5) of such subsection is amended by striking out "60" and inserting in lieu thereof "65".

(b) Subsection (f) of section 202 of such Act is amended as follows:

(1) Paragraphs (1) and (3) of such subsection are amended by striking out "82½ percent of "wherever it appears.

(2) Paragraph (6) of such subsection is amended by striking out "62" and inserting in lieu thereof "65".

(c)(1) The last sentence of subsection (c) of section 203 of such Act is amended by striking out all that follows the semicolon and inserting in lieu thereof the following: "nor shall any deduction be made under this subsection from any widow's insurance benefit for any month in which the widow or surviving divorced wife is entitled and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower is entitled and has not attained age 65 (but only if he became so entitled prior to attaining age 62).".

(2) Subparagraph (D) of section 203(f)(1) of such Act is amended to read as follows:

"(D) for which such individual is entitled to widow's insurance benefits and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or widower's insurance benefits and has not attained age 65 (but only if he became so entitled prior to attaining age 62), or".

(d) Subsection (q) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) That part of paragraph (1) of such subsection which precedes subparagraph (C) is amended to read as follows:

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

"(A) for each month of such entitlement within the 36-month period immediately preceding the month in which such individual attains retirement age, by

"(i) five-ninths of 1 percent of such amount if such benefit is an old-age insurance benefit, twenty-five thirty-sixths of 1 percent of such amount if such benefit is a wife's, husband's, or parent's insurance benefit, or thirty-five seventy-seconds of 1 percent of such amount if such benefit is a widow's or widower's insurance benefit, multiplied by

"(ii) the number of such months in (I) the reduction period fer such benefit (determined under paragraph (6)(A)), if such benefit is for a month before the month in which such individual attains retirement age, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter, and—

"(B) for each month of the 24-month period for which a widow, or widower, is entitled to a widow's or widower's insurance benefit immediately preceding the month in which such individual attains age 62, the amount of such individual's widow's or widower's benefit as reduced under subparagraph (A) shall be further reduced by—

"(i) five-ninths of 1 percent of such reduced benefit, multiplied by

"(ii) the number of such months in (I) the reduction period for such benefit, if such benefit is for a month before the month in which such individual attains age 62, or (II) the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains retirement age or for any month thereafter.

"A widow's or widower's insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—".

(2) Paragraph (2) of such subsection is amended by striking out "paragraphs (1) and (4)" and inserting in lieu thereof "paragraphs (1), (3), and (4)".

(3) Paragraph (3) of such subsection is amended by—

(A) striking out subparagraph (F), and

(B) redesignating subparagraph (G) as subparagraph (F), striking out of such subparagraph "(when such first month occurs before the month in which such individual attains the age of 62)", and striking out "age 62" and inserting in lieu thereof "age 65".

(4) Paragraph (9) of such subsection is amended to read as follows:

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

(e) Subsection (r) of section 202 of such Act, as amended by this Act, is further amended as follows:

(1) by striking out "Husband's, or Parent's" in the heading and inserting in lieu thereof "Husband's, Parent's, Widow's, or Widower's,"; and

(2) by striking out "husband's, or parent's" each time it appears in paragraphs (1) and (2) and inserting in lieu thereof "husband's parent's, widow's, or widower's.".

(f) In the case of an individual who is entitled (without the application of section 202(j)(1) and 223(b)) to widow's or widower's insurance benefits for the month of December 1970, if such individual's entitlement to such benefits began with a month after the month he attained age 62, the Secretary shall redetermine the amount of such benefits under the provisions of this section as if these provisions had been in effect for the first month of such individual's entitlement to such benefits.

(g) The amendments made by this section shall be effective for monthly benefits for months after December 1970.

Mr. WILLIAMS of Delaware. Mr. President, the amendment I have offered is the administration bill as introduced in September. I shall discuss briefly the major differences between the administration bill and the measure which is pending before the Senate at this time.

I regret the way in which the circumstances have developed. I regret that we have a situation where we have to enact a measure of such importance on the floor of the Senate without committee hearings; and I also regret very much that we are considering social security along with a bill which started out to be a major tax reform bill—a tax reform which is long overdue. I wish very much we would have been able to confine this bill strictly to major tax reforms and then to have come along later to deal with social security after we had these matters settled. The same statement could be made in connection with some of the proposed tax reductions. I am fearful we are getting too far away from our original objective, which was tax reform.

Nevertheless, we have a social security measure before us. It is a fact of life. All we can do is cope with that situation.

Therefore, on behalf of the minority members of the committee I am submitting the administration bill. The major differences in the proposals are as follows. As the Senator from Louisiana pointed out just a few moments ago, the proposal he introduced is comparable to the bill reported by the Ways and Means Committee, and it provides for a flat 15 percent.

Mr. BYRD of West Virginia. Mr. President, may we have order? I cannot hear the Senator.

The PRESIDING OFFICER. The Senate will be in order.

The Senator from Delaware may proceed.

Mr. WILLIAMS of Delaware. Mr. President, the provision in the proposal offered by the Senator from Louisiana is for a flat 15-percent increase across-the-board effective January 1, whereas the administration bill provides for a 10 percent increase effective in March. The payments could begin to be made in April of 1970, and, as with the earlier effective date on the measure of the Senator from Louisiana, there would be a retroactive

feature for January and February included.

As to the method of financing the measure which is before us, the measure I have submitted does provide adequate financing for the benefits that are added to the bill.

I might say that historically it has always been the policy, more or less the unwritten law, of the Ways and Means Committee and the Committee on Finance that they would never support a social security bill providing for increases unless those increases were accompanied by methods to finance the benefits being approved at that time.

As I understand, there is no precedent for an action such as the measure that is before us today where there would be a major increase in Social Security benefits with not method of financing. It is merely postponing the day of reckoning.

My measure would finance the benefits in this manner. Beginning in 1972 it would raise the wage base from $7,800 to $9,000, but at the same time it had as an offset a reduction in the rates against this wage base increase. Under existing law, beginning in 1971 and 1972 the wage rates would be 10.4 percent on the $7,800, but since we are raising the base we would drop those rates to 10.2 percent. This is a combined rate for both the employer and the employee, or 5.1 percent for each.

In 1972 and 1973 under the existing law the rate would be 11.3 percent on the $7,800 base. Our bill would drop that rate to 10.2 percent with this higher wage base.

In 1974 and 1975 it would drop the rate from 11.3 to 11 percent; and in 1976 under existing law it goes to 11.4 percent. We drop it to 11 percent.

The net effect would be higher taxes to pay for the benefits under the bill.

Now, in order to have 10-percent benefits across the board this amendment also provides something that is very important to those who live on social security pensions, something they have been advocating for a long time; and that is built-in permanent cost-of-living increases so that as the cost of living goes up 3 percentage points the social security automatically would go up 3 percentage points.

Since the last social security increase the cost of living has gone up slightly over 9 percent, which means that had this provision been in effect retroactively those persons today would be enjoying the increase of 9.1 percent increase in benefits.

Mr. BYRD of West Virginia. Mr. President, will be Senator from Delaware yield for a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. BYRD of West Virginia. Did I correctly understand the Senator to say that under the perfecting amendment which he is offering, the increases in social security payments would be automatically tied to the cost-of-living increase?

Mr. WILLIAMS of Delaware. That is correct. Somewhat comparable to the manner of the civil service and other retirement funds.

Mr. BYRD of West Virginia. What is the overall increase?

Mr. WILLIAMS of Delaware. It is 10 percent.

Mr. BYRD of West Virginia. By what amount is the minimum payment increased?

Mr. WILLIAMS of Delaware. It is 10 percent. Just the same as in the other bill—it is increased 15 percent.

Mr. BYRD of West Virginia. I thank the Senator from Delaware.

Mr. WILLIAMS of Delaware. But there are other benefits which are in the administration bill to which I call attention in addition to the automatic cost-of-living increase.

For example, the income retirement test under existing law is $1,680. With an individual under existing law who is earning above $1,680 and drawing social security, on earnings between $1,680 and $2,880 they take back $1 for every $2 he earns and after that $2,880 figure is reached, they take back all a man's earnings until they recover the full social security benefits.

Under my amendment the earnings test is raised from $1,680 to $1,800, and the same one for two rule applies but without the cutoff in the $2,880, which makes it less harsh as to recapture. That is part of the additional cost of the bill, all of which is compensated in the increased wage base——

Mr. BYRD of West Virginia. Mr. President, will the Senator from Delaware yield further?

Mr. WILLIAMS of Delaware. I yield.

Mr. BYRD of West Virginia. At the present time, the minimum paid is $55 for a single individual, is that not correct.

Mr. WILLIAMS of Delaware. That is correct.

Mr. BYRD of West Virginia. Under the perfecting amendment being offered by the Senator from Delaware, as I understand it, the minimum payment would be increased by 10 percent?

Mr. WILLIAMS of Delaware. Yes; 10 percent.

Under the bill offered by the Senator from Louisiana it would be increased 15 percent.

Mr. BYRD of West Virginia. I thank the Senator from Delaware.

Mr. WILLIAMS of Delaware. In addition, the hospital insurance under present law is inadequately financed, a situation recognized as such by all concerned. This pending amendment provides proper financing by raising the eventual tax rate from six-tenths of nine-tenths percent. Under existing law it goes to nine-tenths of 1 percent at some date in the projected future. We move to that nine-tenths of 1 percent immediately because it is needed in order to keep the fund solvent now.

There is also an additional benefit under the bill which is not embraced in the Long amendment, which provides 15 percent across the board. Under existing law a widow's benefits are reduced to 82½ percent of the pension that her husband was receiving. This amendment would change that and allow a widow as the survivor to get 100 percent of the benefits her husband was drawing. The increased widow benefits and the increase in the retirement test, as well as the escalation clause, in my opinion far outweigh much of the difference in the 5 percent variation.

But what is equally if not more important is that we have a bill here which is properly financed, so that those on social security today can look forward, knowing that the fund is being adequately financed by Congress and that they are guaranteed that amount for the remainder of their lives.

It seems to me that is very important to those living on retirement pensions. It is also important that the amount of the pensions they are receiving will be increased, yes; but what is even more important is that they will be given assurance that that which they are drawing today they can expect for the remainder of their lives, whether they live to be 75, 80, 90, or 100 years old.

Certainly the assurance that this fund is being kept actuarially solvent and that Congress will not tinker with it for political or any other reasons by voting an increase which is not properly financed seems to me to be an assurance that is worth more than any false hope that they are getting an increase.

The benefit to widows, as I said, and the increased earnings test offset much of the differential, but above all it would be well for Congress, if we are going to raise social security benefits, that we stand by the principle that has been in effect ever since the first day social security was enacted; that is, that whenever Congress raises benefits at the same time and in the same bill, there will be provided the increased taxes in whatever amounts are necessary to finance the benefits that have been approved. That sound policy has been recommended by every administration that has been in power heretofore.

Sound financing has been recommended by every Secretary of Health, Education, and Welfare that has ever testified before a committee, including the able Senator from Connecticut (Mr. RIBICOFF), who is recognized as one of the most able Secretaries of Heath, Education, and Welfare. All of them have insisted, when they were before committees, that under no circumstances should Congress vote benefits for which it is not willing to pay. We should stand by that principle. I hope that this substitute will be adopted.

Therefore, I and other members of the committee have said that had hoped we could include provisions in a social security bill that would correct some of the discovered abuses in the medicare program, but I have not attempted to deal with those here. I do not think that we could propose them here on the Senate floor. There is no difference of opinion, I might say, on the part of myself and the chairman of the committee or any other members of the committee but that this is an area that does need our attention, and it is going to get the attention of the committee. I am confident that no matter what we can do on this bill it will still be given our attention at a later date. Since we are going to have to vote today I think the very least we can do is to approve an actuarially solvent benefits plan, one which will give benefits where they are needed the most, and that is in the low income brackets. They are the

ones hit by this income test. Of course, the widows, likewise, are benefited.

I am not arguing or trying to argue that there is not a difference; certainly the 15 percent is more attractive than the 10 percent. There is no argument about that. Twenty percent is more attractive than 15 percent, and 25 percent is more attractive than 20 percent.

But there is a limit as to what we can do. I think, whether it be 15 or 10 percent, or whatever percentage it is, those who vote for it should at least include the method to pay for it; otherwise, we are only holding out a false promise.

Mr. PROUTY. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. PROUTY. I am sorry that I cannot support the Senator. I appreciate how sincere he is. I should like to point out—and I will do it more in detail later on—that the surplus in the social security fund at the end of fiscal year 1969 was $32 billion. At the end of fiscal 1970, the income will be $35.2 billion. The outflow, $2.85 billion, the gain, $6.7 billion. The surplus will be, at the end of June 30, 1970, $38.7 billion. And when we get up to 1973, we will have a surplus of $75.3 billion.

All the actuaries have told us that this is perfectly proper and sound financing. I have offered an amendment which is now at the desk, which I do not intend to call up at this time, which provides for a $90 minimum and a 10-percent across-the-board increase.

Mr. WILLIAMS of Delaware. Could I answer that point first, because it seems the Senator wants to make a speech. The figures he quotes are figures that are based upon assumptions which will not develop under the proposal of the Senator from Louisiana.

Mr. PROUTY. They were given to me by the social security actuaries.

Mr. WILLIAMS of Delaware. But that is based upon the assumption which I will explain to the Senator; namely, the assumption that they will accept the recommendations of President Johnson and President Nixon providing an increase in the wage base to increase the tax. What the Senator has done is take the figures that would result from those increases, but his amendment has eliminated the increases. The Senator is living in a dream world.

Mr. PROUTY. Well, I will discuss that in more detail later.

Mr. WILLIAMS of Delaware. I respect that, but nevertheless the distinguished Senator is taking credit for taxes which are not proposed in his bill.

Mr. PROUTY. As a matter of fact, the cost of the Long amendment is 1.24 of that—that is payroll—under the Williams amendment it is 1.25; and the one which I shall offer later, if the amendment of the Senator from Delaware fails—would raise the minimum through 1970 at 1.30.

Mr. WILLIAMS of Delaware. The Senator is correct as to the cost, but the point is that in the amendment which I have offered we have included a tax to cover that cost. The point I am making is that in the amendment offered by the Senator from Louisiana and the Senator from Vermont no tax provision has been included. A tax is not any good until it is provided for in the bill, and it is not a part of the amendment of the Senator from Louisiana now pending.

If it is put on a pay-as-you-go basis today's wage earners are being charged for benefits to be passed on to those who retired before. If that is what Senators want to do, let us face it, and tell these young men and women in the 28-, 30-, and 40-year-age brackets that we are spending their money as fast as they are putting it in the trust fund. That is the point I am making.

The committee heretofore has tried to maintain some degree of solvency under the social security system. It was a rule—although there is no law to that effect—that for safety reasons there should be a reserve adequate to pay the benefits for 4 to 5 years. In other words, the fund should be maintained to provide the equivalent of four to five times the annual benefits. Right now the fund is down to the point where it is barely adequate to pay benefits for 12 months. That is a dangerously low level.

The reason why it is a dangerously low level is that we may run into a period of recession. We have had them before, and we may have them again; and we will certainly have them again if we continue such irresponsible actions as we have had in Congress in the last few days. In a period of recession, rising unemployment will result in fewer contributions to the trust fund because it is based on contributions from wage earners. As unemployment increases the contributions from wage earners decrease; but more people who are eligible go into retirement, and the outgo increases. So in a period of any kind of recession the outgo will increase substantially, and the income will drop. That is why we have to have some reserve.

Mr. PROUTY. Nobody disagrees with the need for having a reserve, but we are building up a tremendous reserve. By 1973 we will have a surplus of $75.3 billion.

Mr. WILLIAMS of Delaware. We will not have a surplus of $75.3 billion.

Mr. PROUTY. I have to rely on the actuaries. I am not relying on my own figures.

Mr. WILLIAMS of Delaware. I do not know which actuaries.

Mr. PROUTY. Mr. Myers, the chief actuary for the Social Security Administration, and another actuary who has been working closely with the Finance Committee of the Senate and the Ways and Means Committee of the House.

Mr. WILLIAMS of Delaware. I never heard of those figures being presented to the committee.

Mr. JORDAN of Idaho. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. JORDAN of Idaho. The Senator's amendment provides for a 10-percent increase, plus an adjustment tied to the increase in the cost of living. Is that correct?

Mr. WILLIAMS of Delaware. That is correct.

Mr. JORDAN of Idaho. As contrasted with the amendment which the Senator from Delaware would amend of a straight 15-percent increase, with no escalator clause tied to the increase in cost of living.

Mr. WILLIAMS of Delaware. That is correct. In addition to that the amendment which we had submitted also raises from $1,580 to $1,680 the amount of outside earnings allowed.

It also increases a widow's benefits from 82½ percent to 100 percent of what the husband was drawing.

Mr. JORDAN of Idaho. Did I understand the Senator to say that since the last increase in benefits under the social security system living costs have gone up over 9 percent?

Mr. WILLIAMS of Delaware. That is correct.

Mr. JORDAN of Idaho. Is it not entirely possible that a 10-percent increase with an escalator clause tied to the cost of living may be better than a straight 15-percent increase with none of the ancillary benefits the Senator has enumerated?

Mr. WILLIAMS of Delaware. Yes, it would be better because in addition to the side benefits I have mentioned it also provides for an automatic cost-of-living increase. It is soundly financed into the future because as the automatic cost-of-living increase is triggered into effect in the future, while it is going to mean an extra cost for the fund, there is also triggered into effect an increase in the tax rate.

In other words, future increased benefits are tied into the increased cost of living, but there is also tied into it a permanent system of financing it, because when the cost of living goes up 3 percent and the benefits are accordingly increased 3 percent, there is triggered into effect an increased tax rate to finance the cost. Therefore, those under the social security system would know that not only are the benefits we are granting them today adequately financed but also the increased costs projected into the future are also financed.

We have also provided for financing of hospital insurance, which is underfinanced by all estimates.

Mr. JORDAN of Idaho. If the escalator provision had been in effect under the present social security law, recipients would be getting nearly 10 percent more than they are presently getting, and they would have had increases in their payments tied to the cost-of-living increases.

Mr. WILLIAMS of Delaware. Yes. As the cost of living increases 3 percent it would trigger into effect increased benefits of 3 percent.

Mr. President, I ask unanimous consent to have printed in the RECORD the message of the President relating to the social security bill.

There being no objection, the message was ordered to be printed in the RECORD, as follows:

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING PROPOSED REFORMS IN THE SOCIAL SECURITY SYSTEM, SEPTEMBER 25, 1969

To the Congress of the United States:

This nation must not break faith with those Americans who have a right to expect that Social Security payments will protect them and their families.

The impact of an inflation now in its fourth year has undermined the value of every Social Security check and requires that

we once again increase the benefits to help those among the most severely victimized by the rising cost of living.

I request that the Congress remedy the real losses to those who now receive Social Security benefits by increasing payments by 10 per cent.

Beyond that step to set right today's inequity, I propose that the Congress make certain once and for all that the retired, the disabled and the dependent never again bear the brunt of inflation. *The way to prevent future unfairness is to attach the benefit schedule to the cost of living.*

This will instill new security in Social Security. This will provide peace of mind to those concerned with their retirement years, and to their dependents.

By acting to raise benefits now to meet the rise in the cost of living, we keep faith with today's recipients. By acting to make future benefit raises automatic with rises in the cost of living, we remove questions about future years; we do much to remove this system from biennial politics; and we make fair treatment of beneficiaries a matter of certainty rather than a matter of hope.

In the 34 years since the Social Security program was first established, it has become a central part of life for a growing number of Americans. Today approximately 25 million people are receiving cash payments from this source. Three-quarters of these are older Americans; the Social Security check generally represents the greater part of total income. Millions of younger people receive benefits under the disability or survivor provisions of Social Security.

Almost all Americans have a stake in the soundness of the Social Security system. Some 92 million workers are contributing to Social Security this year. About 80 per cent of Americans of working age are protected by disability insurance and 95 per cent of children and mothers have survivorship insurance protection. Because the Social Security program is an essential part of life for so many Americans, we must continually re-examine the program and be prepared to make improvements.

Aiding in this Administration's review and evaluation is the Advisory Council on Social Security which the Secretary of Health, Education and Welfare appointed in May. For example, I will look to this Council for recommendations in regard to working women; changing work patterns and the increased contributions of working women to the system may make present law unfair to them. The recommendations of this Council and of other advisers, both within the Government and outside of it, will be important to our planning. As I indicated in my message to the Congress on April 14, improvement in the Social Security program is a major objective of this Administration.

There are certain changes in the Social Security program, however, for which the need is so clear that they should be made without awaiting the findings of the Advisory Council. The purpose of this message is to recommend such changes.

I propose an across-the-board increase of 10% in Social Security benefits, effective with checks mailed in April 1970, to make up for increases in the cost of living.

I propose that future benefits in the Social Security system be automatically adjusted to account for increases in the cost of living.

I propose an increase from $1680 to $1800 in the amount beneficiaries can earn annually without reduction their benefits, effective January 1, 1971.

I propose to eliminate the one-dollar-for-one-dollar reduction in benefits for income earned in excess of $2800 a year and replace it by a one dollar reduction in benefits for every two dollars earned, which now applies at earnings levels between $1680 and $2880, also effective January 1, 1971.

I propose to increase the contribution and benefit base from $7800 to $9000, beginning in 1972, to strengthen the system, to help keep future benefits to the individual related to the growth of his wages, and to meet part of the cost of the improved program. From then on, the base will automatically be adjusted to reflect wage increases.

I propose a series of additional reforms to ensure more equitable treatment for widows, recipients above age 72, veterans, for persons disabled in childhood and for the dependent parents of disabled and retired workers.

I emphasize that the suggested changes are only first steps, and that further recommendations will come from our review process.

The Social Security system needs adjustment now so it will better serve people receiving benefits today, and those corrections are recommended in this message. The system is also in need of long-range reform, to make it better serve those who contribute now for benefits in future years, and that will be the subject of later recommendations.

THE BENEFITS INCREASE

With the increase of 10%, the average family benefit for an aged couple, both receiving benefits, would rise from $170 to $188 a month. Further indication of the impact of a 10 per cent increase on monthly benefits can be seen in the following table:

[In dollars]

	Present minimum	New minimum	Present maximum	New maximum
Single person (a man retiring at age 65 in 1970)	55.00	61.00	165.00	181.50
Married couple (husband retiring at age 65 in 1970)	82.50	91.50	247.50	272.30

The proposed benefit increases will raise the income of more than 25 million persons who will be on the Social Security rolls in April, 1970. Total budget outlays for the first full calendar year in which the increase is effective will be approximately $3 billion.

AUTOMATIC ADJUSTMENTS

Benefits will be adjusted automatically to reflect increases in the cost of living. The uncertainty of adjustment under present laws and the delay often encountered when the needs are already apparent is unnecessarily harsh to those who must depend on Social Security benefits to live.

Benefits that automatically increase with rising living costs can be funded without increasing Social Security tax rates so long as the amount of earnings subject to tax reflects the rising level of wages. Therefore, I propose that the wage base be automatically adjusted so that it corresponds to increases in earnings levels.

These automatic adjustments are interrelated and should be enacted as a package. Taken together they will depoliticize, to a certain extent, the Social Security system and give a greater stability to what has become a cornerstone of our society's social insurance system.

REFORMING THE SYSTEM

I propose a series of reforms in present Social Security law to achieve new standards of fairness. These would provide:

1. *An increase in benefits to a widow who begins receiving her benefit at age 65 or later.* The benefit would increase the current 82½% of her husband's benefit to a full 100%. This increased benefit to widows would fulfill a pledge I made a year ago. It would provide *an average increase of $17 a month to almost three million widows.*

2. *Non-contributory earnings credits of about $100 a month for military service* from January, 1957 to December, 1967. During that period, individuals in military service were covered under Social Security but credit was not given for "wages in kind"—room and board, etc. A law passed in 1967 corrected this for the future, but the men who served from 1957 (when coverage began for servicemen) to 1967 should not be overlooked.

3. *Benefits for the aged parents of retired and disabled workers.* Under present law, benefits are payable only to the dependent parents of a worker who has died; we would extend this to parents of workers who are disabled or who retire.

4. *Child's insurance benefits for life,* if a child becomes permanently disabled before age 22. Under present law, a person must have become disabled before age 18 to qualify for these benefits. The proposal would be consistent with the payment of child's benefit to age 22 so long as the child is in school.

5. *Benefits in full paid to persons over 72,* regardless of the amount of his earnings in the year he attains that age. Under present law, he is bound by often confusing tests which may limit his exemption.

6. *A fairer means of determining benefits payable on a man's earnnigs record.* At present, men who retire at age 62 must compute their average earnings through three years of no earnings up to age 65, thus lowering the retirement benefit excessively. Under this proposal, only the years up to age 62 would be counted, just as is now done for women, and three higher-earning years could be substituted for low-earning years.

CHANGES IN THE RETIREMENT TEST

A feature of the present Social Security law that has drawn much criticism in the so-called "retirement test," a provision which limits the amount that a beneficiary can earn and still receive full benefits. I have been much concerned about this provision, particularly about its effect on incentives to work. The present retirement test actually penalizes Social Security beneficiaries for doing additional work or taking a job at higher pay. This is wrong.

In my view, many older people should be encouraged to work. Not only are they provided with added income, but the country retains the benefit of their skills and wisdom; they, in turn, have the feeling of usefulness and participation which employment can provide.

This is why I am recommending changes in the retirement test. Raising the amount of money a person can earn in a year without affecting his Social Security payments—from the present $1680 to $1800—is an important first step. But under the approach used in the present retirement test, people who earned more than the exempt amount of $1680, plus $1200, would continue to have $1 in Social Security benefits withheld for every $1 received in earnings. A necessary second step is to eliminate from present law the requirement that when earnings reach $1200 above the exempt amount, Social Security benefits will be reduced by a full dollar for every dollar of added earnings until all his benefits are withheld; in effect, we impose a tax of more than 100% on these earnings.

To avoid this, I would eliminate this $1 reduction for each $1 earned and replace it with the same $1 reduction for each $2 earned above $3000. This change will reduce a disincentive to increase employment that arises under the retirement test in its present form.

The amount a retired person can earn and still receive his benefits should also increase automatically with the earnings level. It is sound policy to keep the exempt amount related to changes in the general level of earnings.

These alterations in the retirement test

would result in added benefit payments of some $300 million in the first full calendar year. Approximately one million people would receive this money—some who are now receiving no benefits at all and some who now receive benefits but who would get more under this new arrangement. These suggestions are not by any means the solution of all the problems of the retirement test, however, and I am asking the Advisory Council on Social Security to give particular attention to this matter.

CONTRIBUTION AND BENEFIT BASE

The contribution and benefit base—the annual earnings on which Social Security contributions are paid and that can be counted toward Social Security benefits—has been increased several times since the Social Security program began. The further increase I am recommending—from its present level of $7800 to $9000 beginning January 1, 1972—will produce approximately the same relationship between the base and general earnings levels as that of the early 1950s. This is important since the goal of Social Security is the replacement, in part, of lost earnings; if the base on which contributions and benefits are figured does not rise with earnings increases, then the benefits deteriorate. The future benefit increases that will result from the higher base I am recommending today would help to prevent such deterioration. These increases would, of course, be in addition to those which result from the 10% across-the-board increase in benefits that is intended to bring them into line with the cost of living.

FINANCING

I recommend an acceleration of the tax rate scheduled for hospital insurance to bring the hospital insurance trust fund into actuarial balance. I also propose to decelerate the rate schedule of the old-age, survivors and disability insurance trust funds in current law. These funds taken together have a long-range surplus of income over outgo, which will meet much of the cost. The combined rate, known as the "social security contribution," already scheduled by statute, will be decreased from 1971 through 1976. Thus, in 1971 the currently scheduled rate of 5.2% to be paid by employees would become 5.1%, and in 1973 the currently scheduled rate of 5.65% would become 5.5%. The actuarial integrity of the two funds will be maintained, and the ultimate tax rates will not be changed in the rate schedules which will be proposed.

The voluntary supplementary medical insurance (SMI) of title XVIII of the Social Security Act, often referred to as part B Medicare coverage, is not adequately financed with the current $4 premium. Our preliminary studies indicate that there will have to be a substantial increase in the premium. The Secretary of Health, Education, and Welfare will set the premium rate in December for the fiscal year beginning July 1970, as he is required to do by statute.

To meet the rising costs of health care in the United States, this Administration will soon forward a Health Cost Control proposal to the Congress. Other administrative measures are already being taken to hold down spiraling medical expenses.

In the coming months, this Administration will give careful study to way in which we can further improve the Social Security program. The program is an established and important American institution, a foundation on which millions are able to build a more comfortable life than would otherwise be possible—after their retirement or in the event of disability or death of the family earner.

The recommendations I propose today, move the cause of Social Security forward on a broad front.

We will bring benefit payments up to date.

We will make sure that benefit payments stay up to date, automatically tied to the cost of living.

We will begin making basic reforms in the system to remove inequities and bring a new standard of fairness in the treatment of all Americans in the system.

And we will lay the groundwork for further study and improvement of a system that has served the country well and must serve future generations more fairly and more responsively.

RICHARD NIXON.

THE WHITE HOUSE, *September 25, 1969.*

Mr. BROOKE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. BROOKE. Mr. President——

Mr. BYRD of West Virginia. Mr. President, will the Senator from Massachusetts yield, with the understanding that he will not lose the floor.

Mr. BROOKE. I yield.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that all time on the amendment be limited to 40 minutes, to be equally divided between the manager of the perfecting amendment (Mr. WILLIAMS of Delaware) and the manager of the bill (Mr. LONG).

Mr. BROOKE. Mr. President, reserving the right to object——

Mr. HOLLAND. Mr. President, reserving the right to object, my colleague and I are scheduled to attend a very vital conference, from which we cannot be back quite that soon.

Mr. PASTORE. The Senator from Louisiana (Mr. ELLENDER) has to catch a plane.

The PRESIDING OFFICER. Is there objection?

Mr. BROOKE. Mr. President, reserving the right to object——

Mr. HOLLAND. I am ready to vote right now.

Mr. WILLIAMS of Delaware. Mr. President, I suggest that the Senator go ahead with his speech while we try to work this out.

The PRESIDING OFFICER. The Senator from Masachusetts may proceed.

Mr. BROOKE. Mr. President, I wish to add my strong endorsement of the amendment introduced by the distinguished chairman of the committee (Mr. LONG) providing an increase in social security benefits.

The plight of the elderly has long been apparent to all of us. Many of our older people, who have worked all their lives, find that upon retirement their social security benefits are insufficient to maintain even a minimum standard of living. I have had heartrending letters, and I know most of my colleagues have also, from elderly people who have found upon retirement that they must give up their homes, live in dreary and unheated apartments, reduce both the quality and quantity of their meals, forego medical attention, and deny themselves the simple pleasures to which their retirement should entitle them. Yet these people have helped to build America, and to make it great. Surely we can and should do a far better job of enabling them to enjoy the rest and relaxation which they have earned in their retirement years.

Several important steps have been taken in recent days to make this goal a reality. Yesterday, this body adopted an excellent amendment introduced by my colleague, Senator MURPHY providing that medical and drug expenses incurred by persons over 65—or their spouses—shall be fully deductible for income tax purposes. At the same time, it allowed persons under 65 to deduct in full such payments on behalf of dependent parents aged 65 and over. Since medical expenses are often among the highest costs incurred by our older citizens, this amendment will be helpful indeed.

In another development yesterday, I am pleased to report that a number of Senate amendments to the Housing Act of 1969 were tentatively approved by the conference committee. Included were several amendments which I had sponsored providing for minimum payments by very-low-income persons living in public housing projects. If this bill becomes law, no person in this category will be required to pay more than 25 percent of his income for housing. Assistance payments provided by the Federal Government will make up the difference. The significance of these provisions should be clear when it is realized that of the 215,000 families who are presently paying more than 25 percent of their monthly income for public housing, 55 percent of them are over 65 years of age. And finally in this regard, it should be noted that the conference committee also tentatively agreed to the Senate recommendation of $80 million in direct loans for housing for the elderly and the handicapped.

All of these steps, coupled with the recommendations of the chairman of the Finance Committee that social security benefits be increased 15 percent, effective January 1, should provide some much needed relief to our older citizens. In my State, alone, it will mean roughly $120 million in additional income for three-quarters of a million people.

This is still not enough, by any means. I, for one, woud like to see amendments adopted which would increase social security benefits to 20 percent, remove the earnings limitation and provide for a cost-of-living increase. But these measures will surely be considered in the next session of Congress, where through hearings and committee recommendations the most equitable solution may be found for all concerned. In the meantime the first measure of relief is at hand. I wholeheartedly support the pending Long amendment and strongly urge its adoption.

Mr. CURTIS. Mr. President, the beneficiaries of social security are entitled to this. They are entitled to a raise, and they are entitled to assurance that if the cost of living increases, they will not have to wait for a measure to pass both the House of Representatives and the Senate, be agreed to in conference, and be signed by the President. So many times a meritorious measure gets tied up with controversial legislation. One of the very commendable things about the Williams substitute is that it would write into the law the principle of automatic raises due to increases in the cost of living.

Here is something else, Mr. President: Inflation will not go away just by our deploring it. Perhaps there are many causes of inflation, but financial irresponsibility is one of them. Congress has never heretofore, to my knowledge, in-

creased social security benefits without at the same time increasing the taxes. We should do that now.

We talk about the fact that there is a lot of money in the trust fund. By and large, over a period of years, the trust fund has contained about enough money to pay the benefits for 1 year. Sometimes the trust fund will get over that amount, and then again it will dip down. The reason for that is that we cannot change the tax too often; it makes it confusing for taxpayers. And we cannot always anticipate the outflow; it depends upon the economic well-being of the country.

If we vote for the proposal of the distinguished chairman of the Committee on Finance, we will be going on record as voting for a social security increase without providing the revenue. We will be going on record, in my opinion, as voting for a paper benefit for the old people and other beneficiaries of social security. We will be voting for a provision that accepts the idea that in spite of our debts and our deficits, we can vote money out of the Treasury without putting some back in.

Mr. President, that is not the way to serve the elderly. It is not the way to serve the widows and the orphans who will be the beneficiaries under this measure. The administration proposal, in the long run, will provide more real benefit than the Long amendment, for two basic reasons: One is that it writes into the law automatic increases when the cost of living goes up. Second, it adheres to the principle of no increase in benefits without a corresponding increase in revenue. That is important at all times, but particularly in times of inflation.

Our votes should be cast for the Williams substitute, not alone because it is an administration measure, not alone because it provides for the financing. Our votes should be cast for the Williams substitute because it is better, and will provide benefits with more purchasing power for the recipients, in the long run, than will a departure from the long-established principle that you cannot vote benefits out of the thin air without increasing taxes, and thereby help anyone. It will just delude them. It may help people a little while, but before long, its effect will be felt in our economy.

Mr. President, the way to serve the beneficiaries of social security is to adhere to the principle that when benefits are increased, taxes must be increased. It is also important that we save the beneficiaries from the agony of waiting for an increase when it is necessary because of inflation. They would receive it automatically.

Mr. President, I urge a favorable vote on the Williams substitute. I yield the floor.

Mr. MILLER. Mr. President, I am pleased to be a cosponsor of the pending amendment. Inflation in the cost of living is best measured by the amount of increase in the consumer—retail—price index. During 1968 this price index rose from 118.6 to 123.7.

This, of course, means that the purchasing power of the dollar has gone down. Based upon a 1939 dollar worth 100 cents, the dollar had fallen to 46.6 cents by December 1960. By December 1968, it was down to 39 cents. Preliminary estimates show that cost of living inflation for 1968 amounted to over $37 billion; and erosion in the value of bank deposits, savings, pension and life insurance reserves, and Federal and corporate bonds amounted to another $38 billion. In short, inflation for 1968 took away more purchasing power from the people than the individual income tax collected during 1968.

Congress has not been entirely unmindful of the impact of inflation on social security pensions and has periodically increased them. But, there has usually been a timelag of several years during which the pensioners have suffered from a drop in their purchasing power. Since the last increases were effective under both the Social Security Act and the Railroad Retirement Act in February 1968, the consumer price index rose 4 percent through December 1968. Prompt help should be available to pensioners under these acts when they are hit by the loss in purchasing power of the dollar. They should not have to wait 1, 2, or 5 years for such relief through general amendments to the Social Security and Railroad Retirement Acts. This is especially so when such increases often fail to compensate fully for changes in living costs.

Our older people on social security have had $3 billion in purchasing power taken away by inflation from their pensions alone since 1965. Even with the 7-percent increase in social security pensions in 1965 and the 13-percent increase of last February, most social security pensions today are worth less than they were in 1958.

I direct your attention to a table which shows increases in social security pensions legislated by Congress in order to enable pensioners to maintain their purchasing power in view of decline in value of the dollar.

The example is a worker having a $3,000 annual income base, single at retirement and fully covered. The 1940 year figure is for a worker retired under the 1935 act. Other figures are for a worker retired under successive act for years indicated:

Year	Annual pension	Purchasing power of dollar compared to 1939 dollar worth 100 cents (in cents)	Real value of pension
1940	$499.20	99.2	$495.20
1950	870.00	57.8	502.86
1952	930.00	52.3	486.39
1954	1,062.00	51.7	549.05
1958	1,140.00	48.1	548.34
1965	1,220.00	44.0	537.00
1966	1,220.00	42.7	510.94
1967	1,220.00	41.6	507.52
1968	1,367.00	39.9	545.43

Mr. President, there is ample precedent for doing what the pending amendment would do for the pensioners. In the Federal Salary Reform Act of 1962, Congress did something about the situation insofar as retired civil service employees are concerned. As now contained in title 5 of the United States Code, section 8340, there is provision for an automatic increase in civil service retirement annuities when there has been an increase of 3 percent in the Consumer Price Index for 3 consecutive months over the price index for the base month. Because of this provision, civil service retirees will receive a 3.9-percent annuity increase effective March 1. The annuity increase was triggered by the Bureau of Labor Statistics data released on January 28 showing that living costs had risen 3.9 percent since the last Federal retiree hike in May of 1968. Furthermore, under title 10 of the United States Code, section 1401a, military retirees receive automatic adjustments in their retired pay based upon increases in the cost of living. This provision is very similar to the civil service provision, and under it military retirees have been guaranteed a 4-percent increase, to be reflected in their March 1 checks.

There is much to be said for the fairness of such a change in the law. After all, if a majority of the Members of Congress persist in deficit spending, why should not the Congress provide for an automatic offset against the hardship the resulting inflation brings on?

Mr. TOWER. Mr. President, I feel that the proposal to raise the social security benefits to 15 percent, as opposed to the administration's proposal of 10 percent, would be an undue encouragement of inflation in a time when we are taking extreme pains in Congress to slow down the dangerous rate of inflation. The administration feels that a 10-percent increase in benefits is necessary to bring those individuals on social security up with recent cost-of-living increases. But it does not appear financially sound at this time for Congress to try to do much more than keep the benefits in line with cost-of-living increases.

It is in the best interests of the elderly and retired, who largely live on fixed incomes, that Congress and the administration bring inflation under control as soon as possible. For this purpose we have cut back expenditures for the coming year on such items as very needed flood control and reservoir projects, military installations, and general Federal construction. I do not feel that Congress should legislate increases in the current levels of Federal payouts that are not absolutely essential. The extra 5 percent of this proposal is nonessential.

I therefore support a 10-percent increase in social security benefits but will oppose the 15-percent proposal.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Delaware in the nature of a substitute. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia (when his name was called). On this vote I have a pair with the senior Senator from Alabama (Mr. SPARKMAN). If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withhold my vote.

The rollcall was concluded.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from California (Mr. CRANSTON), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. COOK), the Senator from Oregon (Mr. HATFIELD), and the Senator from South Carolina (Mr. THURMOND) are necessarily absent.

The Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

If present and voting, the Senator from Arizona (Mr. GOLDWATER) and the Senator from Kentucky (Mr. COOK) would each vote "yea."

The result was announced—yeas 34, nays 56, as follows:

[No. 175 Leg.]

YEAS—34

Allott	Goodell	Pearson
Baker	Griffin	Percy
Bellmon	Gurney	Saxbe
Bennett	Hansen	Scott
Boggs	Hruska	Smith, Maine
Cooper	Javits	Smith, Ill.
Cotton	Jordan, Idaho	Stevens
Curtis	Mathias	Tower
Dole	McClellan	Williams, Del.
Dominick	Miller	Young, N. Dak.
Fannin	Murphy	
Fong	Packwood	

NAYS—56

Aiken	Hart	Moss
Allen	Hartke	Muskie
Bayh	Holland	Nelson
Bible	Hollings	Pastore
Brooke	Hughes	Pell
Burdick	Inouye	Prouty
Byrd, Va.	Jackson	Proxmire
Cannon	Jordan, N.C.	Randolph
Case	Kennedy	Ribicoff
Church	Long	Russell
Dodd	Magnuson	Schweiker
Eagleton	Mansfield	Spong
Eastland	McCarthy	Stennis
Ellender	McGee	Talmadge
Ervin	McGovern	Tydings
Fulbright	McIntyre	Williams, N.J.
Gore	Metcalf	Yarborough
Gravel	Mondale	Young, Ohio
Harris	Montoya	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Byrd of West Virginia, for.

NOT VOTING—9

Anderson	Goldwater	Sparkman
Cook	Hatfield	Symington
Cranston	Mundt	Thurmond

So the amendment of Mr. WILLIAMS of Delaware in the nature of a substitute was rejected.

The PRESIDING OFFICER. The Senator from Vermont is recognized.

Mr. PROUTY. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. PROUTY. Mr. President, on behalf of myself and the distinguished Senator from New Hampshire (Mr. COTTON), I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk proceeded to read the amendment.

Mr. PROUTY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

Mr. MANSFIELD. Mr. President, I would like to know what the amendment provides.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read as follows:

The table appearing on pages two through three of amendment No. 367 is amended by striking out all the figures contained in columns I through V, down to and including the line which contains the following figures: "19.25 20.00 61.10 84 85 70.30 105.50", and inserting in lieu of the matter stricken the following:

"---- 20.00 61.10 -- 85 70.30 105.50".

Mr. PROUTY. Mr. President, may we have order?

The PRESIDING OFFICER (Mr. SAXBE in the chair). The Senate will be in order. The Senator from Vermont has the floor.

Mr. PROUTY. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. PROUTY. Mr. President, on Wednesday, I had ordered printed an amendment to the tax reform bill, which would have provided an emergency social security benefit increase of 10 percent across the board while boosting the minimum benefit level from $55 to $90. This amendment would have provided increases beginning January 1 and ending June 13, 1970. My rationale for the 6-month life of the increase was simple. I wanted Congress to have time to review and study the need for a comprehensive revision of our social security system.

As I was ordering my amendment printed, the chairman of the House Ways and Means Committe announced that his committee had ordered reported a bill to provide an across-the-board benefit increase of 15 percent.

Mr. President, I commend the chairman of the Ways and Means Committee for his action. Likewise I commend the Senator from Louisiana (Mr. LONG) for offering his amendment. However, I believe that neither the bill reported to the other body nor the Long amendment goes far enough. I would consider each only a stopgap measure seeking to repair the ravages of inflation on social security benefits.

As such, they are responsive to a compelling need. But an across-the-board increase ignores a greater need at the bottom of the social security benefit scale.

Mr. President, the amendment that I and the Senator from New Hampshire (Mr. COTTON) offer to the amendment of the Senator from Louisiana (Mr. LONG) is simple. One might call it the six-dollar-and-thirty-cents amendment. For that is the additional increase over and above that provided by the amendment of the Senator from Louisiana which my amendment would provide to social security recipients now receiving the meager minimum benefit.

Mr. President, the amendment offered by the Senator from Louisiana, embodies the provisions similar to the social security bill reported Wednesday to the other body. It applies benefit boosts of 15 percent at each benefit level. I agree that for now this increase of 15 percent is right for every benefit level but those at the lowest end of the scale.

Currently, the minimum benefit is $55. A 15 percent increase, rounded off, would boost this figure to $64. My amendment to the Long amendment would raise the minimum to $70.30. The difference is $6.30.

Six dollars and thirty cents a month: To most Americans in these affluent times, that seems a trifling amount. But we are not discussing those caught up in affluence, we are considering those Americans bypassed by current riches.

Six dollars and thirty cents a month to those older Americans now eking out an existence on the minimum benefit of $55 is, indeed, a large sum.

Six dollars and thirty cents a month: How long will it take for this small sum to vanish in the inflationary spiral?

A review of recent history does not portend well for this sum. In December 1967 when Congress enacted the 13-percent benefit increase, the Consumer Price Index was 118.2. By October of this year, the Consumer Price Index had risen to 129.2. In other words three-quarters of the last benefit increase has already been eroded by inflation. While this erosion of benefits is shocking in itself, it is even more tragic when we recall that the 1967 benefit increase was in itself insufficient replacement of buying power.

Inflation, the cruelest tax of all, batters the income of all Americans and erodes the benefits of all social security recipients. It is, however, my contention that the cruelty of inflation is proportionately greater at the lowest levels of fixed income.

Mr. President, I ask Senators to consider these cruel facts.

At present, at least 1.1 million social security beneficiaries are forced to be on the welfare rolls in order to meet their basic needs.

At present, some 6 million recipients continue to be classified in the category of abject poverty.

Mr. President, I believe that it is intolerable that such a situation exists in our country. The contrast between the "haves" and the "have-nots" is becoming more and more vivid.

The Senate has not sat idly by while this contrast became more vivid.

In December 1967, our Nation acted to alleviate to some extent the hardship facing older Americans. At that time, the Senate passed a major social security bill which would have provided a minimum benefit of at least $70 a month.

Mr. President, I remember well the evening that the Senate passed that bill.

It gave me momentary satisfaction, because year after year, from 1961 on, I proposed bill after bill and amendment after amendment to provide a $70 minimum monthly benefit.

I regret that our efforts and intent did not prevail in conference with the other body.

I point to the precedent set by the Senate in approving a $70 minimum benefit. I have spoken of the plight of our older Americans. I realize that precedent and plight must be accompanied by an appraisal of the cost of this amendment to the taxpayer.

Before I give the cost figures, I want to point out that, at the present time, the social security system is heavily overfinanced. In his most recent estimates, Mr. Myers, the Chief Actuary of the Social Security Administration, projects an actuarial surplus of 1.16 percent of payroll. What does this mean?

First, it means that there is a reserve of more than $38 billion in the social security trust fund account at this very minute. Under the present benefit structure, that surplus will reach almost $80 billion by the end of 1974.

Mr. President, when we project the surpluses into the year 2025, we find that the reserve in the OASI trust fund will be $953.1 billion. Quite frankly, I for one, cannot justify such a large surplus.

I ask unanimous consent that an explanation I had prepared showing income into the social security trust fund, outgo from the social security trust fund, and the ever-increasing surplus in the fund be printed in the RECORD immediately following my remarks.

The PRESIDING OFFICER (Mr. SCHWEIKER in the chair). Without objection, it is so ordered.

(See exhibit 1.)

Mr. PROUTY. Mr. President, the amendment offered by my good friend from Louisiana (Mr. LONG) would have a level cost of 1.24 percent of payroll. My amendment to his amendment would increase the cost to 1.30 percent of payroll. In dollar terms, my amendment would bring the cost of the Long amendment to $4.5 billion for calendar year 1970. Without my amendment, the cost would be $4.2 billion over the same period. In other words, for less than $300 million the Senate can follow the precedent that was set in the last Congress in providing a minimum social security payment of $70.30 a month.

Mr. President, at the outset, I said that my amendment to the Long amendment is a simple one. But this is not to say that the problems of our elderly are to be simply solved. The entire social security system needs careful review and study aimed at comprehensive reforms. I am sure that the distinguished chairman of the Finance Committee agrees that such review will be necessary in the near future.

But for now, I urge Senators to accept the amendment that the Senator from New Hampshire (Mr. COTTON) and I offer.

It will provide an extra measure of relief to those who in their old age share so little in our affluence.

It provides an additional $6.30 a month, or $75.60 a year, to 3½ million older Americans.

It is too little for the recipients, but surely it is not too much to ask of the Senate.

EXHIBIT 1

EXPLANATION OF PROUTY-COTTON AMENDMENT TO THE LONG SOCIAL SECURITY INCREASE PROPOSAL

The Prouty-Cotton amendment to the Long Social Security benefit increase amendment would have the following effect:

Increase the minimum monthly benefit under the Long Amendment from $64.00 to $70.30. (Under present law the monthly minimum is $55.)

All other features of the Long Amendment are retained.

3½ million older Americans are affected by increasing the minimum monthly benefit to $70.

REASONS FOR THE AMENDMENT

1. Inflation has continued to erode the buying power of those receiving social security benefits.

2. Congress enacted a 13 per cent social security benefit increase in December 1967. However, the consumer price index has increased from 118.2 at that time to 129.2 in October, 1969, indictaing that over three quarters of the last increase has already been eroded by inflation.

3. People age 65 or over make up 18.1% of the poor. Nearly 8 million can be classified as living in poverty.

4. There are presently at least 1.2 million Social Security beneficiaries who are forced to be on welfare in order to meet their basic needs.

5. There is an actuarial surplus in the Social Security Trust Fund of 1.16% of payroll.

6. In dollar terms the following chart demonstrates the short-range prospects for the Social Security Trust Fund:

[In billions]

	Income	Outgo	Gain	Surplus
Fiscal year:				
1969				$32.0
1970	$35.2	$28.5	$6.7	38.7
1971	38.6	29.6	9.0	47.6
1972	43.1	30.8	12.3	59.9
1973	47.1	32.0	15.1	75.3

7. The long range anticipated buildup of reserves or surplus in the Social Security Trust Fund is even more startling. Under the present law in the year 2025 there will be a surplus of $953.1 billion dollars in the Trust Fund. The following table clearly illustrates the buildup of tremendous surpluses:

[*OASI reserve in billions of dollars*]

Year:	
1980	$119.6
1985	168.0
1990	215.3
1995	268.0
2000	338.4
2025	953.1

8. Cost Comparison:

Long amendment	Prouty-Cotton amendment	Difference
1.24 percent payroll	1.30 percent payroll.	+0.06 payroll.
$4,200,000,000	$4,500,000,000	+$300,000,000.

Mr. CURTIS. Mr. President, will the Senator from Vermont yield?

Mr. PROUTY. I yield.

Mr. CURTIS. I commend the Senator from Vermont. While I continue my criticism against the idea of a social security increase without a corresponding increase in taxes, I do want to say that the points raised by the distinguished Senator from Vermont are well taken. There are many reasons for that. The cost of social security is borne by the economy generally. The employers' tax is added to the cost of the goods we buy. If that were not so, employers would have been out of business long ago. A considerable amount of the employees' tax is, likewise, passed on because of the demand for more wages, which they get, and which in turn increase the cost of the production of goods and other items which people buy. So the social security costs are carried by the economy generally.

If we are to tax the American people to provide benefits for a certain segment, who has the best claim on those benefits? The people least able to provide for themselves.

The most generous benefits should go to the people receiving the least. Why are their benefits low? Because the benefits are based upon average wage rates. We are dealing with a group of people who struggle along and work and earn, but do not earn very much. They have little opportunity to lay by for their old age.

Social security schedules are so arranged that the individual who has had the best opportunity to provide for his old age gets the greatest amount, even though it is paid for by the taxpayers; while those who have the least opportunity to provide for their old age get the least benefits, even though they are provided for by the taxpayers.

Our social security benefit schedules should be revised in favor of those who draw the least amounts.

I, therefore, commend the destinguished Senator from Vermont in doing so, although I do not waive my previous criticism of the proposal before us, which would increase benefits without a corresponding increase in taxes, because the projected surpluses in funds are based upon the fact that Congress will never again change the law—and that will never happen. But I commend the Senator and expect to vote for his amendment.

Mr. PROUTY. I am grateful to the Senator from Nebraska. I appreciate the objectivity with which he is approaching this matter.

I should point out that President Nixon, in his old-age assistance recommendations, suggested $90 a month as a minimum under old-age assistance.

I feel a little guilty, and I feel certain that the distinguished Senator from New Hampshire (Mr. COTTON), a cosponsor of the amendment, also feels a little guilty, to have to hold this figure down to $70. However, we do not want to propose such a great benefit that the already high social security tax would have to be increased.

It was in 1967 that I was able to offer an amendment to the 1966 Tax Adjustment Act which provided needed benefits to more than 1 million elderly persons who did not qualify for social security. As it passed the Senate, it was $40 a

month. After it went to conference, it came back at $35 a month. Now, under the proposal of the distinguished Senator from Louisiana, it will be $43 a month.

Even though that seems like such a small amount, I received thousands of letters from elderly persons all over the country expressing deep appreciation for the $40 a month.

How they can be grateful for so little is beyond me, but they are. It is money they desperately need.

Many household pets receive better food and shelter than many of the elderly people of this country.

I think it was Arnold Toynbee who once said, "History will judge a society or civilization by the concern it expresses for its elderly citizens." I think that is true, and I often wonder how our society will measure up on this score.

We have not done enough for older Americans, but I think as a practical matter the $70 minimum monthly benefit is as far as we can go at the present time.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. PROUTY. I yield.

Mr. COOPER. I have just heard the distinguished Senator from Nebraska speak on the Senator's amendment, which he covered well. I want to associate myself with what he said and also with what the Senator from Vermont, Senator PROUTY, has been saying. I remember very well when the Senator from Vermont initiated his program to help those with the lowest income, those who are really poor. I commend the Senator from Vermont and I will support his amendment.

Mr. PROUTY. I thank the Senator.

Mr. ALLOTT. Mr. President, will the Senator yield?

Mr. PROUTY. I yield.

Mr. ALLOTT. I appreciate the Senator's yielding to me. I am going to support his amendment.

I asked the Senator to yield because I think the people of America, particularly the older people, should realize how dedicated he has been, not just in the last few minutes or just in the last year, but for many years, in behalf of the elderly people of this country in trying to provide an adequate social security income for them.

He is entirely right when he says that probably most of the pets in this country are fed on better diets and live in better circumstances than do our older people. When we stop to realize that, I think it is a condemnation of our society that we have provided better for our pets than we have provided for elderly people.

I want to applaud the Senator and say that not only do a great many elderly people in this country, but also here in the Senate we appreciate his efforts in this very vital area.

Mr. PROUTY. I am grateful to the Senator from Colorado. I certainly know he has been most helpful and as concerned as I with the problems of our elderly people.

For the benefit of Senators, I may say that I have had placed on the desk of each Senator a statement showing the buildup in the social security fund from a surplus of $32 billion at the end of fiscal 1969 to $953.1 billion in the year 2025.

If anyone studies those figures, he will understand that the fund is amply financed at the present time. Moreover, the tax rates and taxable base will increase under existing law. This fact alone will create even a larger surplus.

Mr. LONG. Mr. President, it is my understanding that the House Ways and Means Committee, where this amendment is being considered along with many other measures, has been conducting very lengthy hearings and has concluded that measures of this sort should await consideration in the context of a more detailed bill which might involve an increase in social security taxes.

If this amendment is added to the bill, additional tax revenues will be needed if the social security trust fund is to be actuarily sound.

Mr. President, the House of Representatives, ably represented in conference by the senior members of the Ways and Means Committee, has consistently refused to accept any Senate increase in social security benefits requiring increased taxes, unless the Senate bill also provided for the necessary financing. In the past, it has been futile for the Senate to vote for any increased benefits if we did not provide for the revenues needed to pay for those benefits.

I am sure the Senator from Vermont feels that his amendment is meritorious, but there are also good arguments for other amendments to increase social security benefits in other ways.

To illustrate that increasing the minimum benefit substantially is a complicated problem, I would point out that increases in minimum benefits apply to many people who have worked in employment covered under the social security program for only brief periods of time and who receive annuities from other retirement programs. If we look into the matter more closely, we might well find persons who have more need for benefit increases of a different sort than an increase in the minimum as is proposed here.

I bring this up to demonstrate that this is the sort of problem that really should be studied by the Senate Finance Committee, so that the merits of the Senator's proposal may be weighed against other suggestions which could be made for the most appropriate benefit structure under social security.

For example, the President of the United States has suggested that the earnings limitation should be raised so that people could earn somewhat more money without getting their social security benefits reduced. Many other amendments could be suggested as additions to the bill.

If the Senate wants to vote the amendment of the Senator from Vermont into the bill, it ought to be aware of the fact that, desirable though it may be to provide a higher minimum benefit, no tax is being provided to pay for this benefit, and the social security program will not be in long-range fiscal balance. It will be actuarially out of balance in the event the amendment of the Senator from Vermont is approved. For this reason, I believe the House conferees will insist, as they have done repeatedly in prior conferences, that they will not accept provisions for additional benefits that do not also provide the financing needed to pay for them.

The philosophy of the House proposal, as provided in the Long amendment, is that a 15-percent social security increase should be voted now and that other measures, such as that suggested by the Senator from Vermont, should await further consideration and should be part of a bigger bill that would come before us next year.

Mr. RANDOLPH. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. RANDOLPH. Is it not true that the 15-percent increase under the amendment to be offered would be actuarilly sound?

Mr. LONG. Yes, and I might point out that 25 members out of the 25 members of the Ways and Means Committee, I am told, voted to support that position. The actuaries in the Social Security Administration agree that the 15-percent benefit increase is actuarially sound. It was on that basis that the House Ways and Means Committee voted the measure out.

Mr. RANDOLPH. That action, if approved in the House and here today, hopefully, under the leadership of the chairman, would be effective as of January 1970. Is that correct?

Mr. LONG. That is right.

Mr. RANDOLPH. This action would go beyond the 10-percent increase recommended by President Nixon, which would not be effective until April. Is that correct?

Mr. LONG. Yes, that is correct. The President's 10-percent benefit increase would be effective as of March 1970, meaning that the first check with the higher benefit would be mailed out early in April. Thus if a person today is drawing $100 in monthly social security benefits, he would then receive a check for $110 early in April.

What is being proposed by the Senator from Louisiana is the Ways and Means bill, which would provide a 15-percent benefit increase, effective January 1970. Since it would take some time for the Social Security Administration to actually put the increase into effect, they tell us that the first check reflecting the increase in my amendment would be sent out early in April. That would mean that the April check would be for $145, including $30 in retroactive benefits, rather than the $110 under the President's proposal.

Mr. RANDOLPH. And, as I understand it, the present minimum would be raised from $55 to $64?

Mr. LONG. Yes.

Mr. RANDOLPH. I thank my able chairman. I am privileged to join him as a cosponsor, and I believe the Senate will act affirmatively in providing a necessary increase.

We should, I repeat, enact into law additional relief for our elderly citizens living on fixed incomes.

Our efforts to insure this substantial increase in social security payments is fair and equitable—and we owe it to

those aged persons who are the most adversely affected by the rising cost of living. There has been a 12-percent increase in the cost of living since the last adjustment in social security benefits which was in February 1968. The increase proposed today will not mean a significant rise in the standard of living of those on social security. It will, however, restore the standard of living effected in 1968.

Our Special Committee on Aging, on which I am privileged to serve, is conducting a continuing study of problems of the aged. Our results clearly reveal that this Nation is faced with a crisis situation in coping with the problems of elderly citizens. Certainly the social security system is a fast and effective way to deliver income assurance to them. But the means must become the commitment to provide timely and adequate social security payments.

Mr. LONG. Mr. President, the Senate will work its will with regard to this amendment. However, if the proposal of the Senator from Vermont is made a part of my amendment, I believe the Senate should be well aware of the fact that it may very well be an exercise in futility, because the House conferees are likely to take the same view they have in years past about providing a benefit without providing the necessary tax to pay for it. In years gone by, the House conferees have been firm almost to the point of being rude in telling us that if there was no tax to pay for such a benefit they were not even going to consider it.

The House Committee on Ways and Means has already voted out unanimously this proposal for a 15-percent across-the-board increase, which I hope they will be willing to accept as an addition to this income tax bill.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. PROUTY. I should like to point out that the only difference in cost between the Senator's amendment and my perfecting amendment to his amendment is $300 million.

Mr. LONG. That is the first year cost. The cost goes up after that.

Mr. PROUTY. I might say to the Senator from West Virginia (Mr. RANDOLPH) that my proposal raises the minimum monthly social security benefit to $70. Under the amendment of the Senator from Louisiana the minimum monthly benefit would be $64.

Mr. LONG. Yes. But when you add the amendment that the Senator is offering to the amendment that I have pending here, and I am sure that the Senator is well aware of this fact, the proposal will increase the cost by perhaps a half billion dollars a year, and that this will present us with a deficit. I am sure the Senator is aware of the attitude that the House Ways and Means Committee has taken in such matters. They simply will not consider a Senate amendment that puts us in a deficit position, without adequate tax revenues.

Mr. PROUTY. Well, in any event, if we go to conference with this proposal and they turn it down, there is nothing we can do about it. Nevertheless we will have shown our deep interest in the elderly people who are faced with grave economic problems. I am ashamed that the amount is only $70. I offered one amendment to provide $90. That is what I prefer, and what the President recommends as a minimum for old-age assistance for welfare recipients.

Mr. LONG. Mr. President, I believe I have made my position clear. I am prepared to respect the judgment of the Senate. I do feel that I should advise the Senate about the actuarial problem involved here, and what our experience has been when we have gone to the House of Representatives with an increase in benefits which we did not have sufficient taxes to pay for. We have had relatively little success in making them even seriously consider that type of increase, if we did not have the financing to pay for it.

I have high hopes, however, that we will be able to make the House conferees recognize their own handiwork, and agree to what the Committee on Ways and Means has unanimously recommended to the House of Representatives, and which I believe will pass the House by an overwhelming majority when it comes to a vote over there.

Mr. PROUTY. Mr. President, I am ready to vote. Let me say simply that I was amazed that the House Ways and Means Committee recommended even a 15-percent increase. I believe they realize the seriousness of the plight of many of our elderly citizens.

With that in mind, I do not believe the Members of that committee, or the Members of the other body, or the Members of the Senate, are going to say that $70 is too much to provide for people 65 years of age and older.

We have taken pretty good care of the oil industry and other enterprises, right down the line. Now we are talking about the elderly people who need our help, and we are going to do what we can to see that they get it.

Mr. LONG. Mr. President, on this bill we have taken care of the oil industry with a $555 million tax increase, on top of the increase in the capital gains tax and other increases. So they have been taken care of with a very big tax increase on this bill.

I fear we will have difficulty with the Senator's proposal for the reasons that I have undertaken to express; namely, that the House of Representatives is going to say that the financing is not there to provide for it. But I will do the best I can, if the Senate insists on adding this proposal to the bill.

Mr. MANSFIELD. Mr. President, I am ready to vote also, but I yield first to the distinguished Senator from West Virginia (Mr. BYRD).

Mr. BYRD of West Virginia. Mr. President, I thank the able majority leader. I send to the desk a perfecting amendment to the Long amendment, and I ask that it be stated for the information of the Senate.

The PRESIDING OFFICER. The clerk will state the Senator's perfecting amendment.

The legislative clerk proceeded to read the amendment.

Mr. BYRD of West Virginia. I ask unanimous consent that further reading of the amendment be waived.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment reads as follows:

Strike out page 2 and insert in lieu thereof the following new page:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I	II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)	(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—	Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—		At least—	But not more than—		
----------	$85.90 or less	----------	$141	$100.00	$150.00
$30.37 to $30.92	87.20	$142	146	100.30	150.50
$30.93 to $31.36	88.40	147	150	101.70	152.60
$31.37 to $32.00	89.50	151	155	103.00	154.50
$32.01 to $32.60	90.80	156	160	104.50	156.80
$32.61 to $33.20	92.00	161	164	105.80	158.70
$33.21 to $33.88	93.20	165	169	107.20	160.80
$33.89 to $34.50	94.40	170	174	108.60	162.90
$34.51 to $35.00	95.60	175	178	110.00	165.00
$35.01 to $35.80	96.80	179	183	111.40	167.10
$35.81 to $36.40	98.00	184	188	112.70	169.10
$36.41 to $37.08	99.30	180	193	114.20	171.30
$37.09 to $37.60	100.50	194	197	115.60	173.40
$37.61 to $38.20	101.60	198	202	116.90	175.40
$38.21 to $39.12	102.90	203	207	118.40	177.60
$39.13 to $39.68	104.10	208	211	119.80	179.70
$39.69 to $40.33	105.20	212	216	121.00	181.50
$40.34 to $41.12	106.50	217	221	122.50	183.80
$41.13 to $41.76	107.70	222	225	123.90	185.90
$41.77 to $42.44	108.90	226	230	125.30	188.00
$42.45 to $43.20	110.10	231	235	126.70	190.10
$43.21 to $43.76	111.40	236	239	128.20	192.30
$43.77 to $44.44	112.60	240	244	129.50	195.20
$44.45 to $44.88	113.70	245	249	130.80	199.20
$44.89 to $45.60	115.00	250	253	132.30	202.40
$116.20 to $117.30	259	263	134.90	210.40	
117.30 to 118.60	264	267	136.40	213.60	
118.60 to 119.80	268	272	137.80	217.60	
119.80 to 121.00	273	277	139.20	221.60	
121.00 to 122.20	278	281	140.60	224.80	
122.20 to 123.40	282	286	142.00	228.80	
123.40 to 124.70	287	291	143.50	232.80	
124.70 to 125.80	292	295	144.70	236.00	
125.80 to 127.10	296	300	146.20	240.00	
127.10 to 128.30	301	305	147.60	244.00	
128.30 to 129.40	306	309	148.90	247.20	
129.40 to 130.70	310	314	150.40	251.20	
130.70 to 131.90	315	319	151.70	255.20	
131.90 to 133.00	320	323	153.00	258.40	
133.00 to 134.30	324	328	154.50	262.40	
134.30 to 135.50	329	333	155.90	266.40	
135.50 to 136.80	334	337	157.40	269.60	
136.80 to 137.90	338	342	158.60	273.60	
137.90 to 139.10	343	347	160.00	277.60	
139.10 to 140.40	348	351	161.50	280.80	
140.40 to 141.50	352	356	162.80	284.80	
141.50 to 142.80	357	361	164.30	288.80	
142.80 to 144.00	362	365	165.60	292.00	
144.00 to 145.10	366	370	166.90	296.00"	

On page 9 after line 11, add the following new section:

"SEC. 6(a) Notwithstanding any other provision of law, beginning with years beginning after December 31, 1972, the earnings counted for benefit and tax purposes under titles II and XVIII of the Social Security Act and appropriate sections of the Internal Revenue Code shall be increased from $7,800 to $12,000.

"(b) The Secretary of Health, Education, and Welfare is directed to modify the table in section 215(a) of the Social Security Act to include benefits, consistent with the formula underlying the benefits in section 215(a), for average monthly wages greater than $650 but less than or equal to $1,000."

Mr. PROUTY. Mr. President, a parliamentary inquiry. What does the amendment do?

Mr. BYRD of West Virginia. I shall attempt to explain it.

Mr. MANSFIELD. It is coming up later, anyway.

Mr. LONG. The Senator cannot call it up now. He can explain it.

Mr. POUTY. Mr. President, a parliamentary inquiry. Is it in order for my distinguished friend to explain his amendment at this time?

The PRESIDING OFFICER. The Chair will state that it is in order for him to discuss it, but the perfecting amendment of the Senator from Vermont is still pending.

Mr. PROUTY. The amendment is not being offered at this time?

The PRESIDING OFFICER. No.

Mr. BYRD of West Virginia. Mr. President, the pending question before the Senate is with respect to the perfecting amendment offered by the able Senator from Vermont (Mr. PROUTY) to the Long amendment. Under the Prouty perfecting amendment, there would be a 15-percent across-the-board increase in social security payments, with an increase in the minimum benefits to $70 per month.

As the able chairman of the Committee on Finance has stated in his remarks in opposition to the Prouty perfecting amendment, the perfecting amendment offers no method for defraying the additional cost of the benefits which would accrue under that amendment. As the chairman of the committee has also very appropriately stated, to go to conference with additional benefits that will not be offset by additional increases in the tax, or an expansion of the tax base, would be a futile effort.

Mr. President, I think we all want to see an increase in the minimum benefits. Under the Long amendment, the increase would be 15 percent across the board including the minimum benefit. The minimum payment at the present time is $55 a month. Fifteen percent of that would be about $8.25, which would mean that the total minimum benefit under the Long amendment would amount to something like $63.25, as against $70 under the Prouty perfecting amendment.

I should like to see an increase in the minimum benefit. The able majority leader would like to see an increase in the minimum payment. As I have stated, I think all Senators would like to see an increase. For that reason, I have offered a perfecting amendment to the Lond amendment, which will be called up after the vote on the Prouty amendment. This perfecting amendment, which I have offered in behalf of myself and the able majority leader, would provide for a minimum payment of $100 per month to a single individual, or $150 a month to a man and wife. So we would provide a larger minimum benefit, one that is more in keeping with the increase in the cost of living; but at the same time, it is not our intention to do a vain and futile thing.

We are also going to provide the means whereby the increased benefits would be offset. This would be done by expanding the tax base from $7,800 a year to $12,000 a year. So, we would provide an increase in the minimum payment for a single individual that would be $30 above the amount provided in the Prouty amendment. And we would also provide a way to pay the bill, so that when the chairman of the committee goes to conference with the House he will be able to present a fiscally responsible plan whereby the trust fund will not be endangered by the increase in benefits.

The 15-percent increase in itself is actuarially sound, as the chairman has stated. However, to increase the minimum to $70 would result in a drain upon that fund.

The majority leader and I, and those who would support us, want to provide a larger minimum benefit than $70, one that is in keeping with the increase in consumer prices and, at the same time, we want to provide the increased income with which to pay the increased benefits.

For this reason, we are advocating that the earnings base be increased from $7,800 a year to $12,000 a year. The increase in the tax base will not take effect under the amendment offered by the majority leader and me until 1973.

This delay is possible without endangering the fund.

As a matter of fact, I am advised that

the fund under the Long amendment would experience an increase in surplus from $32 billion in 1970 to $37 billion in 1971.

So, even with the increase of 15 percent across the board, the surplus in the fund would be increased over and beyond the amount necessary to offset that 15-percent increase in payments.

We can easily wait until 1973, without jeopardizing the trust fund, before we put into effect the increase in the tax base to offset the increase in minimum benefits.

However, under the amendment, the increase in the tax base will take effect in 1973.

This is a brief explanation of the amendment which the majority leader and I have offered.

After the vote on the Prouty amendment—and I hope the Prouty perfecting amendment will be rejected—we will then call up our perfecting amendment, and I hope that it will be agreed to.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. BYRD of West Virginia. Mr. President, I yield.

Mr. PROUTY. Mr. President, I make the comment that I believe I have started something.

Mr. MANSFIELD. No. We have been thinking about this for some time.

Mr. PROUTY. On this very floor I have tried for 8 or 9 years to get meaningful social security benefits. The amendment offered by the distinguished majority leader and the distinguished Senator from West Virginia (Mr. BYRD) takes us all by surprise. Nevertheless it is a pleasant surprise as far as the benefit increase goes.

However, you would not raise the tax base until 1973. Is that correct?

Mr. WILLIAMS of Delaware. Mr. President, if the Senator will yield, we will not raise the base in taxes until after the 1972 election.

Mr. PROUTY. Mr. President, if the fund is not solvent enough to support a $70 monthly minimum, it certainly would not be able to support a $100 monthly minimum. I am afraid the Ways and Means Committee of the House of Representatives would never accept the amendment.

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Mr. GRIFFIN. Mr. President, I would not suggest for a moment that there is any politics being played on the floor of the Senate today. However, it seems to me that this exercise in one-upmanship demonstrates quite clearly why we should not even be considering social security legislation in connection with the tax reform bill.

Social security legislation is very important and very serious legislation. As we all know, it means a great deal to a great many people.

We are dealing with a very important subject, a very technical subject, a very difficult subject, and one that ought to have adequate hearings and adequate consideration in committee.

One of the points that concerned me as the distinguished Chairman of the Finance Committee offered his amendment was the fact that there have been no hearings on the legislation that he himself has offered.

There is no reason and no need in connection with the pending tax bill to consider social security increases. The House is proceeding in an orderly way. As we know, the Ways and Means Committee of the House, after holding hearings, has reported a bill.

That bill will be on the House floor next week, and presumably some form of social security legislation will pass the House. The bill will then come to the Senate.

It is only appropriate, it would seem to me, that the Senate consider such legislation separately and in the manner in which it ought to be considered.

Surely we have no business rewriting the social security law here on the floor of the Senate in this manner.

I, for one, will vote against it. As much as I respect and admire the Senator from Vermont (Mr. PROUTY) for his great leadership in this field—and I know how sincere he is, and I know how dedicated and sincere the sponsors of the next amendment are in their devotion to the objectives of social security—I shall vote against both amendments in the interest of orderly procedure.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. GRIFFIN. I yield.

Mr. WILLIAMS of Delaware. Mr. President, I will agree with the acting minority leader about the bad precedent we are establishing here in trying to add major legislation on the floor of the Senate. However, I point to the bad precedent that was started a few months ago when under the orders of the Democratic policy committee, the Finance Committee was given a limited time in which to report a major tax reform bill.

We had some committee consideration by means of having day-and-night sessions. Yet we are now having the entire bill rewritten on the floor of the Senate. I wonder if it would not have been as well to abolish the Finance Committee procedure and to have brought the bill to the Senate floor. The Senate has rejected practically all the reforms that the Finance Committee proposed and have converted this bill into a major Christmas tree bill. Who says there is no Santa Claus?

I am not unmindful of the fact that as we do our Christmas shopping very often it is done on credit cards. Christmas packages are passed around to our friends and relatives; however, after New Year's Day we get the bills and the statements.

The same point is true here today. I point out that for a long time the American people will be paying the bill for all that has taken place on the Senate floor this December, and they will be laboring a long time to pay for it.

Mr. GRIFFIN. Mr. President, I thank the Senator for his contribution. I do not think there is any doubt that all Members of the Senate want to increase the social security benefits. It seems to me that they want to do it before the next election.

I think we have a better chance of achieving that objective if we consider social security legislation separately and in its proper order.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. BYRD of West Virginia. I yield.

Mr. MANSFIELD. Mr. President, it is hard to imagine a social security recipient or any other person in this day and age getting by on $55 a month. I would point out that the administration itself has advocated an increase of 10 percent—thus increasing the minimum to $60.50. The House Ways and Means Committee, I understand, unanimously reported a bill—scheduled for House action next week—that would increase benefits by 15 percent.

I think the minimum benefits under all these plans are totally inadequate for any person who relies upon social security for subsistence. Those in this Chamber who say that a proposal that increases the minimum benefits to $100 and increases the benefits across the board by 15 percent are playing politics, ought to be aware of one thing—that since the last increase in social security benefits to pensioners, the cost of living has increased in the neighborhood of 10 percent. So, the social security pensioners are getting no windfall.

I would like to hear anyone challenge the difficulty that exists for those who attempt to get by on $55 a month with prices going up as they are and the cost of living increasing at such a rapid rate.

You can make fun about next year being an election year and about 1972 being a presidential election year, but you cannot make fun of the people in need. These people are in need. The inflation that has occurred during this past calendar year has been the greatest in recent times. The social security pensioner—living on fixed income—is the hardest hit. To say that our amendment which raises these benefits is playing politics elevates that charge to a very high level of respectability.

The pending amendment offered by myself and Senator BYRD more than pays for itself. It raises the base of the tax but does not increase the tax rate. In fact, the amendment produces a slight surplus to the social security trust fund.

I would hope that the Senate would adopt this amendment so that these most needed adjustments in social security benefits can be enacted prior to January 1, 1970—when they shall go into effect.

Mr. WILLIAMS of Delaware. Mr. President, I concur. One of the major causes for the people being in need of increased social security benefits is the inflation we have experienced in the last few years which has destroyed the purchasing power of what little they had.

I hope that sometime we can join hands across the aisle to eliminate some of the causes which are further fanning the fires of inflation. I think that is the real problem with relation to their need. I think the solution that is needed is the knowledge that purchasing power will remain stationary.

At the present rate we are taking it away from them through inflation faster than we can vote the benefits on the floor of the Senate.

Mr. MANSFIELD. The Senator is correct.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Vermont. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GRIFFIN (when his name was called). On this vote I have a pair with the Senator from Kentucky (Mr. COOK). If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." I therefore withhold my vote.

Mr. HANSEN (after having voted in the negative). On this vote I have a pair with the junior Senator from Arizona (Mr. GOLDWATER). If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." I therefore withdraw my vote.

The assistant legislative clerk concluded the call of the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from California (Mr. CRANSTON), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. COOK), and the Senator from South Carolina (Mr. THURMOND) are necessarily absent.

The Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The respective pairs of the Senator from Kentucky (Mr. COOK) and that of the Senator from Arizona (Mr. GOLDWATER) have been previously announced.

The result was announced—yeas 44, nays 46, as follows:

[No. 176 Leg.]

YEAS—44

Aiken	Fong	Moss
Allen	Goodell	Murphy
Allott	Gore	Packwood
Baker	Gurney	Percy
Bellmon	Hart	Prouty
Boggs	Hatfield	Proxmire
Brooke	Hruska	Saxbe
Burdick	Jackson	Schweiker
Case	Javits	Scott
Cooper	Jordan, Idaho	Smith, Maine
Cotton	Magnuson	Smith, Ill.
Curtis	Mathias	Stevens
Dole	McGee	Tower
Dominick	McIntyre	Young, N. Dak.
Fannin	Montoya	

NAYS—46

Bayh	Eastland	Hughes
Bennett	Ellender	Inouye
Bible	Ervin	Jordan, N.C.
Byrd, Va.	Fulbright	Kennedy
Byrd, W. Va.	Gravel	Long
Cannon	Harris	Mansfield
Church	Hartke	McCarthy
Dodd	Holland	McClellan
Eagleton	Hollings	McGovern
Metcalf	Pell	Tydings
Miller	Randolph	Williams, N.J.
Mondale	Ribicoff	Williams, Del.
Muskie	Russell	Yarborough
Nelson	Spong	Young, Ohio
Pastore	Stennis	
Pearson	Talmadge	

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY RECORDED—2

Griffin, against.
Hansen, against.

NOT VOTING—8

Anderson	Goldwater	Symington
Cook	Mundt	Thurmond
Cranston	Sparkman	

So Mr. PROUTY'S amendment was rejected.

Mr. MOSS. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. BYRD of West Virginia. I move to lay that motion on the table.

The motion to lay on the table was ageed to.

Mr. BYRD of West Virginia. Mr. President, I call up my amendment which is at the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The ASSISTANT LEGISLATIVE CLERK. The Senator from West Virginia (Mr. BYRD) proposes an amendment for himself and the Senator from Montana (Mr. MANSFIELD) as follows:

Strike out page 2 and insert in lieu thereof tho following new page:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

I	II	III	IV	V
(Primary insurance benefit under 1939 act, as modified)	(Primary insurance amount under 1967 act)	(Average monthly wage)	(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—	Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—	The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least— / But not more than—		At least— / But not more than—		
---------- $30.36	$85.90 or less	---------- $141	$100.00	$150.00
$30.37---- 30.92	87.20	$142 146	100.30	150.50
$30.93---- 31.36	88.40	147 150	101.70	152.60
$31.37---- 32.00	89.50	151 155	103.00	154.50
$32.01---- 32.60	90.80	156 160	104.50	156.80
$32.61---- 33.20	92.00	161 164	105.80	158.70
$33.21---- 33.88	93.20	165 169	107.20	160.80
$33.89---- 34.50	94.40	170 174	108.60	162.90
$34.51---- 35.00	95.60	175 178	110.00	165.00
$35.01---- 35.80	96.80	179 183	111.40	167.10
$35.81---- 36.40	98.00	184 188	112.70	169.10
$36.41---- 37.08	99.30	189 193	114.20	171.30
$37.09---- 37.60	100.50	194 197	115.60	173.40
$37.61---- 38.20	101.60	198 202	116.90	175.40
$38.21---- 39.12	102.90	203 207	118.40	177.60
$39.13---- 39.68	104.10	208 211	119.80	179.70
$39.69---- 40.33	105.20	212 216	121.00	181.50
$40.34---- 41.12	106.50	217 221	122.50	183.80
$41.13---- 41.76	107.70	222 225	123.90	185.90
$41.77---- 42.44	108.90	226 230	125.30	188.00
$42.45---- 43.20	110.10	231 235	126.70	190.10
$43.21---- 43.76	111.40	236 239	128.20	192.30
$43.77---- 44.44	112.60	240 244	129.50	195.20
$44.45---- 44.88	113.70	245 249	130.80	199.20
$44.89---- 45.60	115.00	250 253	132.30	202.40

I	II	III	IV	V
(Primary insurance benefit under 1939 Act, as modified)	(Primary insurance amount under 1967 Act)	(Average monthly wage)	(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—	Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—	The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least— / But not more than—		At least— / But not more than—		
	$116.20	$254 $258	$133.70	$206.40
	117.30	259 263	134.90	210.40
	118.60	264 267	136.40	213.60
	119.80	268 272	137.80	217.60
	121.00	273 277	139.20	221.60
	122.20	278 281	140.60	224.80
	123.40	282 286	142.00	228.80
	124.70	287 291	143.50	232.80
	125.80	292 295	144.70	236.00
	127.10	296 300	146.20	240.00
	128.30	301 305	147.60	244.00
	129.40	306 309	148.90	247.20
	130.70	310 314	150.40	251.20
	131.90	315 319	151.70	255.20
	133.00	320 323	153.00	258.40
	134.30	324 328	154.50	262.40
	135.50	329 333	155.90	266.40
	136.80	334 337	157.40	269.60
	137.90	338 342	158.60	273.60
	139.10	343 347	160.00	277.60
	140.40	348 351	161.50	280.80
	141.50	352 356	162.80	284.80
	142.80	357 361	164.30	288.80
	144.00	362 365	165.60	292.00
	145.10	366 370	166.90	296.00"

On page 9, after line 11, add the following new section:

"SEC. 6. (a) Notwithstanding any other provision of law, beginning with years beginning after December 31, 1972, the earnings counted for benefit and tax purposes under titles II and XVIII of the Social Security Act and appropriate sections of the Internal Revenue Code shall be increased from $7,800 to $12,000.

"(b) The Secretary of Health, Education, and Welfare is directed to modify the table in section 215(a) of the Social Security Act to include benefits, consistent with the formula underlying the benefits in section 215 (a), for average monthly wages greater than $650 but less than or equal to $1,000."

Mr. BYRD of West Virginia. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order. The Senator from West Virginia is recognized.

Mr. BYRD of West Virginia. Mr. President, I have already explained the perfecting amendment which I have offered on behalf of myself and the able majority leader, the Senator from Montana (Mr. MANSFIELD). But for the benefit of Senators who were not here when it was explained, briefly, the amendment would provide as follows.

This is a perfecting amendment to the Long amendment. The Long amendment provides a 15-percent across-the-board increase in social security payments. This would mean that for the minimum payment, which is now $55, there would be an increase of 15 percent, or something near $8.25. This would mean a total minimum benefit of about $64, as against $55 as of now.

Under the perfecting amendment offered by the majority leader and me, the minimum benefit would become $100, and we also propose the means for financing the increase. This is a fiscally responsible amendment. As the chairman has said so many times, it is futile to go to conference with increases in various benefits that would amount to a drain on the funds. This amendment is actuarily sound in that we are paying our own way.

We propose to increase the wage base from $7,800 annually to $12,000 annually, to take effect in 1973.

Mr. CURTIS. Mr. President, will the Senator from West Virginia yield for a brief question?

Mr. BYRD of West Virginia. I yield.

Mr. CURTIS. Is it not true that the entire cost of the program would be borne by those people who are getting more than $7,800 and less than $12,000?

Mr. BYRD of West Virginia. Well, those individuals in that range will pay an additional tax, but in the long run they will get higher benefits because an individual who pays a tax on a $12,000 base, in the long run is going to get increased benefits.

Mr. CURTIS. What is the answer to my question?

Mr. BYRD of West Virginia. I thought that was the answer to the Senator's question.

Mr. CURTIS. The answer is yes? The Senator says that we pay our way, that the costs of the increase the Senator proposes would be borne solely and exclusively by those people whose wages and salaries are not less than $7,800 and not more than $12,000.

Mr. BYRD of West Virginia. But they will also be the beneficiaries, in the long run, along with others in the lower income ranges. Of course, the employer also pays.

Mr. BENNETT. If the Senator will yield at that point, is it not true that people who have salaries at $7,800 are now getting more than $100, so that by raising this up to $100 the Senator will be benefiting a different group of people than those who will pay for the added benefit?

Mr. CURTIS. The Senator is getting the idea. [Laughter.]

Mr. BYRD of West Virginia. Those single persons who now receive more than $100 will receive a 15-percent increase——

Mr. BENNETT. But they receive that under the bill, not under the Senator's amendment.

Mr. BYRD of West Virginia. That is true. The question here boils down to this. Do we want individuals who are now getting a minimum of $55 a month to have only a 15-percent increase which will add up to a paltry $64 a month, or do we want them to have at least $100 a month?

That is the question.

Mr. BENNETT. If the Senator will yield further, has he estimated the drain on the social security fund before the additional funds come in, the drain for fiscal years 1971 and 1972?

Mr. BYRD of West Virginia. In answer to that question, there would be no drain on the trust fund—none whatsoever. As a matter of fact, the balance in the trust fund will increase. In 1970, there will be a $32 billion balance in the fund. In 1971, there will be a $37 billion balance in the fund, even with the 15-percent increase brought about by the amendment of the Senator from Louisiana (Mr. LONG). Thus, there will not be a drain. The balance in the fund will continue to increase and the fund will remain actuarially sound.

Mr. BENNETT. Would it not increase by $2 billion more each, over the 2 years 1971 and 1972? Is there not an actual drain on the fund for those 2 years because of the Senator's amendment, on the $2 billion balance, and then we begin to catch it up in 1973?

Mr. BYRD of West Virginia. The cost would be $4½ billion for the 15-percent increase alone. For the additional increase up to $100 in the minimum payment for a single individual and $150 for a married couple, yes, the cost would be $2 billion. Now, that additional cost would be more than offset by the proposed increase in the earnings base effective in 1973.

Mr. BENNETT. So it is not really fiscally responsible. The Senator will be saying, because there is a surplus in the fund, let us spend it now, rather than reserving it for the people in the future.

Mr. BYRD of West Virginia. No. Mr. President, we are not saying that at all. We are saying that there is a balance in the fund. We are saying, "Let us raise the minimum payment to an amount which is in conformity with the increase in the cost of living. Give the recipient at least $100 a month."

Not only is there now a $32 billion balance in the fund, but the balance in the fund will grow over and above the additional cost resulting from the $100 minimum. In order to meet that cost, we propose to expand the wage base from $7,800 to $12,000 in 1973. In reality, we could go beyond that year and still be actuarially responsible.

Mr. BENNETT. Are not the obligations under the social security system in terms of their responsibility to pay out social security benefits later? Are they not also growing? So that the Senator will be drawing against the future for at least $2 billion for those 2 years?

Mr. BYRD of West Virginia. They are growing, but we are providing for that growth, over and above that, by making the expansion in the earnings base effective in 1973.

Mr. BENNETT. In other words, spend now and pay later.

Mr. BYRD of West Virginia. No. Spend now and pay now. I wish to emphasize the fiscal soundness of this amendment. In fact, the cost of the 15-percent increase without any provision for financing would be 1.24 percent of payroll. The present surplus in the fund is 1.16 percent. The Mansfield-Byrd amendment would cost 1.66 percent of payroll and the increase in the payroll would be 0.53 percent plus the existing 1.16 percent. Thus, this amendment would produce a surplus of 0.03 percent to the trust fund as opposed to a 0.08 percent deficit in the pending Long amendment.

Mr. SAXBE. If the Senator will yield, how much will this cost a wage earner making $12,000 a year?

Mr. WILLIAMS of Delaware. If I may interject there, $475 a year, which does not take effect until after they have voted in 1972.

Mr. HOLLAND. Mr. President, we could not hear that. Would the Senator from Delaware repeat his statement?

Mr. WILLIAMS of Delaware. $475 for the individual to raise the extra tax, but it conveniently would not take effect until after he has voted in 1972.

Mr. SAXBE. If the Senator from West Virginia will yield again——

Mr. BYRD of West Virginia. The Senator from West Virginia has the floor.

The answer is, I am advised, to the Senator's first question, about $250.

Mr. SAXBE. Well now, this is the bracket of most of the shopworkers today in my State. They are making more than the $7,800 that they are now being charged for, and on up. The skilled workers and most of the shopworkers in my State pay on that wage base. This will come off their withholding, beginning in 1972, I take it. My experience with these people is that they are saying, that is all they can afford out of their salary checks on social security at the present time, and I do not think this will be very popular with those people.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from West Virginia yield?

Mr. BYRD of West Virginia. Mr. President, by increasing the earnings base to $12,000, the benefits for individuals so

affected will be, accordingly, increased when it comes time for them to retire.

Mr. PASTORE. Mr. President, will the Senator from West Virginia yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. PASTORE. Is it not true, under the present base, that the terrific strain is on those earning up to $7,800 a year, and what we are doing is lifting them up to $12,000 so that we can give some of these people $100 in order just to live, and what they pay will be matched by the employer as well. That is what it amounts to, is that not correct?

Mr. BYRD of West Virginia. The Senator is correct.

Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. LONG. Mr. President, I cannot support the amendment, but I do wish to compliment the distinguished Senator from West Virginia and the majority leader for offering it, because it is a fiscally responsible approach, since it would raise the money it takes to pay for the additional benefits.

But I feel I should point out that this amendment—and the same would be true of the Prouty amendment—has very little to do with need.

Many people would benefit from a $100 minimum who cannot claim justification on the basis of equity or need. Many people who draw minimum social security benefits today did not spend much of their time working under social security coverage.

For example, some years ago I tried to make it optional for the firemen in my State of Louisiana, city by city, to come in under social security. They sent their representatives up here to say that they wished to be taken out from under such coverage, because they felt they had a better retirement program in Louisiana than under social security.

But if one of those firemen retired after a few years—and some of our firemen and policemen can retire after 20 years of service, even though they are still relatively young—and then went to work for the relatively short period necessary to qualify for the minimum under social security, he would receive these benefits even though he was drawing a generous retirement based on the work he did originally as a policeman or a fireman. Many persons now receiving the minimum social security benefit are not needy and could not qualify on the basis of their limited earnings under social security for any increase. But they would have an increase under the proposed amendment that would bring their benefits up to $100 from the present $55.

This would be true of a great number of State and local employees, and also of some of our Federal civil servants. Even a Senator who has spent a small period of time in work that entitled them to social security coverage might draw the minimum amount. Even though the Senate has a generous retirement program, and a Senator might be drawing $12,000 a year in Senate retirement benefits, if he was receiving a minimum social security benefit we would be increasing his social security check from $55 to $100.

To take another example, some doctors and dentists who were only recently covered under the social security program, might be drawing minimum social security benefits. Some of them may have been benefited by the provisions of H.R. 10, for which the Senate voted. Some of them are drawing retirement benefits by virtue of various private retirement arrangements which will provide generous annuities for the remainder of their lives.

I bring this up so that Senators are not misled into the belief that those benefited by increasing the minimum are only needy people or people whose only income is their social security. Some of those people getting minimum social security benefits have little need for a substantial increase.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. DOLE. Who is eligible for the $100 monthly payments for single persons and $150 payments for families? What are the eligibility requirements? The Senator has indicated that many are not in need. Would the Senator inform us who would be eligible?

Mr. LONG. Anyone fully insured under the social security program would be eligible. Eventually a person will have to have 10 years of work in employment—covered under social security in order to be fully insured, although a number of persons are now fully insured with less than 10 years of coverage. In any case, anyone fully insured would receive a minimum benefit of $100 under the amendment.

As I said, many of these people at the minimum have coverage under other retirement systems, such as the Federal civil service retirement system or private pension plans, even though they have worked long enough to have become fully insured under social security.

Mr. DOLE. The question I ask is, Do we have any way of knowing, as far as numbers are concerned, how many of these people may be in the so-called poverty level or are people who do not need social security benefits?

Mr. LONG. Unfortunately, I cannot answer the question in precise numbers for the reason that we have not had an opportunity to study this question in the Finance Committee.

Mr. DOLE. I wonder if the Senator from West Virginia could answer.

Mr. BYRD of West Virginia. The same question might be asked with regard to those people who are now drawing $55 a month as a minimum. We may as well do away with those, on that basis.

Mr. DOLE. That begs the question.

Mr. BYRD of West Virginia. No, it does not beg the question.

Mr. DOLE. What are we voting for now? To give $100 a month to millionaires, or to people who get little or nothing?

Mr. BYRD of West Virginia. What difference does it make? They have all paid their own way. There is no means test in the social security program.

Mr. LONG. Mr. President, if I might further respond to the question of the Senator from Kansas, there are about 3½ million people in the category to be benefited by the amendment. It is my understanding that if we raised the minimum to $100, only about one-third of the additional benefits would go to persons in the poverty category. Two-thirds would go to persons who do not fall in the poverty category.

Mr. DOLE. So we are voting to spend I do not know how many millions of dollars for people who do not need the money. I think perhaps we might call the amendment the "Political Security Amendment of 1969."

Mr. LONG. I would not so categorize it. However there would be many people who could not qualify for a minimum benefit of $100 on the basis of need, although there are many who could.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. RIBICOFF. Mr. President, I think we are getting into a very complex situation. The objectives of the Senator from West Virginia and the Senator from Montana are certainly worthy. I do not think anyone can argue that anyone in the United States should have an income of less than $100, but we are doing this in a very complex tax bill, without any idea of what we are doing to the social security fund.

The proposal of the Senator from Louisiana was a sound proposal because it was done after an examination of all the figures, after careful consideration by the House Ways and Means Committee, which insures the integrity of the social security fund.

The President of the United States has suggested a proposal of a minimum family allowance as an amendment to the welfare law. The House Ways and Means Committee has already had hearings on the question. My understanding is that it will be the first order of business when they return after the first of the year. That means the Senate Finance Committee, within a period of 3 or 4 months, will have before it clarifications and basic amendments of the social security law and what we do for minimum family allowances.

At that time, after full and complete hearings on a complex subject, it could very well take the United States into new directions in the whole field of social security and welfare.

I personally do not think we should try to write at this moment, in this complex bill, what the Senator from West Virginia and the Senator from Montana are proposing. I believe the Senate can wait another 3 or 4 months, after the completion of full and complete hearings on this complex subject, before we act on this proposal. I believe we will arrive at a sound, balanced program that will assure every family in this country a minimum of $100 a month. I think we are acting very hastily in trying to adopt a proposal of this kind.

Mr. LONG. I appreciate what the Senator has said.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. LONG. I will yield in a moment.

I appreciate what the Senator from Connecticut, who is a former Secretary of Health, Education, and Welfare, has said about this matter. The reason why I offered the 15-percent increase amendment I have offered is that there is no

doubt whatever in my mind that this Congress sometime within the next 2 month will grant at least a 15-percent across-the-board benefit increase. But when we get to those other proposals, meritorious though they may be, they will require very careful consideration.

Seven thousand pages of hearings have been accumulated in 5 weeks of committee consideration of the tax reform bill. We do know about the House tax reform bill and the amendments added to it. If we were given the opportunity to conduct hearings of half that length, we would be able to advise the Senate precisely about social security; which people would be benefited by what kind of amendment, who has the greatest need for benefit changes, and what people would benefit from increases even though they have less need for it.

A substantial increase in the minimum benefit, in my judgment, should await further study. The House Ways and Means Committee, having conducted lengthy hearings, and having all that information at their disposal, still says that we ought to wait until next year until they try to draft a bill to take into account the various questions such as that suggested in the amendment.

I yield to the Senator from Florida.

Mr. HOLLAND. Mr. President, I thoroughly approve the position taken by the distinguished Senator from Louisiana and the distinguished Senator from Connecticut. I ask the Senator if it is not true that insurance—and that is what this is—would be drawn for 3 years by some 3 million persons at an increased amount, despite the fact that the funds necessary to support the payment of insurance benefits at that rate will not begin to be paid in until 1973.

Mr. LONG. The Senator is correct in what he has stated, although I must say to my friend from Florida that from an actuarial point of view, the amendment is sound.

Mr. HOLLAND. Perhaps it is, but we do not know, because we do not have that testimony before us.

The point I am making is that beneficiaries would be drawing insurance—and that is what this is—on a basis on which it is necessary to levy higher contributions from both employees and employers, 3 years before those contributions are to be paid in. I could never support anything which is said to be insurance, and is designed to be insurance, which is to be paid on a basis much more generous than the present and continuing rate of payments would support for 3 years.

Mr. LONG. The Senator is completely correct in what he has stated, although I should point out that over the long run, this amendment would be actuarially sound.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. LONG. I yield to the Senator from Connecticut.

Mr. RIBICOFF. Mr. President, the point made by the Senator from Ohio is very well taken, because there is no question but that the lower middle-income groups are facing a very heavy burden with this increased taxation. It could very well be, and it probably will, that if the President's proposal for a minimum family allowance is accepted by Congress, much of these payments will come through general revenues, and not the social security system, and it will not necessarily cover merely people on welfare, but those who are below a minimum income, and the type of individuals that the Senator from West Virginia and the Senator from Montana seek to make the beneficiaries here will be the beneficiaries out of general revenues that will be paid by all taxpayers, corporations, and higher income taxpayers, and we will not necessarily be placing the burden on the wage earner.

The objective, may I say again, which the Senator from West Virginia and the Senator from Montana seek to achieve, is an objective to which we all must repair. I do not think we should seek to repair to it on the floor of the Senate at the present time, without hearings, on a very complex subject that will cover the official, and economic thinking, because that is what we will be facing next spring or next summer, and I do not think we should try to do it at this time.

Mr. LONG. I thank the Senator.

Mr. SAXBE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. SAXBE. I should like to pursue that point just a moment.

We think of a man who is earning between $7,800 and $12,000 as being a big earner. But I point out that with sweepers earning $4.50 an hour in automotive plants and most other manufacturing plants, and with all of the building trades people earning from $5 an hour upward, this would throw the great mass of regular wage earners into a large increase in a payment that most of them are complaining about already. When that $22.50 a month waltzes across that payroll, we will hear some louder screams than we are beginning to hear already.

I agree with the Senator from Connecticut that we have a responsibility to these older people, who thought they were buying a secure insurance policy when social security was started, and are now not getting that. We have relegated those people to a poverty standard today, and I certainly agree that we do owe them a minimum of $100 a month on a net basis, because we are not living up to the contract we wrote to those people when they bought this insurance out of depression dollars, when they were earning $25 to $50 a week, rather than $150 to $200.

Nevertheless, I think that before we put this burden on the 25-year-old man, who is paying for a house and trying to raise a family and never has enough money to go around, we had better think twice about it.

Mr. GURNEY. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. GURNEY. The Senator from Ohio has brought out the fact that this is a considerable added burden as far as wage earners are concerned. It has often been mentioned, particularly by people who are interested in small business, that the backbone of private enterprise in this country is the small business people, those who are self-employed. How much out of the hides of those self-employed people would this plan propose to take?

Mr. LONG. I do not have the exact figure, but assuming a self-employed person is making $12,000 a year or more, starting in 1973 his tax would be upward of $300 a year more than under present law.

Mr. GURNEY. The point I am trying to make is that the amount of the increase in the wage earner's tax is about $250 a year, but for the small businessman it is considerably greater. My own information is that, instead of $300 per year, the increase would be about $358. Believe me, that is a crushing burden on some of these small business people who are the backbone of American private enterprise, and make something like about $7,800 to $12,000 a year. I believe they have enough burdens without our imposing this additional burden upon them.

Mr. LONG. The increase in the taxes for the self-employed person would be about $321 in 1973.

Mr. PROUTY. Mr. President, will the Senator from Louisiana yield to me?

Mr. LONG. I yield.

Mr. PROUTY. In view of the fact that the distinguished chairman of the Committee on Finance expresses considerable doubt that the House conferees would consider an increase to $70, does he believe now that there is any remote possibility of the other body agreeing to the proposition which has just been advanced?

Mr. LONG. I cannot assure the Senator at all that they would accept it. All I can say to the Senator is that they would not be turning us down for the reason that they have turned us down repeatedly in the past, namely on the grounds that the proposal did not have a tax to pay for it. That is one type of case where they have consistently said, "No," in such emphatic terms that we had to pretend we had not been insulted to arrive at the conclusion that we had not been. That is the type of attitude they have taken whenever we have insisted on an amendment to the Social Security Act that is not self-financing.

Mr. PROUTY. That was my thought, but I felt they might accept the $70. I am faced with a real problem, because I feel that this is an appropriate level, and I may vote for the amendment, though by doing so I know I shall be wasting a vote, because nothing will ever happen.

Mr. PERCY. Mr. President, today I have supported the President's social security proposals which would have increased social security benefits 10 percent across the board. I also supported the Prouty amendment which would have increased benefits 15 percent financed out of the surplus in the social security trust fund.

However, I cannot support proposals whose benefits to certain beneficiaries are outweighed by the cost in inflation to many more in our society. Particularly affected by such measures are those who can afford it least—the poor, the retired, and those living on fixed incomes.

I intend to vote against any legislation whose benefits in my judgment are

overshadowed by costs to many through inflation and/or increased taxes.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from West Virginia (Mr. BYRD) and the Senator from Montana (Mr. MANSFIELD). On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. STEVENS (when his name was called). On this vote I have a pair with the Senator from Arizona (Mr. GOLDWATER). If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withhold my vote.

The rollcall was concluded.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from California (Mr. CRANSTON), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. COOK), the Senator from Maryland (Mr. MATHIAS), the Senator from Illinois (Mr. SMITH) and the Senator from South Carolina (Mr. THURMOND) are necessarily absent.

The Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The pair of the Senator from Arizona (Mr. GOLDWATER) has been previously announced.

On this vote, the Senator from Kentucky (Mr. COOK) is paired with the Senator from Illinois (Mr. SMITH). If present and voting, the Senator from Kentucky would vote "yea" and the Senator from Illinois would vote "nay."

The result was announced—yeas 48, nays 41, as follows:

[No. 177 Leg.]

YEAS—48

Aiken	Hollings	Moss
Bayh	Hughes	Muskie
Bible	Inouye	Nelson
Brooke	Jackson	Pastore
Burdick	Javits	Pell
Byrd, W. Va.	Kennedy	Prouty
Cannon	Magnuson	Proxmire
Case	Mansfield	Randolph
Church	McCarthy	Russell
Dodd	McClellan	Schweiker
Eagleton	McGee	Smith, Maine
Fulbright	McGovern	Spong
Gravel	McIntyre	Tydings
Hart	Metcalf	Williams, N.J.
Hartke	Mondale	Yarborough
Hatfield	Montoya	Young, Ohio

NAYS—41

Allen	Ervin	Miller
Allott	Fannin	Murphy
Baker	Fong	Packwood
Bellmon	Goodell	Pearson
Bennett	Gore	Percy
Boggs	Griffin	Ribicoff
Byrd, Va.	Gurney	Saxbe
Cooper	Hansen	Scott
Cotton	Harris	Stennis
Curtis	Holland	Talmadge
Dole	Hruska	Tower
Dominick	Jordan, N.C.	Williams, Del.
Eastland	Jordan, Idaho	Young, N. Dak.
Ellender	Long	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Stevens, for.

NOT VOTING—10

Anderson	Mathias	Symington
Cook	Mundt	Thurmond
Cranston	Smith, Ill.	
Goldwater	Sparkman	

So the amendment of Mr. BYRD of West Virginia and Mr. MANSFIELD was agreed to.

Mr. BYRD of West Virginia. Mr. President, I move to reconsider the vote by which the amendment was adopted.

Mr. MANSFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HARRIS obtained the floor.

Mr. GRIFFIN. Mr. President, will the Senator yield to me so that I may make an inquiry of the majority leader?

Mr. HARRIS. Mr. President, I ask unanimous consent that I may yield to the Senator from Michigan for that purpose, without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I ask unanimous consent that debate on the Harris amendment be limited to 40 minutes, the time to be equally divided between the manager of the bill and the Senator from Oklahoma.

The PRESIDING OFFICER. Is there objection?

Mr. TOWER. I object.

Mr. HARRIS. Mr. President, I send to the desk two amendments which are related to each other and which are a part of the same thing. They are perfecting amendments to the Long amendment. I ask unanimous consent that they may be considered en bloc.

The PRESIDING OFFICER. Is there objection? The Chair hears no objection, and it is so ordered. The amendments will be stated.

The assistant legislative clerk proceeded to read the amendments.

Mr. HARRIS. Mr. President, I ask unanimous consent that further reading of the amendments be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendments will be printed in the RECORD.

The amendments, ordered to be printed in the RECORD, are as follows:

At the appropriate place in Amendment No. 367 add the following new section:

"DISREGARDING OASDI BENEFIT INCREASES TO THE EXTENT ATTRIBUTABLE TO RETROACTIVE EFFECTIVE DATES

SEC. —. Notwithstanding any other provision of law, there shall be excluded in determining the income of any individual or family for purposes of title I, IV, X, XIV, or XVI of the Social Security Act (in addition to any other amounts so excluded or disregarded) any amount paid to such individual in any month under title II of such Act (or under the Railroad Retirement Act of 1937 by reason of the first proviso in section 3(e) thereof), otherwise than as the regular monthly payment due such individual for the preceding month, to the extent that such payment is attributable to an increase under this Act or a subsequent Act (resulting from the enactment of a retroactive general increase in primary insurance amounts under such title II) in the amount of the monthly benefits payable under the old-age, survivors, and disability insurance system for one or more months before the month in which such payment is received."

At the proper place in the bill, insert the following:

"DISREGARDING OF INCOME IN DETERMINING NEED FOR PUBLIC ASSISTANCE

"SEC. —. (a) In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI, of the Social Security Act, there is hereby imposed the requirement that—

(1) in determining need of any adult individual for such aid or assistance, the State agency administering or supervising the administration of such plan shall disregard $7.50 per month of income of such individual, and

(2) (A) each individual receiving such aid or assistance for any month shall realize an increase in the amount of his benefit in the form of money payments of $7.50 per month, whether increase is brought about by reason of the application of clause (1) or otherwise, and

(B) in the administration of any such plan, there shall be used for the purpose of providing the increased benefits required by subclause (A), an amount equal to any savings realized in the provision of such benefits by reason of the amendment, in this Act, of any provision increasing the amount of monthly benefits payable to individuals under title II of the Social Security Act.

(b) If, as a result of the application of the requirements imposed in clauses (1) and (2) of subsection (a), any State incurs in the operation of its State plan (referred to in subsection (a)) for any calendar quarter, expense in excess of the amount of expense it would have incurred if such requirements had not been applied, then, it shall be entitled to be paid, out of any money appropriated by the Federal Government to assist the State in carrying out such plan, an additional amount equal to the amount of such excess.

(c) Any additional amount to which a State is entitled under subsection (b) with respect to a State plan (referred to in subsection (a)) shall be made in accordance with the same methods, and otherwise in like manner, as are the payments which such State is entitled to receive with respect to such plan under other provisions of Federal law.

Mr. HARRIS. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

The yeas and nays were ordered.

Mr. MANSFIELD. Mr. President, will the Senator yield to me briefly?

Mr. HARRIS. I yield to the Senator from Montana.

Mr. WILLIAMS of Delaware. Mr. President, may we have the amendments read?

Mr. HARRIS. I think I can explain them quickly to the Senate.

Mr. BYRD of West Virginia. Mr. President, the Senator can explain the amendments if he can be heard. Will the Chair please enforce order in the Senate?

The PRESIDING OFFICER. The Senate will be in order.

TAX REFORM ACT OF 1969

The Senate continued with the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

Mr. LONG. Mr. President, will the Senator yield?

Mr. HARRIS. Mr. President, I ask unanimous consent that I may yield to the Senator from Louisiana without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

TAX REFORM ACT OF 1969

The Senate resumed the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

Mr. HARRIS. Mr. President, I think Senators will support this amendment. If I can have the attention of Senators I can explain it briefly.

The effect of this amendment, which is in two parts, is to pass along to the

aged, blind, and disabled, a $7.50 increase in assistance, which we can do without additional funds.

If I may have the attention of the distinguished Senator from Delaware I can explain the amendment briefly.

Mr. WILLIAMS of Delaware. I am trying to find out how many millions are involved in the Senator's amendment.

Mr. HARRIS. I just told the Senator there are no millions involved as far as additional Federal contributions are concerned. But since the Senator asked for the explanation I would be glad to explain it.

Mr. WILLIAMS of Delaware. I would be glad to have the Senator explain it but I will get the information on my own.

Mr. HARRIS. The Senator from Delaware is quite able to get his own information but I was trying to be helpful to him, inasmuch as I had asked unanimous consent that the amendment not be read. Is there objection to that? If there is no objection I can go ahead and explain it, Mr. President.

The PRESIDING OFFICER. Is there objection? The Chair hears no objection, and the Senator may proceed.

Mr. HARRIS. Mr. President, this amendment is in three parts and each part is very simple.

The first part has to do with the fact that the social security increase of 15 percent, which is contained in the Long amendment, will not be paid to social security recipients until April of next year. There are some 1.5 million people in America who receive some social security and some welfare assistance by reason of being aged, blind, or disabled. The first part of the amendment would provide that, when they receive that social security payment in April, a part of which will be retroactive, the welfare department in the particular State will not consider the increase in social security which they will be receiving retroactively as resources available to the welfare recipient and go back and figure that in and deduct that amount from money the welfare recipient received prior to April.

I think the Social Security people and the welfare departments of the various States would say to Senators, the same as some of them have said to me, that it would cause all sorts of difficulty, more than it is worth, if they had to go back and deduct that amount of money already paid because of retroactive social security payments that we are about to vote on in the Long amendment. That is the first part of the amendment. It is very simple.

The second part of the amendment provides that the 1.5 million people who are aged, blind, or disabled, and who receive some social security and some welfare assistance—who otherwise in most of the States under the Long amendment would receive no increase because their welfare assistance payments would simply be reduced by the amount of money their social security payment is increased—will receive an additional $7.50 by the provision in the amendment which states that the first $7.50 received by such welfare recipients through the social security increase will not be counted as income to be deducted from what they would otherwise get from welfare.

Mr. President, the third part of the amendment is similar. It deals with a different and an additional 1.5 million people who are aged, blind, or disabled and who are receiving no social security. This part of the amendment provides that those 1.5 million people would receive, through this amendment, an additional $7.50 a month, the same as the other people; the effect would be that those who are receiving only public assistance because they are aged, blind, or disabled would receive the same kind of increase that the social security recipients are going to receive if, as I hope we do, we adopt the Long amendment.

That portion of the amendment will be funded in this manner: The welfare department in a State will receive a windfall by the passage of the Long amendment; by increasing social security payments, their funds required to match Federal assistance would be reduced; and the amendment provides that they will take that savings realized through the social security increase and use it to pass along at least $7.50 as an increase to welfare recipients, who are aged, blind or disabled.

The amendment provides, to be sure we are not going to require a State to put up more money than it is now, if the realized saving is not sufficient, the difference will be made up by Federal contribution. However, I am informed by the staff of the Committee on Finance that, first of all, there will be a negligible additional expenditure required by the States, if any, and to the degree the Federal contribution is required, that will come out of money the Federal Government is now spending from the general fund for welfare which it will not have to spend because of increased payments out of the social security trust fund.

Mr. President, all of that sounds complicated but the fact is that there are 3 million Americans who are aged, blind or disabled and who, by the passage of the 15-percent increase in the social security payments, will in large part receive no increase whatever, despite the fact that those 3 million Americans probably are in greater need, or at least in as much need, as those who would receive an increase in social security.

I hope the amendment is agreed to.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. HARRIS. I am glad to yield to the Senator from New Hampshire.

Mr. COTTON. In the Senator's amendment is there provision to insure compliance by the State welfare departments by the withholding of Federal welfare contributions or in some other manner so that his amendment will be complied with by the State departments?

Mr. HARRIS. Yes. The language for the amendment was drawn with the help of the staff of the Committee on Finance. We have a precedent for this action. The last time we voted a social security increase we had a $7.50 pass-along and this amendment would again provide for that $7.50 pass-along.

I have heard from the director of the welfare department of my State that this is a fair thing to do. There are some 81,000 Oklahomans who will get this pass-along increase under this amendment. I think this is only equity. There is a careful discussion of this matter, printed in yesterday's CONGRESSIONAL RECORD by Representative PHIL BURTON, of California, with whom I have talked about it.

The distinguished Senator from Texas (Mr. YARBOROUGH) joins with me in the presentation of this amendment and is very interested in it.

I almost forgot one other point. If we do not do this now and if we wait until we come back and do it in April, it will be too late in most of the States because most of the States will probably have made up their budgets. and would have already figured into them the savings they will have under the proposed social security increase. So, if we do it, we need to do it now in conjunction with the social security increase.

Mr. COTTON. I am entirely in sympathy with the objective of the Senator's amendment. It only occurred to me and I recall the last time we did that, there was a provision that States that did not see fit, if they failed to comply with this admonition; namely, not to withhold welfare funds because of the accumulated social security, that there would be a withholding of Federal contributions to the welfare funds and that assured compliance by the States. No doubt most States would comply willingly and voluntarily, but I do not say that we could be sure unless in the Senator's bill itself, or the appropriation bill we bring in from HEW, or somewhere along the line, there is some policing provision so that the States cannot disregard this admonition.

Mr. HARRIS. I assure the Senator that they cannot, that that has been carefully worked out and worded in the amendment. I invite his attention to the actual words.

May I state further to the Senate that this provision does not apply to other forms of assistance. I wish we could have gotten something together soon enough so that all forms of assistance might receive some increase. However, I learned only yesterday that this 15-percent social security increase would be considered today. I think that if we made this amendment too inclusive, too controversial, or too complicated, we would not be able to get it adopted. We have a good chance to get this adopted and then, hopefully, after the first of the year, as has been mentioned by the distinguished Senator from Connecticut (Mr. RIBICOFF), we can make a wholesale review and revision of the entire welfare system.

In the meantime, if we are going to do equity by Christmas to the social security recipients by giving them, as we should, a 15-percent increase, we should also do equity to the 3 million other aged, blind, or disabled Americans who would not otherwise, probably, get an increase under the Long amendment.

Mr. LONG. Mr. President, I am in sympathy with what the Senator from Oklahoma is seeking to achieve. I understand what he has in mind. He wants to try to reach the objective of seeing to it

that those who get the social security increase will not have their welfare checks cut to the extent of the social security increase. It is a frustrating experience for anyone to hear that Congress has voted an increase in his social security benefits, only to find that, if he is on welfare. the welfare department, having heard about the increase in social security benefits, has cut his check before he receives the increase in his social security.

The Senator from Oklahoma wants to assure that that does not happen.

That will be difficult to do because it is complicated and brings in other problems, like difficulties of administration, and so forth. But the purpose is worthy, even though it will be complicated by adoption of the Byrd-Mansfield amendment which increases the minimum payment up to $100.

Personally, I would be willing to go to conference with the amendment to see what we can work out, and I would do the best we can to perfect the amendment in conference, if the House is willing to consider it. I would personally not be opposed to the amendment and would be happy now to yield time to anyone opposing it.

It would create technical and administrative problems, but if they can be worked out—and perhaps we can do that in conference because I believe the Senator has a very noble purpose in offering his amendment—I am sure the amendment will undoubtedly do some good in preventing cutbacks which need not occur where the States are able to continue their present level of welfare.

Mr. President, I would be happy to yield time to Senators who would be in opposition to the amendment; otherwise, I am ready to yield back the remainder of my time.

Mr. HARRIS. Mr. President, I yield back the remainder of my time.

Mr. LONG. I yield back the remainder of my time.

The PRESIDING OFFICER. All time on this amendment has now been yielded back.

The question is on agreeing to the amendment of the Senator from Oklahoma.

On this question the yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from California (Mr. CRANSTON), the Senator from Alaska (Mr. GRAVEL), the Senator from Minnesota (Mr. MCCARTHY), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that the Senator from Nevada (Mr. CANNON) is absent on official business.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON), and the Senator from Missouri (Mr. SYMINGTON) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. COOK), the Senator from Maryland (Mr. MATHIAS), the Senator from Illinois (Mr. SMITH), and the Senator from South Carolina (Mr. THURMOND) are necessarily absent.

The Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

If present and voting, the Senator from Kentucky (Mr. COOK), the Senator from Arizona (Mr. GOLDWATER), the Senator from Maryland (Mr. MATHIAS), and the Senator from Illinois (Mr. SMITH) would each vote "yea."

The result was announced—yeas 77, nays 10, as follows:

[No. 178 Leg.]

YEAS—77

Aiken	Gurney	Murphy
Allen	Harris	Muskie
Baker	Hart	Nelson
Bayh	Hartke	Packwood
Bellmon	Hatfield	Pastore
Bible	Holland	Pearson
Boggs	Hollings	Pell
Brooke	Hughes	Percy
Burdick	Inouye	Prouty
Byrd, Va.	Jackson	Proxmire
Byrd, W. Va.	Javits	Randolph
Case	Jordan, N.C.	Ribicoff
Church	Jordan, Idaho	Russell
Cotton	Kennedy	Schweiker
Dodd	Long	Scott
Dole	Magnuson	Smith, Maine
Dominick	Mansfield	Spong
Eagleton	McClellan	Stennis
Eastland	McGee	Stevens
Ellender	McGovern	Talmadge
Ervin	McIntyre	Tydings
Fannin	Metcalf	Williams, N.J.
Fong	Miller	Yarborough
Fulbright	Mondale	Young, N. Dak.
Goodell	Montoya	Young, Ohio
Gore	Moss	

NAYS—10

Allott	Griffin	Tower
Bennett	Hansen	Williams, Del.
Cooper	Hruska	
Curtis	Saxbe	

NOT VOTING—13

Anderson	Gravel	Sparkman
Cannon	Mathias	Symington
Cook	McCarthy	Thurmond
Cranston	Mundt	
Goldwater	Smith, Ill.	

So Mr. HARRIS' amendment was agreed to.

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AMENDMENT NO. 367

Mr. GURNEY. Mr. President, I wish to go on record in support of the amendment offered by the distinguished Senator from Louisiana (Mr. LONG). Amendment No. 367 would provide an increase of 15 percent in social security payments.

Mr. President, today approximately 20 million Americans are over the age of 65, and there is another group of approximately 8 to 9 million Americans who are now between the ages of 60 and 65. It is estimated that approximately 71 percent of this 20 million, roughly three out of four, are living on incomes of less than $2,000 per year. Many of our citizens in this age group went to work for the first time during the years preceding and following the first World War. Very many of these citizens have been making contributions to the social security system since its inception in 1935. They are now retired and living on fixed incomes. They are the victims of an inflationary spiral which they did not cause and have nothing to do with. The social security system was intended initially as an additional cushion for the retirement years, but many of our older people have come to regard it as the only source of their subsistence. For generations since World War II, the current working generation, there are many plans for company pensions and retirement programs, separate and apart from and in addition to social security. But for the older citizens, the presently retired citizens, it is too late. It is not however, too late for the Congress of the United States to do something about their plight. The problem should be attacked on several levels: We should, I think, remove the restrictions which now prevent a man from collecting social security if he earned an income in excess of $1,680. We can I think, key the future benefits of the social security to the increases in the cost of living as they occur, automatically without waiting for separate congressional action on each increase. This, of course, is in line with the President's proposals on social security.

Turning to the measure which we have before us today, I think that a 15-percent increase is not out of line in any way. It is estimated that this increase will cost approximately $4 billion but it will not require an additional tax on payroll. It will be paid for out of actuarial surpluses Old Age and Survival Trust Fund.

We hear a lot of talk today about priorities. This, in my view, should be given a high level priority. The figures on inflation nationwide are indisputable. We cannot expect our older citizens, our citizens who no longer have the capacity to enter the labor market, to absorb these increases out of savings. Very often there are no savings. But the increases in the cost of living must be met by these citizens as by everyone else. It seems to me to be the duty of the Congress to act to help these people at this time. They have turned to us because we are their only hope: We can allow them to live in dignity and with self-respect. We can afford to bear the additional cost. In my judgment, Mr. President, we cannot let these people down. I would urge all my colleagues to give favorable consideration to this amendment.

Mr. HARTKE. Mr. President, I am happy to express my support for the amendment submitted by the distinguished chairman of the Finance Committee. As he knows, I have long shared his concern for the problems of our senior citizens.

For many Americans today retirement means poverty. Because of the patent inadequacy of the social benefits we now pay, many elderly experience true poverty for the first time when they try to subsist on their social security payments. A man works hard and well, and his reward for a lifetime of effort is humiliation, deprivation, and a constant fear that his benefits will not suffice to meet even his most basic needs. It is a sad fact, but true, that many elderly Americans today fear this economic insecurity much more than they fear death itself.

This problem of extremely low incomes is further aggravated by the fact that more Americans are spending more years in retirement periods of uncertain lengths than ever before thus causing a mounting strain on their already limited resources.

Yet as serious as the situation is today, it will deteriorate even more dramatically in the years ahead unless something is done—and done quickly. A rise in earnings of a 4 percent annually—not unrealistic figure in this era of the wage-price spiral—means that consumption levels will approximately double in the next decade, thereby placing those on fixed incomes at an even more serious disadvantage in the marketplace.

This disadvantage is seriously heightened by the present inflation which continues to rage unabated. Last year the cost of living rose more than 5 percent, a clearly unacceptable figure, yet econo-

mists predict that it will be even higher this year. Since 1965, our elderly citizens have been robbed of $3 billion in purchasing power by inflation. Inflation has already robbed social security recipients of the 13-percent increase in benefits most recently approved by Congress.

If we consider the steady rise in the consumer price index, we realize that the benefits to retirees have barely kept up with the increase in the cost of living. It is clear that unless there is a sudden stabilization of prices—which is unlikely—these retirees will lag again in purchasing power in the near future.

In March 1969 the consumer index stood at 125.6; by September 1969 it had increased dramatically to 129.3. Now if we look at the total increase in the consumer price index since Congress last acted on social security benefits, we see that the index has gone up 11.1 points, which translates into a 9.4-percent increase in prices. By projecting the level of the consumer price index into 1970 on the basis of past increases, we are forced to conclude that a 10-percent increase in benefits would hardly get retirees through the spring; and that even a 15-percent benefit would be neutralized by July or August. These conclusions are not the product of my imagination, but of cold, hard, irrefutable mathematical facts. I am not guessing when I say that with a 10-percent increase the retiree would be receiving benefits that are just about $3 more than the amount that will be needed to maintain parity with prices in March 1970.

Unless the effort is made to grant the needed increase in social security benefits, there can be no doubt that by the end of the year the Government will be deeply in debt to millions of senior citizens. Such a situation would be unacceptable to the American people, and I am sure, to the Members of Congress.

So certain was I that this systematic pauperization of our elderly cannot be allowed to continue, that on October 29, I introduced an amendment—No. 256—to H.R. 13270 which provides for an immediate across-the-board increase in social security benefits of 15 percent.

This amendment was then considered in executive session of the Senate Finance Committee where it was defeated by a vote of 9 to 4 with the Senator from Virginia (Mr. BYRD), the Senator from Oklahoma (Mr. HARRIS) and the Senator from Minnesota (Mr. MCCARTHY) joining me in support of it. It was defeated even though it had been admitted by the Social Security Administration that such an increase would not necessitate any increase in the social security payroll tax. This is the case since the social security fund presently has a surplus well in excess of $4 billion or about 1.16 percent of payroll.

I am painfully aware that in Congress, progress, if it comes at all, usually comes as the result of slow and laborious effort. I am heartened, therefore, that there appears to be so much support here in the Senate for this 15-percent increase.

It appears to be the consensus now that lengthy hearings on the need for a dramatic increase in social security benefits would only belabor that which is already painfully obvious: three out of 10 Americans 65 and older now live in poverty whereas only one out of 10 younger Americans are poor. In simple terms millions of elderly Americans do not become poor until they become old.

This injustice—this inequity—must be stopped and it must be stopped now. It is the right—I repeat, right—of every elderly American to live out his remaining years in modest dignity and comfort. If he does not have the personal resources to provide such a life for himself, it must be provided for him. Certainly, the true test of a Nation's greatness is to be found in its treatment of those "who are about to leave the fair." I am confident, therefore, that this Congress will not fail to immediately meet the crisis which now faces the elderly American by approving a 15 percent increase in benefits. I am likewise confident both the Senate and the House will then move on to consider the substantive social security reform legislation now pending before the two Houses. For as important as this 15 percent increase is it will be quickly eaten away by inflation unless a determination is made to tie all future increases in benefits to increases in the cost of living.

As I have mentioned previously, I had planned to discuss on the Senate floor my proposal to increase social security benefits by 15 percent across the board. In anticipation of that debate, Frank Crowley of the Legislative Reference Service, prepared some tables which I think are still helpful in our consideration of the proposal before us. Table 1 gives an approximate estimation of the increased payment to each State under a 15 percent benefit increase. Table 2 shows the effect of a 15 percent increase on the trust funds. Table 3 shows the long-range financing of 15 percent social security benefit increase. This table clearly demonstrates that such an increase is possible without any increase in the tax rate or base and also that such method of financing would be actuarially sound. Tables 4 through 6 set out the effect of a 15 percent increase for various groups. It is my belief that these charts conclusively demonstrate the need for action now. I ask unanimous consent that tables 1 through 6 be inserted in the RECORD.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE 1.—ESTIMATED MONTHLY SOCIAL SECURITY BENEFITS, BY STATE, PAYABLE UNDER PRESENT LAW AND UNDER HARTKE AMENDMENT

[In millions]

	Present law	Hartke amendment
Alabama	$30.3	$34.8
Alaska	.9	1.0
Arizona	16.5	19.0
Arkansas	20.3	23.3
California	186.1	214.0
Colorado	18.1	20.8
Connecticut	31.6	36.3
Delaware	5.0	5.8
District of Columbia	5.9	6.8
Florida	88.5	101.7
Georgia	33.9	39.0
Hawaii	4.9	5.6
Idaho	7.2	8.3
Illinois	115.0	132.3
Indiana	53.7	61.8
Iowa	33.7	38.8
Kansas	24.8	28.5
Kentucky	32.4	37.3
Louisiana	27.5	31.6
Maine	11.5	13.2
Maryland	29.8	34.3
Massachusetts	63.7	73.3
Michigan	91.1	104.7
Minnesota	39.3	45.2
Mississippi	18.5	21.3
Missouri	52.5	60.4
Montana	7.4	8.5
Nebraska	16.8	19.3
Nevada	3.2	3.7
New Hampshile	8.3	9.5
New Jersey	77.0	88.6
New Mexico	7.2	8.3
New York	213.9	246.0
North Carolina	41.0	47.2
North Dakota	6.5	7.5
Ohio	106.9	122.3
Oklahoma	26.4	30.4
Oregon	24.4	28.1
Pennsylvania	138.0	158.7
Rhode Island	10.9	12.5
South Carolina	19.6	22.5
South Dakota	7.6	8.7
Tennessee	34.4	39.6
Texas	88.0	101.2
Utah	8.2	9.4
Vermont	4.8	5.5
Virginia	35.9	41.3
Washington	34.1	39.2
West Virginia	22.6	26.0
Wisconsin	50.0	57.5
Wyoming	3.1	3.6

Note: Due to rounding, figures are not additive nor may they be used to compute annual amounts.

TABLE 2.—ESTIMATED PROGRESS OF THE OLD-AGE AND DISABILITY INSURANCE TRUST FUNDS

[In billions]

	Income		Outgo		Net income in trust funds	
	Present Law	Hartke amendment	Present law	Hartke amendment	Present law	Hartke amendment
Fiscal year:						
1970 [1]	$35.2	$35.2	$28.4	$30.5	$6.8	$4.7
1971	38.6	38.6	29.6	34.0	8.9	4.6
1972	43.1	43.1	30.8	35.4	12.3	7.7
1973	47.4	47.4	32.0	36.8	14.4	10.6

[1] Assumes provision effective for January 1970.

TABLE 3.—*Long-range financing of a 15-percent social security benefit increase*

Present Program	
(Percent of taxable payroll)	
Level Cost of Benefits	8.72
Level Equivalent of Income	9.88
Balance	+1.16
Proposed Program	
(Percent of taxable payroll)	
Level Cost of Benefits, Present law	8.72
15% increase	1.24
Total	9.96
Level Equivalent of Income	9.88
Balance	−0.06

NOTE.—According to the Chief Actuary of the Social Security Administration, the program is soundly financed if the actuarial deficit is not more than −0.10% of taxable payroll.

TABLE 4.—AVERAGE SOCIAL SECURITY BENEFITS

	Present law	Hartke amendment
Retired workers	$100	$115.00
Aged couples	168	193.20
Aged widows	87	100.10
Widowed mother with 2 children	255	293.30
Disabled workers	112	128.80
Disabled workers with wife, and 1 or more children	238	273.70

TABLE 5.—BENEFITS FOR WORKERS RETIRING AT AGE 65

Average monthly earnings (after 1950)	Monthly benefit	
	Present law	Hartke amendment
$200	$101.60	$116.90
$400	153.60	176.70
$600	204.00	234.60
$650	218.00	250.70

TABLE 6.—BENEFITS FOR A COUPLE RETIRING AT AGE 65

Average monthly earnings (after 1950)	Monthly benefit	
	Present law	Hartke amendment
$200	$152.40	$175.30
$400	230.40	265.00
$600	306.00	351.90
$650	323.00	371.50

Mr. HARTKE. Mr. President, by way of conclusion, let me once again thank the eminent chairman of the Finance Committee for his gracious endorsement of my proposal to increase benefits immediately. I am confident that his acceptance of my proposal has enhanced its chances of passage and has thus insured that the elderly of this country will receive the immediate relief which they so desperately require.

Mr. TALMADGE. Mr. President, I fully support the amendment of the distinguished chairman of the Finance Committee, to increase social security benefits to a more realistic and liveable level.

As we all know inflation is rampant in the country today. It has been steadily accelerating since 1965, and last year and in recent months the problem has become even worse. The Consumer Price Index from August to September 1969 showed a 6-percent rate of change, and the seasonally adjusted price of food reflected an even greater increase. Compared to a year ago, general consumer prices were up 5.8 percent, meat prices 11.7 percent, home ownership costs 10.5 percent, and medical care 8.8 percent.

As we pointed out in a recent report of the Subcommittee on Fiscal Policy of the Joint Economic Committee, the damage done by inflation is insidious. It robs the saver of the purchasing power he or she has put aside for future use. It deprives the aged of the value of their retirement incomes. It can make the poor even more impoverished.

One of the worst aspects of inflation, Mr. President, is that inflation in recent years has reduced the buying power of those in society who are least able to afford it. I mean our elderly citizens, the senior members of our society, men and women who have retired from work or become disabled. And I mean widows and children whose livelihood is dependent upon survivors' benefits.

Such has been the inflationary trend in this country in recent years and the decline of the purchasing power of dollars that these citizens—numbering almost 25 million men, women, and children—have had to tighten their belts in order to get by. Faced with rising costs of basic necessities, of food, housing, clothing, and medical expenses, they have been caught in an intolerable economic vise. Worse yet, they can do nothing about it. They do not get regular salary increases. They are unable to employ themselves. Their income is fixed by law, even though the Government may merrily go on its way spending far beyond its means for programs of dubious value, even though prices are forced higher and higher throughout all the economy, and regardless of how bad inflation gets.

According to the Department of Health, Education, and Welfare, the average old-age benefits paid last year to a retired worker with no dependent was $94 a month. The average worker and wife's benefit was $166 a month. The average monthly benefit for an aged widow was $86.

It is folly to even think that these sums can be considered a livable income in today's sky-high society.

These citizens are helpless victims of the Nation's economy.

The Congress would be remiss in its duties and responsibilities if it did not address itself to this problem. We can and we must provide the means for easing the burden of America's senior citizens.

I have received figures from the Social Security Administration and the Library of Congress on the situation in my own State of Georgia. There are approximately 500,000 recipients of social security in Georgia, receiving monthly benefits amounting to some $35 million. The increase proposed here today would mean an estimated $60 million annually to all these beneficiaries, who need it very badly, and who are fully entitled to it.

Mr. President, a 15-percent increase in social security benefits is the bare minimum. Much greater liberalization of these benefits will be necessary during the coming years. Over the past 2 years, inflation has taken an enormous bite out of already inadequate social security benefits.

The President has indicated his intention to provide a minimum standard of living to the poor of this Nation. We cannot afford to do less for our senior citizens who have supported themselves throughout their working careers. These individuals have paid taxes and have earned their retirement benefits. They deserve a decent standard of living during their retirement years.

Next year the Congress will have an opportunity to make comprehensive reforms in the social security, medicare, and medicaid programs. In the meantime, however, we must increase social security benefits as much as possible.

I hope that the amendment of the Senator from Louisiana will be adopted.

THE NEED FOR INTERIM ACTION IN MODERNIZING SOCIAL SECURITY

Mr. MONTOYA. Mr. President, I support the amendment offered on December 4 by the distinguished Senator from Louisiana (Mr. LONG), recommending a simple 15 percent across-the-board increase in social security payments.

This is the same recommendation voted upon by the House Committee on Ways and Means and it seems to me to be a much more realistic measure than the administration's proposed 10-percent increase.

I believe it is crucial that we act now, in the final days of this first session of the 91st Congress, to enact a 15-percent increase in benefits to cover the cost-of-living increases that have occurred since the last increase in February of 1968. Then, when Congress reconvenes in January of next year, we should immediately begin to consider the badly needed reform of social security coverage so as to provide more extensive benefits.

That changes are necessary if social security is to provide a reasonable income to 24.5 million retired workers, disabled workers, their dependents, and the survivors of deceased workers is something that Senators on both sides of the aisle have agreed upon. The cost of living has constantly been rising faster than benefit increases, and a retired couple now needs at least $3,000 annually to live in a modest manner in a big city, and $2,500 in a smaller community. Faced with these costs, which are still continuing to rise, the aged couple has been receiving benefits of only some $1,704.

The report of the trustees of the social security trust funds shows that there is money to pay for the costs of these increases, and I see no reason for not making arrangements for increased benefits before we go home.

I believe the passage of such a measure is the natural development of the social security program in our socio-economic climate. The great achievement of the program has been to prevent people from slipping into poverty when a worker retires, becomes disabled, or dies. I feel confident that the Senate will continue to carry forward, as it has in the past, the goals of the social security program in our dynamic society, and that it will work its will by passing this measure before adjourning this session.

Mr. DOLE. Mr. President, it is with great reluctance but grave concern that I rise in opposition to Senator LONG's amendment to provide a 15-percent increase in social security benefits.

As the President stated in his message on social security sent to the Congress on September 25:

> This Nation must not break faith with those Americans who have a right to expect that social security payments will protect them and their families.

However, there is a vast difference between the legislation proposed by President Nixon and the amendment presently before the Senate. The President proposed a 10-percent across-the-board benefits increase to offset the tremendous increases in the cost of living that have taken place in the past 2 years. He fur-

ther proposed to take social security out of the political arena by pasasge of legislation that would automatically adjust future benefits to increases in the cost of living. One of the most significant of President Nixon's proposals was his request for an increase from $1,680 to $1,800 in the amount beneficiaries can earn annually without a reduction in benefits. Additional reforms would have insured more equitable treatment for widows, recipients about age 72, veterans, and for the disabled.

Mr. President, all Americans have a stake in the soundness of the social security system. For this reason, I must oppose this amendment. Rather than seeing thorough consideration of the effects of this legislation, we are witnessing a patent attempt to play on the legitimate desire of the American people for meaningful tax reform for crass political advantage. Instead of writing sound legislation, we see an effort to pay off political debts.

The Mansfield-Byrd amendment, providing a minimum payment of $100 to $150 without a means test, will create an increased tax load without improved benefits. By increasing the contribution and benefit base from $7,800 to $12,000, beginning in 1973, we are burdening the very taxpayers we have set out to help.

My only hope is that if these amendments pass, the Senate will resolve to return next year to write comprehensive social security legislation that will truly be of benefit to all Americans.

Mr. BYRD of West Virginia. Mr. President, I support a 15-percent across-the-board increase in social security benefit payments because I believe this is the least we can do for our retired citizens.

For too long, too many have been forced to retire on too little.

The hard fact of life is that for millions of elderly Americans, social security is the only source of income. Disaster, disability, and unemployment, can, in a short time, financially wipe out millions of low- or moderate-income citizens who have tried to scrape together meager savings for their retirement years.

We owe our elderly citizens too great a debt to be insensitive now to their economic plight. A generation or two ago, theirs were the strong young backs on which the progress of our Nation depended.

The Consumer Price Index has risen 9.1 percent since the last social security benefit increase took effect in February of 1968 and the cost of living is continuing to climb. What the Senate needs to do, then, is give a long overdue increase to the elderly so that they will have at least a fighting chance to survive the protracted battle against inflation.

A 15-percent increase would pump about $45 million in additional social security benefit payments into West Virginia during the calendar year 1970 and about $49 million the following year. It should not only give our older citizens a much-needed boost in their fixed income, but should also strengthen and invigorate West Virginia's economy

The 15-percent increase in itself would not necessitate any increase in the payroll tax on the employer or the employee and would be actuarially sound insofar as the trust fund is concerned.

The increase in minimum benefits, previously voted, would, of course, require additional funding, and this has been provided for.

Incidentally, Mr. President, even though the social security recipients would probably have to wait until about March, due to logistical delays, to begin feeling the impact of the increase, the payments would be made retroactive to January 1, 1970, the effective date. So the net result would be the same as if they were to receive the increase immediately following the effective date.

I hope that the Senate will vote overwhelmingly in favor of this increase, and I also hope that the other body will agree to the Senate action in conference.

Mr. LONG. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana (Mr. LONG), as amended. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from California (Mr. CRANSTON), the Senator from Alaska (Mr. GRAVEL), the Senator from Minnesota (Mr. MCCARTHY), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that the Senator from Nevada (Mr. CANNON) is absent on official business.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON), the Senator from California (Mr. CRANSTON), the Senator from Missouri (Mr. SYMINGTON) and the Senator from Alabama (Mr. SPARKMAN) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. COOK), the Senator from Maryland (Mr. MATHIAS), the Senator from Illinois (Mr. SMITH), and the Senator from South Carolina (Mr. THURMOND) are necessarily absent.

The Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

If present and voting, the Senator from Kentucky (Mr. COOK), the Senator from Arizona (Mr. GOLDWATER), the Senator from Maryland (Mr. MATHIAS) and the Senator from Illinois (Mr. SMITH) would each vote "yea."

The result was announced—yeas 73, nays 14, as follows:

[No. 179 Leg.]

YEAS—73

Aiken	Cooper	Harris
Allen	Dodd	Hart
Baker	Dominick	Hartke
Bayh	Eagleton	Hatfield
Bellmon	Eastland	Holland
Bible	Ellender	Hollings
Boggs	Ervin	Hughes
Brooke	Fannin	Inouye
Burdick	Fong	Jackson
Byrd, Va.	Fulbright	Javits
Byrd, W. Va.	Goodell	Jordan, N.C.
Case	Gore	Jordan, Idaho
Church	Gurney	Kennedy
Long	Muskie	Smith, Maine
Magnuson	Nelson	Spong
Mansfield	Packwood	Stennis
McClellan	Pastore	Stevens
McGee	Pell	Talmadge
McGovern	Prouty	Tydings
McIntyre	Proxmire	Williams, N.J.
Metcalf	Randolph	Yarborough
Mondale	Ribicoff	Young, N. Dak.
Montoya	Russell	Young, Ohio
Moss	Schweiker	
Murphy	Scott	

NAYS—14

Allott	Griffin	Percy
Bennett	Hansen	Saxbe
Cotton	Hruska	Tower
Curtis	Miller	Williams, Del.
Dole	Pearson	

NOT VOTING—13

Anderson	Gravel	Sparkman
Cannon	Mathias	Symington
Cook	McCarthy	Thurmond
Cranston	Mundt	
Goldwater	Smith, Ill.	

So Mr. LONG's amendment, as amended, was agreed to.

Mr. JAVITS. Mr. President, when I was out of the Chamber engaged in a telephone conversation, the vote was taken on the social security increase amendment. I did not have the opportunity to have a colloquy with the Senator from Louisiana on the amendment.

It is a fact that there are pension plans, private business pension plans, which reduce the amount the pensioner receives if there is a social security increase. And there is considerable complaint by workers that all they get is a washout.

Mr. President, I was going to submit an amendment to the bill to deal with the problem. I realize that there is no real basis in the facts before the Senate at this time. Yet we have this information from correspondence and complaints.

Mr. President, I ask unanimous consent that the amendment to which I have just referred may be printed at this point in the RECORD.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

On page 512, between lines 18 and 19, add the following new section:

"SEC. 901A. SOCIAL SECURITY BENEFIT INCREASES.

"Add the following new paragraph to section 401(a):

"'(11) No decrease in benefits shall become effective in consequence of any increase in the benefits payable under the Social Security Act on or after January 1, 1970; Provided, That any plan containing a provision for such a decrease may avoid disqualification under this paragraph if such decrease is rescinded within one year after the effective date of this Act.'"

Mr. JAVITS. Mr. President, I ask the Senator from Louisiana whether he has heard of the matter in the committee and whether or not at the next go-around of the committee or perhaps in the conference the members will make some effort to get abreast of the problem, see how serious it is, and what ought to be done.

Mr. LONG. Mr. President, it is my understanding that there is a lot of complaint from some labor circles about the type of private pension arrangement under which companies reduce their company pension payments by the amount of the Social Security increases. The problem is parallel to that which was

voted on in the Harris amendment. However, there would undoubtedly be a great deal of complaint from management if we sought to correct it as labor feels it should be corrected.

It is a problem that really should be studied and looked at in connection with the social security bill which will come to us from the House, having in mind not the 15 percent across-the-board increase in benefits, but the bill that seeks to go in depth into the social security program.

I have discussed it with the Senator and have urged that he not offer his amendment at this time, but give us an opportunity to study the matter and invite those who are affected by it to be heard and then recommend to the committee what we think the appropriate answer should be.

It is a complicated problem. There are very strong arguments to be made on both sides.

I would like to have the committee have an opportunity to consider the matter.

Mr. JAVITS. I thank the Senator.

TAX REFORM ACT OF 1969—
AMENDMENTS

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AMENDMENT NO. 396

Mr. BYRD of West Virginia. Mr. President, I am submitting this amendment on behalf of the majority leader and

myself, to reduce from 62 to 60 the age at which actuarially reduced social security would be made available to eligible individuals who apply for them.

Under this amendment, which would become effective at the end of June of next year, an estimated 3.5 million persons, not otherwise eligible for monthly benefits under social security, would become immediately eligible. Of these, an estimated 35,000 reside in West Virginia.

Of the 3.5 million who would become eligible, Mr. President, it is further estimated by the Social Security Administration that 800,000 persons would actually apply for these reduced benefits. About 10,000 of these would be West Virginians.

The short-range cost effect of adopting this amendment would approximate $605 million in additional benefit payments during the first 12 months of operation.

That figure does not tell the whole story, however, because it is the long-range cost which we need to examine.

The long-range cost of implementing my amendment is nothing. The reason for this is that individuals who elect to take reduced benefits at age 60 would receive the same net amount by the time of their deaths as they would have been paid had they started receiving larger payments at 62 or 65.

Mr. President, I have offered this amendment on previous occasions and the Senate has passed it several times. Unfortunately, it has been knocked out each time in conference with the House for reasons best known to Members of that body. These setbacks have not been very encouraging, but I do not believe that they should deter us from making another try.

It is unusual for the Congress to be in the position of genuinely helping our older citizens at no additional cost to the employer or the employee. But this amendment would allow us to do just that.

I believe that there are millions of people in this country who, because of failing health or loss of employment, are forced into retirement earlier than others. It is not fair to these people to make them wait until age 62 for reduced benefits if they need them at age 60 and if they elect to take further reductions in the amount of their monthly payments.

The amendment also would offer an alternative to some individuals who otherwise might be forced to go on welfare or stand with hat in hand at the gates of their children.

There is yet another good reason for enacting this amendment. Presumably, a number of the persons who otherwise would voluntarily elect to take benefits at 60 are currently wage earners. By our making it possible for them to voluntarily retire earlier, their jobs would thus be vacated and filled by younger people. This could help somewhat in alleviating the national unemployment problem. The question of reducing the retirement age to 60, therefore, takes on additional important social aspects.

Mr. President, making actuarially reduced social security payments available at age 62 seems such a commonsense thing to do that I really cannot understand the obstacles which have been put in the path in prior years.

Yesterday, we saw some necessary social security amendments enacted, and the Senators who voted for those amendments are to be commended. Let us today enact this simple and cost free, but vital, amendment so that it can truly be said that, in the year of the ABM and the manned moon landing, Congress did not forget the Nation's senior citizens.

Mr. President, I ask unanimous consent that the amendment be printed in the RECORD.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table and, without objection, the amendment will be printed in the RECORD.

The amendment is at the end of the bill, add the following new title.

TITLE X—AMENDMENTS TO THE SOCIAL SECURITY ACT

SHORT TITLE

SEC. 1001. This title may be cited as the "Social Security Retirement Age Amendments of 1969".

ACTUARILY REDUCED BENEFITS

SEC. 1002. (a)(1) Section 202(a)(2) of the Social Security Act is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(2) Section 202(b)(1) of such Act is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(3) Section 202(c) (1) and (2) of such Act is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(4)(A) Section 202(f)(1)(B), (2), (5), and (6) is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(B) Section 202(f)(1)(C) of such Act is amended by striking out "or was entitled" and inserting in lieu thereof "or was entitled, after attainment of age 62,".

(5)(A) Section 202(h)(1)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(B) Section 202(h)(2)(A) of such Act is amended by inserting "subsection (q) and" after "Except as provided in".

(C) Section 202(h)(2)(B) of such Act is amended by inserting "subsection (q) and" after "except as provided in".

(D) Section 202(h)(2)(C) of such Act is amended by—

(i) striking out "shall be equal" and inserting in lieu thereof "shall, except as provided in subsection (q), be equal"; and

(ii) inserting "and section 202(q)" after "section 203(a)".

(b)(1) The first sentence of section 202(q)(1) of such Act is amended (A) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, widower's, or parent's", and (B) by striking out, in subparagraph (A) thereof, "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(2) (A) Section 202(q)(3)(A) of such Act is amended (i) by striking out "husband's, widow's, or widower's" each place it appears therein and inserting in lieu thereof "husband's, widow's, widower's, or parent's", (ii) by striking out "age 62" and inserting in lieu thereof "age 60", and (iii) by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, or parent's".

(B) Section 202(q)(3)(B) of such Act is amended by striking out "or husband's" each place it appears therein and inserting in lieu thereof ", husband's, widow's, widower's, or parent's".

(C) Section 202(q)(3)(C) is amended by striking out "or widower's" each place it appears therein and inserting in lieu thereof "widower's, or parent's".

(D) Section 202(q)(3)(D) of such Act is amended by striking out "or widower's" and inserting in lieu thereof "widower's, or parent's".

(E) Section 202(q)(3)(E) of such Act is amended (i) by striking out "(or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be) entitled to a widow or widower's insurance benefit to which such individual was first entitled for a month before she or he" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit to which such individual was first entitled for a month before such individual", (ii) by striking out "the amount by which such widow's or widower's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", (iii) by striking out "over such widow's or widower's insurance benefit" and inserting in lieu thereof "over such widow's widower's, or parent's insurance benefit", and (iv) by striking out "attained retirement age" each place it appears therein and inserting in lieu thereof "attained age 60 (in the case of a widow or widower) or attained retirement age (in the case of a parent)".

(F) Section 202(q)(3)(F) of such Act is amended (i) by striking out "(or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be) entitled to a widow's or widower's insurance benefit to which such individual was first entitled for a month before she or he" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parents' insurance benefit for which such individual was first entitled for a month before such individual", (ii) by striking out "the amount by which such widow's or widower's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", (iii) by striking out "over such widow's insurance benefit" and inserting in lieu thereof "over such widow's, widower's, or parent's insurance benefit", (iv) by striking out "62" and inserting in lieu thereof "60", and (v) by striking out "attained retirement age" each place it appears therein and inserting in lieu thereof "attained age 60 (in the case of a widow or widower) or attained retirement age (in the case of a parent)".

(G) Section 202(q)(3)(G) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(3) Section 202(q)(5)(B) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(4) Section 202(q)(6) of such Act is amended (i) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, widower's, or parent's", and (ii) by striking out, in clause (III), "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(5) Section 202(q)(7) of such Act is amended—

(A) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, widower's, or parent's"; and

(B) by striking out, in subparagraph (E), "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(6) Section 202(q)(9) of such Act is amended by striking out "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(c)(1) The heading to section 202(r) of

such Act is amended by striking out "Wife's or Husband's" and inserting in lieu thereof "Wife's, Husband's, Widow's, Widower's, or Parent's".

(2)(A) Section 202(r) (1) of such Act is amended (i) by striking out "wife's or husband's" the first place it appears therein and inserting in lieu thereof "wife's, husband's, widow's, widower's, or parent's", and (ii) by inserting immediately before the period at the end thereof the following: ", or for widow's, widowers's, or parent's insurance benefits but only if such first month occurred before such individual attained age 62".

(B) Section 202(r)(2) of such Act is amended by striking out "wife or husband's" and inserting in lieu thereof "wife's, husband's, widow's, widower's, or parent's".

(d) Section 214(a)(1) of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new subparagraphs (A) and (B):

"(A) in the case of a woman who has died, the year in which she died or (if earlier) the year in which she attained age 62,

"(B) in the case of a woman who has not died, the year in which she attained (or would attain) age 62,".

(e)(1) Section 215(b)(3) of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new subparagraphs (A) and (B):

"(A) in the case of a woman who has died, the year in which she died or, if it occurred earlier but after 1960, the year in which she attained age 62,

"(B) in the case of a woman who has not died, the year occurring after 1960 in which she attained (or would attain) age 62,".

(2) Section 215(f)(5) of such Act is amended (A) by inserting after "attained age 65," the following: "or in the case of a woman who became entitled to such benefits and died before the month in which she attained age 62,"; (B) by striking out "his" each place it appears therein and inserting in lieu thereof "his or her"; and (C) by striking out "he" each place after the first place it appears therein and inserting in lieu thereof "he or she".

(f)(1) Section 216(b)(3) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(2) Section 216(c)(6)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(3) Section 216(f)(3)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(4) Section 216(g)(6)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(g)(1) Section 202(q)(5)(A) of such Act is amended by striking out "No wife's insurance benefit" and inserting in lieu thereof "No wife's insurance benefit to which a wife is entitled".

(2) Section 202(q)(5)(C) of such Act is amended by striking out "woman" and inserting in lieu thereof "wife".

(3) Section 202(q)(6)(A)(i)(II) of such Act is amended (A) by striking out "wife's insurance benefit" and inserting in lieu thereof "wife's insurance benefit to which a wife is entitled", and (B) by striking out "or" at the end and inserting in lieu thereof the following: "or in the case of a wife's insurance benefit to which a divorced wife is entitled, with the first day of the first month for which such individual is entitled to such benefit, or".

(4) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits" and inserting in lieu thereof "wife's insurance benefits to which a wife is entitled".

(h) Section 224(a) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

SEC. 1003. The amendments made by this title shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969, but only on the basis of applications for such benefits filed after September 1969.

SEC. 1004. Section 8332 (j) of title 5 of the United States Code is amended by striking "individual, widow," in the first sentence and substituting in lieu thereof "individual is at least 62 years of age, or if his widow".

* * * * *

TAX REFORM ACT OF 1969

The Senate resumed the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). The Senator from Hawaii is recognized.

Mr. INOUYE. Mr. President, I call up my amendment 319.

The PRESIDING OFFICER. The amendment will be stated.

The ASSISTANT LEGISLATIVE CLERK. On page 370, beginning on line 23, strike out all through line 7, page 377 (section 515, committee amendment).

Mr. INOUYE. Mr. President, I ask unanimous consent that the names of the Senator from Oregon (Mr. PACKWOOD) and the Senator from South Carolina (Mr. HOLLINGS) be added as cosponsors of my amendment.

The PRESIDING OFFICER. Without obection, it is so ordered.

Mr. INOUYE. Today I wish to speak in behalf of my amendment to H.R. 13270 which would delete section 515 of the Senate Finance Committee version of the Tax Reform Act. Section 515 relates to profit-sharing plans.

Section 515 of the Senate bill would have the following effects: First, distributions to employees would be taxed at ordinary income rates upon distribution in an amount equal to employer contributions after 1969; second, employers' contributions after 1969 toward the purchase of the employers' securities would be taxed at ordinary income rates upon distribution to the employee in an amount equal to the cost basis of contributions; and third, it establishes a special 5-year "forward" averaging method for the ordinary income part of a lump-sum distribution. I believe that these provisions would destroy valuable incentives upon which our business firms and their employees rely, and I urge that the Senate strike out this entire section of the bill.

Upon present law, an employer who establishes a qualified employee pension, profit-sharing, stock bonus, or annuity plan is permitted to deduct his contributions to the trust, moreover, income earned by the trust is exempt from tax if the employee trust is exempt. Upon retirement the employee who receives annual benefit payments is taxed at ordinary income rates. The exception to this rule is the payment of the benefits in a

lump sum distribution from the plan, in which case the payment is taxed as a long-term capital gain. I am particularly concerned that this highly successful feature of profit-sharing plans will be adversely affected by the changes proposed in section 515.

The Committee on Finance decided during its deliberations to deny such favorable capital gains treatment to lump sum distributions on the grounds that they are in reality deferred compensation at more favorable tax rates than other compensation received for simliar services. It was noted in the committee report that taxpayers with adjusted gross incomes in excess of $50,000 gain more and that there have been a number of distributions of over $800,000.

It cannot be denied that there probably are individuals who receive large distributions at favorable rates. However, it must be noted that tax exempt profit-sharing plans are not inequitable. All profits are distributed on a nondiscriminatory basis, from janitor to president, because of the regulations which govern qualification as a tax exempt profit sharing plan. Furthermore, a survey made in 1968 showed that 90 percent of the lump sum distributions made involved distributions of less than $30,000 and that almost 70 percent feel in the range of from $500 to $10,000. Far from being a device for the rich, lump sum distributions affect millions of members in all income groups.

Since 1942, when the provision giving long-term capital gains treatment to lump sum distributions was added to the code, over 80,000 companies have adopted deferred tax-qualified profit-sharing programs, covering over 5 million employees. More than 10,000 of these plans were established in 1968 alone. Clearly profit-sharing plans are popular with both employers and employees, and their continued growth is a clear affirmation of their success.

It has been alleged that distributions are actually deferred compensation and ought to be treated as ordinary income. However, this is not usually the case. Most corporations consider profit sharing as additional incentive and make their distributions in addition to ordinary compensation and benefits. Article II, section 1 of the constitution and bylaws of the council of profit-sharing industries makes it clear that its concept of profit sharing is a procedure for payment in addition to prevailing rates of pay.

Lump sum distributions from qualifying profit-sharing plans are further distinguished from simple deferred compensation, or ordinary income, by the fact that it is risk capital. After the employer makes his contribution, it is the employee alone who is affected by changes in the investment of the contribution. Thus any number of factors, including inflation and bad stock or bond markets, could severely reduce the amount an employee would ultimately receive. Since the individual employee has no direct control over the investment of the funds, it would be erroneous to call it deferred compensation. Rather, the contributions have been invested in a manner that would ordinarily yield capital gains treatment.

Furthermore, the proposed change is defective because the distributions represent "bunched income" which has accumulated over a period of years, perhaps an entire working lifetime. The committee's answer is a complex amendment permitting averaging the gross "ordinary income" less the amount received during the year as compensation and less the capital gains after one has passed the age of 59½ in the year of distribution. This method still ignores the fact that averaging could push an elderly employee into a tax bracket higher than the level at which the contributions were originally made.

I have been advised there are over 40 steps involved in determining what the tax will be.

Apart from the claims of equity, there is another compelling reason why we should not tamper with the tax treatment of profit-sharing plans. Three decades ago a subcommittee of the Committee on Finance found that profit sharing contributes to harmonious labor-management relations and to labor peace and contentment. This astute observation is no less true today. Profit sharing enables employees to share in the fruits of the corporations for which they work. Where equity participation is not possible because the business is a partnership or close corporation profit sharing gives employees a valuable and substantive stake in the soundness of the business. Through profit sharing an employee is afforded an opportunity to share in the benefits of ownership and to accumulate funds for his retirement or his beneficiaries. It is, I believe, an intelligent response of the free enterprise system to demand for participation in the profits of one's business.

I fear that any change in the status of employer contributions may retard the further growth of plans. Taxation of lump-sum distributions at ordinary rates may diminish the attractiveness of these plans and discourage further participation in them. I believe that profit sharing is a valuable financial incentive that must be preserved. I urge my colleagues who share my interest in the continued viability of profit-sharing plans to join me in this amendment to strike out section 515 of the tax reform bill.

Mr. President, in closing, I wish to briefly discuss the revenue effects of the proposed change. At the outset, it is estimated that the revised method of taxation would produce less than $2.5 million of additional revenue in the year 1970, and in 1971 it is estimated that $5 million of additional revenue would be produced; and by 1979 it is estimated $50 million of additional revenue would be produced.

While this is intended to be a tax reform bill practical considerations which may outweigh the modest revenue recoupment, under lump sum distribution, cannot be ignored because increased burdens which would be cast on the tax collecting agency must be balanced against any estimated revenue gains which might result from the changed method of taxation. I really believe the increased administrative costs might eliminate all the revenue gained and lead to a net revenue loss.

The committee, in estimating these additional revenues, naturally assumed that all of the profit sharing plans in effect today would continue in effect. I am convinced, with this amendment, it would serve as a damper to these plans and discourage not only further development of plans but close up present plans.

In view of the great care otherwise exercised to see that revenue cutting portions of the bill are matched by revenue increases, this possibility should not be ignored.

Therefore, once again I urge my colleagues who share my interest in the continued liability of profit-sharing plans to join me in this amendment to strike section 515 of the tax reform bill.

TAX REFORM ACT OF 1969

The Senate continued with the consideration of the bill (H.R. 13270), the Tax Reform Act of 1969.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Hawaii.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. Mr. President the Treasury strongly supports section 515 of the Tax Reform Act as reported by the Senate Finance Committee. This provision would deny capital gains treatment—on a prospective basis only—for the portion of a lump-sum distribution from a qualified pension or profit-sharing plan to the extent it consists of contributions by the employer. To prevent distortion in tax liability which might result from including several years income in the gross income of 1 taxable year, this provision contains a special averaging provision.

The Treasury believes that employer contributions to a pension or profit-sharing plan should be treated as ordinary income. Such amounts are compensation for services rendered. They do not cease to be compensation and are accumulated in a tax-exempt trust for the benefit of the employees.

There have been statements circulating recently to the effect that this provision will result in a tax increase for recipients of relatively small distributions and a tax decrease for recipients of large distributions. These statements are incor-

rect. In fact, most recipients of relatively small distributions, that is, $20,000 or less—would have a smaller tax liability than they now have with capital gains treatment because of the favorable averaging rule provided. High paid corporate executives will generally have a greater tax liability. This demonstrates that capital gain treaments is inappropriate as an averaging device in that it has uneven effects depending upon income size. A 5-year average as proposed in the bill provides the same type of averaging benefit to all taxpayers, regardless of income size.

The Treasury believes that existing law provides an unwise incentive for employees to elect lump-sum distributions from pension and profit-sharing plans to obtain capital gains treatment; aside from this tax benefit it would normally be in their best interest to receive periodic distributions. Section 515 of the bill will tend to remove this unwise incentive. This will strengthen the effectiveness of the private pension system in providing for the continuing needs of employees after retirement.

Mr. President, there is $55 million involved in the pending amendment and, if agreed to, it would mean one more step backward from the so-called tax reform which has been approved by the committee and strongly endorsed by the Treasury Department.

To summarize, I point to existing law, where the employer's contribution to the private pension plans, plus all appreciation thereon, as a result of the investment, is and can be accepted as a lump-sum payment and receive favorable capital gains treatment. Under the committee bill, we would provide that the employer's contribution would be subject to regular, normal income tax, but that the capital gains treatment would apply only to the appreciation in the investment of the contributions. I certainly think that this is one loophole we should close. By all means, I hope that the amendment will be rejected.

I say again that there is $55 million involved. If we keep whittling away here, there will soon be nothing left.

Mr. MILLER. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. MILLER. Is it not true that the way the committee handled this item was to make it prospective and operational?

Mr. WILLIAMS of Delaware. That is correct.

Mr. MILLER. So that those who will retire, let us say, next January or February, would find no change whatever insofar as their lump sum payment is concerned and as to how the tax law would handle it over what is now the case.

Mr. WILLIAMS of Delaware. The Senator is correct. This is completely prospective only, but it is a correction long overdue in the Revenue Code.

Mr. MILLER. Is it not true that especially in a case of the employee with a fairly long term of service, the great bulk of the lump sum payment is attributable to the accumulation in a tax-free trust rather than to payments made by an employer as a contribution to the trust in previous years?

Mr. WILLIAMS of Delaware. That is correct.

Mr. MILLER. Is it not true that the committee's action leaves the capital gains at least on the great bulk of the payout alone?

Mr. WILLIAMS of Delaware. Yes. That should be subject to capital gain because it is capital appreciation the same as it would be if it was a private investment. But on the other hand, the employer's contribution to the pension fund is a part of the income of the individual and even though it is deferred income it should be taxed at regular rates. The committee bill also provides an averaging provision so it does not hit him in the high bracket all in 1 year.

Mr. MILLER. In the case of the situation where the employee has made a contribution down through the years, as well as the employer, that portion of the lump-sum payment which is attributable to the employee's own contribution is merely a return of income which he has previously paid taxes on and is not taxed at all under the committee bill.

Mr. WILLIAMS of Delaware. That is true. It is not taxed either under existing law or in the Finance Committee bill.

Mr. MILLER. I thank the Senator from Delaware.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Hawaii.

Mr. LONG. Mr. President, I personally voted to support the position taken by the distinguished Senator from Hawaii (Mr. INOUYE) in committee. I would have felt constrained to stay with the committee position except for the fact that members of the committee have been voting on the merits of these matters as they felt about the matter in the committee. I believe this does involve a Sears & Roebuck retirement plan, does it not, I ask the Senator?

Mr. INOUYE. The Senator is correct.

Mr. LONG. Many people who have such retirement plans working in States to the north, east, and west of us are planning and hoping, when they earn their retirement, to take a lump sum settlement, pay a capital gains on it and then move to warmer climates, such as Florida, or perhaps Louisiana, or California, or Hawaii—where climates are not so harsh on elderly people and they may live out their remaining years in modest comfort.

To tax this settlement as ordinary income does impose a considerable burden upon them, without involving a great deal of tax revenue, and it causes very much inconvenience to a lot of people who are planning to retire and move to some other place from where they worked; is that not correct?

Mr. INOUYE. The Senator is absolutely correct.

Mr. LONG. I have talked to people involved in this Sears & Roebuck pension plan, and I do not really regard it as a loophole, where people have earned their retirement over a long period of time, that they are permitted to have capital gains treatment. I think that, while perhaps some people might receive an undue tax advantage, the overwhelming bulk of the people affected are those with modest means, who work hard for the retirement benefits to which they are entitled, and I would, therefore, very much dislike to see capital gain treatment taken away from them. Thus, I shall vote for the Senator's amendment.

Mr. INOUYE. I thank the Senator.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Hawaii.

Mr. WILLIAMS of Delaware. Mr. President, with reference to the effect of this amendment, I would like to read some figures given in the President's 1963 tax message relating to a proposal to deal with this problem. These are actual cases where employees received very large lump-sum distributions and gained the benefit of the low capital gains tax on these distributions.

I ask unanimous consent that a table listing these lump-sum distributions be printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

1. The following lump-sum distributions were received under the pension plan of Employer M within the period from 1954 to 1960:

	Amount
Employee A	$524,164
Employee B	503,670
Employee C	428,617
Employee D	342,280
Employee E	335,647
Employee F	314,556
Employee G	283,643

2. The following lump-sum distributions were received under the profit-sharing plan of Employer N during the years 1960 through 1962:

	Amount
Employee A	$800,000
Employee B	400,000
Employee C	365,000

During 1962, over 10 employees received lump-sum distributions of $200,000 or more under this profit-sharing plan.

3. A lump-sum distribution of $843,000 was received under the pension plan of Employer O in 1959.

4. A lump-sum distribution of $332,348 was received under the pension plan of Employer P in 1961.

Mr. WILLIAMS of Delaware. Mr. President, this table, which as I said, is derived from information in the President's 1963 tax message shows one employee receive a lump-sum distribution of $524,164. Another employee received $503,670. Yet another employee received $428,617, and so forth on down the line.

I think the Senate should be aware of what we are voting on here. We are dealing with large benefits for certain individuals who are deferring their salary income and who under present law only pay a tax at capital gains rates when they receive that deferred income. This is one of the loopholes that preceding Presidents as well as the present President, have recommended should be corrected. The committee's bill does deal with the loopholes.

I hope the amendment which would strike the reform from the bill will be defeated.

Mr. LONG. Mr. President, about $10

million is involved in this amendment——

Mr. WILLIAMS of Delaware. The original estimate was $5 million in 1971, $10 million in 1972 and $55 million ultimately.

Mr. LONG. I am advised that about $10 million is involved in this amendment.

Mr. President, in the bill we have increased the capital gains tax from a 25 percent tax up to a 37½ percent tax. So the capital gains tax, by virtue of this bill, becomes a graduated income tax. To be sure, it is not a graduated income tax going up as high as the tax on ordinary income, but now we have it, by vote of the Senate, up to 37½ percent.

So if one who is making a substantial income receives a lump sum distribution from a pension plan, he would have under the bill a substantial increase in tax on the lump sum distribution by virtue of what we have done in increasing the capital gains tax rates—the top rate, in fact, is increased by 50 percent.

That being the case, it would seem to me that the people who were retiring under the Sears, Roebuck or Proctor & Gamble retirement plans would have their taxes increased substantially, anyway.

I tend to agree with the Senator from Hawaii. I do not like to see these people taxed more than others. It may be that my opinion may put me at variance with others, but I find myself in sympathy with these people who want to retire and move to a pleasant climate.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Iowa. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Virginia (Mr. BYRD), the Senator from West Virginia (Mr. BYRD), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Minnesota (Mr. MONDALE), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that the Senator from Alabama (Mr. ALLEN), the Senator from Nevada (Mr. CANNON), and the Senator from Louisiana (Mr. ELLENDER) are absent on official business.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON), and the Senator from Virginia (Mr. BYRD) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Pennsylvania (Mr. SCHWEIKER) and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

On this vote, the Senator from Alaska (Mr. STEVENS) is paired with the Senator from Arizona (Mr. GOLDWATER). If present and voting, the Senator from Alaska would vote "yea" and the Senator from Arizona would vote "nay."

The result was announced—yeas 50, nays 37, as follows:

[No. 189 Leg.]

YEAS—50

Bayh	Hruska	Packwood
Bible	Hughes	Pastore
Brooke	Inouye	Pearson
Cranston	Jackson	Percy
Curtis	Javits	Prouty
Dodd	Jordan, N.C.	Randolph
Dominick	Long	Smith, Maine
Eagleton	Magnuson	Smith, Ill.
Eastland	Mansfield	Sparkman
Ervin	McCarthy	Spong
Fong	McClellan	Stennis
Gravel	McGee	Talmadge
Griffin	McIntyre	Thurmond
Gurney	Metcalf	Tower
Hatfield	Montoya	Tydings
Holland	Murphy	Young, Ohio
Hollings	Muskie	

NAYS—37

Aiken	Fannin	Nelson
Allott	Fulbright	Pell
Baker	Goodell	Proxmire
Bellmon	Gore	Ribicoff
Bennett	Hansen	Russell
Boggs	Harris	Saxbe
Burdick	Hart	Scott
Case	Hartke	Williams, N.J.
Church	Jordan, Idaho	Williams, Del.
Cook	Mathias	Yarborough
Cooper	McGovern	Young, N. Dak.
Cotton	Miller	
Dole	Moss	

NOT VOTING—13

Allen	Ellender	Schweiker
Anderson	Goldwater	Stevens
Byrd, Va.	Kennedy	Symington
Byrd, W. Va.	Mondale	
Cannon	Mundt	

So Mr. INOUYE's amendment was agreed to.

Mr. INOUYE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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CHILD'S INSURANCE BENEFITS

Mr. MOSS. Mr. President, I call up my amendment at the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. The Senator from Utah (Mr. Moss) proposes an amendment:

On page 514 after line 6 insert section 903:

"(a) section 152 of the Internal Revenue Code of 1954 (relating to definition of dependent) is amended by adding at the end thereof the following new subsection:

"'(f) CHILD'S INSURANCE BENEFITS PAID UNDER SOCIAL SECURITY ACT.—For purposes of subsection (a), amounts received by an individual as a child's insurance benefit under section 202(d) of the Social Security Act shall not be taken into account in determining whether such individual received more than half of his support from the taxpayer.'

"(b) The amendment made by subsection (a) shall apply to taxable years ending on or after the date of the enactment of this Act."

Mr. MOSS. Mr. President, the amendment is not numbered. It is a measure that was pending to the social security bill. I include it here because it logically belongs here, I believe.

This has to do with the income that a child is entitled to by reason of a social security benefit. A child's social security benefits are considered to be the child's own contribution to his support. And in a lower income family, that may cover a substantial part of that child's expenses.

That child's mother or father must, therefore, keep detailed records of expenditures for each child in order to claim dependency. And this is sometimes very difficult to do.

So, in order to help widows and widowers in these circumstances, I have offered an amendment which would allow the taxpayer to disregard the child's benefit payments as far as determining whether the child could be claimed as a dependent.

The impact of the amendment is not great. And the amount of money involved is not great. However, it does impose a very onerous burden on many families.

This is nearly always the circumstance where a widow or widower is involved. The only way a child would receive benefits under social security would be to have a parent die and therefore be entitled to some social security.

Mr. CURTIS. Mr. President, will the Senator yield for a question?

Mr. MOSS. I yield.

Mr. CURTIS. Is the Senator's amendment printed?

Mr. MOSS. Yes, it is printed and is at the desk. I do not have it printed and distributed, no.

Mr. CURTIS. It is in writing, but it is not printed?

Mr. MOSS. It was printed as a bill that I had introduced earlier, and now that language is stated as a proposed section in the tax bill.

Mr. CURTIS. Will the Senator state again just what his amendment would do?

Mr. GRIFFIN. Mr. President, may we have an order?

The PRESIDING OFFICER (Mr. MATHIAS in the chair). Senators will take their seats. The Senate will be in order.

Mr. MOSS. This amendment provides that when a child is entitled to some social security benefit of a deceased mother or father, the taxpayer with whom he lives is relieved of the burden of keeping an accounting of all the various expenses that go into maintaining that child, and the taxpayer does not have to count the social security as against it.

Under present circumstances, the taxpayer must prove that he contributed 51 percent or more to the support of the child, in order to take the child as a dependent on his tax return. This amendment would simply relieve him of that burden as to the money the child is getting as a social security benefit.

The amount involved is not great. The problem it poses for many rather poor families is great, and I have received many letters about it over a considerable period of time.

The purpose is to relieve the taxpayer of accounting for the social security payment that comes to the child, in determining whether or not the taxpayer contributed 51 percent. As we all know, it is difficult, anyway, to account for exactly what it costs to support a child—how much of the rental of the house, how much of the food that is consumed, the cost of his clothes, the cost of his toys, and all the other things. This would simplify the procedure. Therefore, I think it is a meritorious amendment, and I ask that it be adopted.

Mr. CURTIS. Mr. President, will the Senator yield for a question?

Mr. MOSS. I yield.

Mr. CURTIS. Can the Senator give us an idea of the range in dollars of benefits paid to children? I take it that this would be benefits paid by reason of the death of a parent.

Mr. MOSS. That is correct. This is the dependent's benefit that comes because of the death of a parent.

Mr. CURTIS. Is it not true that the benefit is paid to the surviving parent?

Mr. MOSS. If the child has a guardian and he is a minor, so far as actual accounting for it is concerned, there is a guardian. But the amount involved is relatively small for each child. The child might get $50 or $40 or some such amount per month.

What I am trying to do is to get relief from a rather onerous tax return burden.

Mr. CURTIS. I wish the Senator would refresh my mind as to how high a child's benefit goes. The Senator from Nebraska does not have that figure before him. It is conceivable that many of these benefits are small and that the taxpayer would be saved from an onerous occounting system. On the other hand, it may be that the benefit is sufficient so that totally it pays or nearly pays for the support of the child. I do not know, but I shall find out.

Mr. PASTORE. Mr. President, will the Senator yield for a question?

Mr. MOSS. I yield?

Mr. PASTORE. Is it not a fact that the present procedure, more than anything else, amounts to a nuisance? So far as dollars and cents are concerned, this is not the significant issue nor is it the question here. Under the present law, any time a child receives any benefit—and rarely will it exceed $600 a year—perforce, the individual who claims that dependency must show by documentary proof that he has contributed more than 51 percent to that child's sustenance during that year. Is that correct.

Mr. MOSS. That is correct.

Mr. PASTORE. How can one measure the water that the child drank, the electricity he used? This is impossible. It is merely a nuisance; that is all it amounts to. I am surprised that it is even in the law.

Mr. MOSS. This happens very frequently in low-income families, where the nuisance is compounded in trying to compute the amount.

Mr. GORE. Mr. President, the committee feels duty bound to oppose the proposed amendment.

The claiming of a foster child as a dependent is a question that has given a great deal of concern to the Internal Revenue Service and the Department of the Treasury. It is true that if a foster parent claims a child for a dependent, consideration must be given to the social security benefits which that child receives. One simple way for the foster parent to avoid the necessity of keeping the records and making the records available is not to claim the dependency.

We argued a good deal about the level of personal exemption. Perhaps we did not make it high enough. But if this amendment is adopted, it would be possible for a nonblood guardian to claim one, two, three, or several children as dependents, even though he might make no more than a $1 contribution to their support.

So, agreed that the present system is vexatious to some people, nevertheless, the possibility of a considerable inequity would be created. The committee feels that if one claims a personal exemption for a dependency, that dependency should be reduced by the contribution to that child's upkeep that comes from social security sources. It might be that the social security would be as much as $1,000 a year. Yet, the foster parent, by contributing $1, could claim an exemption of $800 from his own income.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. CURTIS. Mr. President, there may be some cases in which some relief ought to be granted; but I think this is a matter that should be considered when social security is considered and hearings are held. It could well be that there are some situations in which what the distinguished Senator from Utah is trying to do ought to be done. But a number of factors are involved here.

In the first place, social security income for the purpose of taxation is not income. It is free of tax and has been all through the years.

I do not know what the effect of this amendment would be in case the surviving parent is left with three or four youngsters, all of whom are drawing benefits.

I would be very reluctant to oppose the amendment, for humanitarian reasons. I think that a child who has lost a parent should have every break there is, but I am thoroughly convinced that to do justice in this situation the matter should be explored in hearings and presented when we have social security legislation.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. GORE. I shall yield in just a moment.

Mr. President, I join the Senator from Nebraska in the views he has just expressed, and I join him also in suggesting to the able author of the amendment that when we have hearings on the social security bill the committee would carefully go into the matter.

Mr. CURTIS. I would be willing to make that a pledge.

Mr. WILLIAMS of Delaware. Mr. President, the Senator from Tennessee and the Senator from Nebraska have just expressed the thought I was going to make. I think, as the Senator from Rhode Island has pointed out, there is an inequity here that needs to be dealt with, but I am afraid the proposal before us could be subject to possible abuse.

I think with proper committee hearings and study consideration could be given to this matter. I would join in saying that as a member of the committee we will give it study and try to work out some solution.

The Senator from Tennessee points out that it would be possible, where someone was receiving $800 to $1,000 a year in benefits to support the child, for that person to contribute as little as $1 or $5 for the support of the child and still claim the child as an exemption. Perhaps that is not the intention of the Senator from Utah. I think there probably is a way to prevent that and to achieve the objective he seeks to achieve.

Mr. President, I join the chairman in a pledge that we will give this matter our attention and try to come up with a solution.

Mr. PASTORE. Mr. President, we are dealing with a bill that is loaded with favoritism. There is no question about it. One who has exemplified that more dramatically than anybody else on the floor of the Senate has been the Senator from Tennessee. Look how picayune they are in this situation. You are saying if a widow is left with three children and she collects social security benefits for each one, just a small amount at best—and we are talking about a widow—a widow, before she claims a child as a dependent, if she has a little bit of a job on the side earning a little income, because her husband left her and she is supporting the three young children, has to document the fact that she contributed more than 50 percent to support them. We are picayune.

Foster parents are paid by the State. They cannot claim the benefits because they are being paid by the State. We are talking about widows. I am familiar with a dozen situations in my State where widows were left penniless, where they might have a little job in a department store and get $50 a month for each child; but at the end of the year they would have to document the fact that they contributed more than 50 percent.

We have all of this dillydallying about adjusting this matter when we are loading the bill with a 23-percent oil depletion allowance, benefits for this group, benefits for that group; and yet, we will not take care of that widow this afternoon. I am ashamed, really ashamed.

Mr. GORE. Mr. President, we are not talking about widows here, although that is a favorite subject and I am very sympathetic to it.

Suppose this widow remarries and she has three, four, or five children, and that from social security there is a considerable contribution for their upkeep. This measure would set up the legal possibility that a foster parent who has not legally adopted the children——

Mr. PASTORE. But who is supporting them.

Mr. GORE (continuing). Might be supporting them to the extent of $1 a year——

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. GORE. No; I will not yield just now.

Mr. PASTORE. Very well.

Mr. GORE. The Senator is talking about widows. I am talking about someone who is married. The former widow——

Mr. PASTORE. I will answer that question.

Mr. GORE. The Senator said this is picayune. It is not picayune.

This is a principle which is proposed to be established in a tax law making it possible for one to claim a personal exemption, the full exemption for the support of a child when, as a matter of fact, the person might actually be making only a miniscule contribution toward the support of the child.

This is not a large item; no large amount is involved, and I do not wish to take a great amount of time to debate it. However, it is a principle that is wrong. Let the committee, when it has hearings on the social security, examine this matter carefully and then recommend a decision to the Senate.

Mr. MOSS and Mr. PASTORE addressed the Chair.

Mr. GORE. Mr. President, I yield first to the author of the amendment.

Mr. MOSS. Mr. President, I think the summary of this proposal which has been given by the able Senator from Rhode Island puts it in perspective. What we are talking about is a relatively small amount of money and a relatively small group of people. Generally, they are people of limited income.

I supported the able Senator from Tennessee when he fought on the floor——

Mr. PASTORE. That is right.

Mr. MOSS (continuing). To increase the personal exemption. A person may claim from $600 to $800.

Mr. PASTORE. Or $1,000.

Mr. GORE. It should be $1,000.

Mr. COOK. Mr. President, may we have order?

Mr. MOSS. We have $800. Now we want to turn around and say that in order to claim a child, a dependent child who has a small amount coming under social security from a deceased parent, we are going to force that person to set up an accounting system whereby he can show the amount he spends in supporting that child is greater than the amount the child got from social security.

Mr. GORE. Mr. President, I wish to say to the able Senator that I do not want to debate this matter for a long time, but the Senator talks about a small amount. The amount can be $109 per month per child. As a matter of fact, on the average today the children of a deceased worker receive $71 a month. Is the Senate going to say that $109 a month can be ignored and that even though the foster parent makes but a miniscule contribution to the upkeep of that child he can still claim $800 as an exemption for each child? I say in principle that is wrong.

Mr. MOSS. Mr. President, will the Senator yield?

Mr. GORE. I had promised to yield to the Senator from Connecticut.

Mr. RIBICOFF. Mr. President, what concerns me has a great bearing on what the Senator from Utah proposes. The maximum amount one can receive under social security for a child is $109 a month; and that is $1,308 a year. The average payment made for a child under social security is $71 a month, which comes to $852 a year. It is obvious if $71 is the average, many, many persons are below the $71 a month.

Mr. COTTON. Mr. President, may we have order? I am trying to listen to the Senator.

The PRESIDING OFFICER (Mr. MATHIAS in the chair). The Senate will be in order.

Mr. RIBICOFF. Mr. President, I think all of us realize it takes more than $852 a year to support a child, and a parent or foster parent would have to make a substantial contribution.

I would hope the committee would take this amendment to consider it in conference. But I think I can sympathize with the Senator from Tennessee because we are getting ourselves into the same position we did when we discussed the Byrd-Mansfield amendment. The Senate is going to have to wrestle with a complete review of the Social Security system. It seems that will take place, as far as this body is concerned, sometime next May or June. I know that members of the Committee on Finance will go into this matter thoroughly. However, I do wish to say there is a great deal of merit in what the Senator from Utah advocates. To my knowledge this is the first time it has been called to the attention of the Senate. It has been overlooked and consideration should be given to what the Senator from Utah advocates because it has much merit.

Mr. MOSS. I thank the Senator.

Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. MOSS. Mr. President, I simply want to ask this question. What is the poverty level now that has been set as the official poverty level in this country below which the family income should not fall?

Mr. GORE. I believe, for a family of 4, it is $3,600.

Mr. MOSS. If we compare the $71 average that the children get under social security, we can see that no one will be lifted out of the poverty level by having the contribution to a child come into the family income. The onerous obligation of itemizing and trying to justify all the expenses of a child will not be worth the amount of money involved. Therefore, I think we should have this provision in the tax bill, to say that that may be ignored in filling out a tax return for a family whose mother is usually a widow.

Mr. GORE. Mr. President, I wish to close by saying that I did not think and do not now think that an $800 exemption is sufficient. I was happy that the Senate supported that much, however, inadequate it is. But here is an amendment offered to make a special provision. It would be the only place in the law I know of in which we would allow a taxpayer to claim full exemption for the support of a child when, as a matter of fact, the degree of support could be minuscule. I think this is a bad principle, but I do not wish to take the time of the Senate further. Let the Senate work its will.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Utah (Mr. Moss).

As many as favor the amendment will say "aye."

As many as oppose the amendment will say "no."

The "noes" appear to have it.

Mr. PASTORE. Mr. President, I call for a division.

The PRESIDING OFFICER. A division is called for. As many as favor the amendment will rise and stand until counted. (After a pause.) Those who oppose the amendment will rise and stand until counted.

Mr. PASTORE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

Mr. PASTORE. Mr. President, I ask for the yeas and nays.

Mr. COOK. Mr. President, a parliamentary inquiry.

Mr. PASTORE. Mr. President——

The PRESIDING OFFICER. The clerk will call the roll.

Mr. PASTORE. Mr. President, I ask for the yeas and nays.

Mr. WILLIAMS of Delaware. Mr. President, regular order.

Mr. ALLOTT. Regular order, Mr. President.

The PRESIDING OFFICER. Does the Senator from Rhode Island withdraw his request for the call of a quorum?

Mr. PASTORE. Mr. President, temporarily, I do. I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

The PRESIDING OFFICER. The yeas and nays on this amendment having been ordered, the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Virginia (Mr. BYRD), the Senator from Florida (Mr. HOLLAND), the Senator from Massachusetts (Mr. KENNEDY), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that the Senator from Alabama (Mr. ALLEN), the Senator from Nevada (Mr. CANNON), and the Senator from Louisiana (Mr. ELLENDER) are absent on official business.

I further announce that, if present and voting, the Senator from Louisiana (Mr. ELLENDER) would vote "nay."

On this vote, the Senator from Nevada (Mr. CANNON) is paired with the Senator from Florida (Mr. HOLLAND). If present and voting, the Senator from Nevada would vote "yea" and the Senator from Florida would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Colorado (Mr. DOMINICK), the Senator from Pennsylvania (Mr. SCHWEIKER) and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

If present and voting, the Senator from Colorado (Mr. DOMINICK), and the Senator from Arizona (Mr. GOLDWATER) would each vote "nay."

The result was announced—yeas 46, nays 41, as follows:

[No. 191 Leg.]

YEAS—46

Bayh	Hatfield	Muskie
Bible	Hollings	Nelson
Brooke	Hughes	Pastore
Burdick	Inouye	Pell
Byrd, W. Va.	Jackson	Prouty
Church	Javits	Proxmire
Cotton	Magnuson	Randolph
Cranston	McClellan	Ribicoff
Dodd	McGee	Sparkman
Eagleton	McGovern	Spong
Fong	McIntyre	Tydings
Goodell	Metcalf	Williams, N.J.
Gravel	Mondale	Yarborough
Harris	Montoya	Young, Ohio
Hart	Moss	
Hartke	Murphy	

NAYS—41

Aiken	Fulbright	Pearson
Allott	Gore	Percy
Baker	Griffin	Russell
Bellmon	Gurney	Saxbe
Bennett	Hansen	Scott
Boggs	Hruska	Smith, Maine
Case	Jordan, N.C.	Smith, Ill.
Cook	Jordan, Idaho	Stennis
Cooper	Long	Talmadge
Curtis	Mansfield	Thurmond
Dole	Mathias	Tower
Eastland	McCarthy	Williams, Del.
Ervin	Miller	Young, N. Dak.
Fannin	Packwood	

NOT VOTING—13

Allen	Ellender	Mundt
Anderson	Goldwater	Schweiker
Byrd, Va.	Holland	Stevens
Cannon	Kennedy	Symington
Dominick		

So Mr. Moss' amendment was agreed to.

Mr. PASTORE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. MOSS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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AMENDMENT NO. 398

Mr. BYRD of West Virginia. Mr. President, I call up amendment No. 398 and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment is at the end of the bill add the following new title:

TITLE X—AMENDMENTS TO THE SOCIAL SECURITY ACT

SHORT TITLE

SEC. 1001. This title may be cited as the "Social Security Retirement Age Amendments of 1969".

ACTUARILY REDUCED BENEFITS

SEC. 1002. (a)(1) Section 202(a)(2) of the Social Security Act is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(2) Section 202(b)(1) of such Act is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(3) Section 202(c) (1) and (2) of such Act is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(4)(A) Section 202(f)(1)(B), (2), (5), and (6) is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(B) Section 202(f)(1)(C) of such Act is amended by striking out "or was entitled" and inserting in lieu thereof "or was entitled, after attainment of age 62."

(5) (A) Section 202(h)(1)(A) of such Act is amended by striking out "62" and inserting in lieu theref "60".

(B) Section 202(h)(2)(A) of such Act is amended by inserting "subsection (q) and" after "Except as provided in".

(C) Section 202(h)(2)(B) of such Act is amended by inserting "subsection (q) and" after "except as provided in".

(D) Section 202(h)(2)(C) of such Act is amended by—

(i) striking out "shall be equal" and inserting in lieu thereof "shall, except as provided in subsection (q), be equal"; and

(ii) inserting "and section 202(q)" after "section 203(a)".

(b)(1) The first sentence of section 202 (q) (1) of such Act is amended (A) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, widower's, or parent's", and (B) by

striking out, in subparagraph (A) thereof, "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(2)(A) Section 202(q)(3)(A) of such Act is amended (i) by striking out "husband's, widow's, or widower's" each place it appears therein and inserting in lieu thereof "husband's, widow's, widower's, or parent's", (ii) by striking out "age 62" and inserting in lieu thereof "age 60", and (iii) by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, or parent's".

(B) Section 202(q)(3)(B) of such Act is amended by striking out "or husband's" each place it appears therein and inserting in lieu thereof ", husband's, widow's, widower's, or parent's".

(C) Section 202(q)(3)(C) is amended by striking out "or widower's" each place it appears therein and inserting in lieu thereof "widower's, or parent's".

(D) Section 202(q)(3)(D) of such Act is amended by striking out "or widower's" and inserting in lieu thereof "widower's, or parent's".

(E) Section 202(q)(3)(E) of such Act is amended (i) by striking out "(or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be) entitled to a widow's or widower's insurance benefit to which such individual was first entitled for a month before she or he" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit to which such individual was first entitled for a month before such individual", (ii) by striking out "the amount by which such widow's or widower's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", (iii) by striking out "over such widow's or widower's insurance benefit" and inserting in lieu thereof "over such widow's, widower's, or parent's insurance benefit", and (iv) by striking out "attained retirement age" each place it appears therein and inserting in lieu thereof "attained age 60 (in the case of a widow or widower) or attained retirement age (in the case of a parent)".

(F) Section 202(q)(3)(F) of such Act is amended (i) by striking out "(or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be) entitled to a widow's or widower's insurance benefit to which such individual was first entitled for a month before she or he" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit for which such individual was first entitled for a month before such individual", (ii) by striking out "the amount by which such widow's or widower's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", (iii) by striking out "over such widow's insurance benefit" and inserting in lieu thereof "over such widow's, widower's, or parent's insurance benefit", (iv) by striking out "62" and inserting in lieu thereof "60", and (v) by striking out "attained retirement age" each place it appears therein and inserting in lieu thereof "attained age 60 (in the case of a widow or widower) of attained retirement age (in the case of a parent)".

(G) Section 202(q)(3)(G) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(3) Section 202(q)(5)(B) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(4) Section 202(q)(6) of such Act is amended (i) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's widow's, widower's, or parent's", and (ii) by striking out, in clause (III), "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(5) Section 202(q)(7) of such Act is amended—

(A) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, widower's, or parent's"; and

(B) by striking out, in subparagraph (E), "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(6) Section 202(q)(9) of such Act is amended by striking out "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(c)(1) The heading to section 202(r) of such Act is amended by striking out "Wife's or Husband's" and inserting in lieu thereof "Wife's, Husband's, Widow's, Widower's, or Parent's".

(2)(A) Section 202(r)(1) of such Act is amended (i) by striking out "wife's or husband's" the first place it appears therein and inserting in lieu thereof "wife's, husband's, widow's, widower's, or parent's", and (ii) by inserting immediately before the period at the end thereof the following: ", or for widow's, widower's, or parent's insurance benefits but only if such first month occured before such individual attained age 62".

(B) Section 202(r)(2) of such Act is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, or widower's, or parent's".

(d) Section 214(a)(1) of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new subparagraphs (A) and (B):

"(A) in the case of a woman who has died, the year in which she died or (if earlier) the year in which she attained age 62,

"(B) in the case of a woman who has not died, the year in which she attained (or would attain) age 62,".

(e)(1) Section 215(b)(3) of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new paragraphs (A) and (B):

"(A) in the case of a woman who has died, the year in which she died, or, if it occurred earlier but after 1960, the year in which she attained age 62,

"(B) in the case of a woman who has not died, the year occurring after 1960 in which she attained (or would attain) age 62,".

(2) Section 215(f)(5) of such Act is amended (A) by inserting after "attained age 65," the following: "or in the case of a woman who became entitled to such benefits and died before the month in which she attained age 62,"; (B) by striking out "his" each place it appears therein and inserting in lieu thereof "his or her"; and (C) by striking out "he" each place after the first place it appears therein and inserting in lieu thereof "he or she".

(f)(1) Section 216(b)(3)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(2) Section 216(c)(6)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(3) Section 216(f)(3)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(4) Section 216(g)(6)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(g)(1) Section 202(q)(5)(A) of such Act is amended by striking out "No wife's insurance benefit" and inserting in lieu thereof "No wife's insurance benefit to which a wife is entitled".

(2) Section 202(q)(5)(C) of such Act is amended by striking out "woman" and inserting in lieu thereof "wife".

(3) Section 202(q)(6)(A)(i)(II) of such Act is amended (A) by striking out "wife's insurance benefit" and inserting in lieu thereof "wife's insurance benefit to which a wife is entitled", and (B) by striking out "or" at the end and inserting in lieu thereof the following: "or in the case of a wife's insurance benefit to which a divorced wife is entitled, with the first day of the first month for which such individual is entitled to such benefit, or".

(4) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits" and inserting in lieu thereof "wife's insurance benefits to which a wife is entitled".

(h) Section 224(a) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

SEC. 1003. The amendments made by this title shall apply with respect to monthly benefits under title II of the Socal Security Act for months after December 1969, but only on the basis of applications for such benefits filed after September 1969.

SEC. 1004. Section 8332(j) of title 5 of the United States Code is amended by striking "individual, widow," in the first sentence and substituting in lieu thereof "individual is at least 62 years of age, or if his widow".

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the names of the Senator from West Virginia (Mr. RANDOLPH), the Senator from New Mexico (Mr. MONTOYA), and the Senator from Wisconsin (Mr. NELSON) may be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, this amendment, which I offered in behalf of the majority leader and myself, would lower from 62 to 60 the age at which actuarially reduced social security benefits would be made available to eligible individuals who voluntarily retire.

An estimated 3½ million persons, not otherwise eligible for benefits under social security, would become immediately eligible. Of these, an estimated 35,000 West Virginians would be eligible.

I am further advised by the Social Security Administration that, of the 3½ million who would become eligible, about 800,000 persons would actually apply for these benefits, 10,000 of whom would be West Virginians.

The short-range cost effect of adopting this amendment would be a little over $500 million in additional benefit payments. However, this initial impact would be offset subsequently, thereby resulting in no additional costs in the long run. The reason for this is that individuals who would elect voluntarily to retire at age 60 would take reduced benefits and would, therefore, receive the same net amount by the time of death that they would have been paid had they started receiving larger payments under the current system at age 62, 63, 64, or 65.

In view of the fact that this amendment would not result in any overall drain on the social security trust fund, no additional tax revenues would be necessary. Hence, it would not constitute any cost burden to either the employer or employee. It merely offers persons who have paid into social security a choice of retiring at age 60 at a reduced benefit or waiting until they are 62 to 65 to retire at a higher benefit. No individual would be forced to retire at age 60.

I think it is important to remember that there are millions of people in this country who, because of failing health or

loss of employment, are forced into retirement earlier than would otherwise be the case. As Senators know, it is becoming increasingly difficult to find employment after age 50, and sometimes even earlier. In any event, persons who cannot find employment because of age, or who are unable to get jobs because of bad health, should at least have the opportunity to voluntarily retire at an earlier age if they choose to take a reduced benefit in so doing. If individuals are denied this choice, some of them may be forced to go on welfare or they may become an additional burden upon their children or other relatives who have family responsibilities of their own.

Moreover, there are some persons who, although presently employed, would voluntarily elect to take reduced benefits at 60, thus vacating their jobs. Those jobs could then be filled by younger persons who are entering the labor market.

Mr. President, there is no sociological or other reason for drawing the retirement line at age 65. With the need for additional jobs increasing from year to year, and with the problems of cybernation and automation confronting us ever more daily, it seems to me that there is every justifiable reason for lowering the age of eligibility for retirement under social security. Those who feel it imperative to apply for their benefits early could do so. As long as there would be no additional longrun cost to the trust fund, why should we hesitate to offer Americans this choice?

This amendment will serve to alleviate hardship for persons who otherwise might be forced to retire and forced to wait a couple of additional years before being eligible for social security.

An indication as to what the exercise of the choice would mean, under existing law, those persons who elect under present law to retire at age 62 must accept a 20-percent reduction in their old age insurance benefits—in other words, five-ninths of 1 percent for every month in the period between the attained age and age 65. Under the amendment which I have offered on behalf of the majority leader and myself, the voluntary retiree at age 60 would accept a 33⅓ percent reduction in his benefits, or five-ninths of 1 percent for each month in the period between age 60 and the date the individual would attain 65.

Mr. President, I have offered this amendment a number of times during the 12 years I have been in the Senate, and the Senate has adopted the amendment upon each occasion. The House has always rejected the amendment in conference. I hope that the Senate will accept the amendment again. We should not tire in persisting. The amendment is a good amendment, and sooner or later it is going to become law. I hope that it will be this year.

I favor the payment of full benefits at age 62, but such action would constitute an additional drain on the trust fund, and I intend to press for such action when the social security bill is considered by the Senate early next year. For the present, I think we should act to lower the retirement age to 60 for all Americans who voluntarily elect to accept actuarially reduced benefits at that age.

I urge the adoption of the amendment.

Mr. WILLIAMS of Delaware. Mr. President, last night in colloquy with the Senator from Massachusetts (Mr. KENNEDY) I cited an example of a credit of $63 million for one company in Alaska under the investment tax credit. I have been advised by the staff, in looking over the Stevens amendment, that all of this company's expenditures would not be subject to the investment credit tax. While they would have an investment credit for the entire State of Alaska, it would not be in the amount I stated. The RECORD should be corrected in that respect. The cost of the Stevens amendment would be $70 million for the whole country instead of the earlier estimate as given of $300 million.

Mr. President, I ask unanimous consent that the RECORD be corrected accordingly.

The PRESIDING OFFICER. Without objection, the correction will be made.

Mr. TALMADGE. Mr. President, the distinguished Senator from West Virginia has offered an appealing amendment. It is easy to be sympathetic to the intent of the amendment. The Senate has passed the amendment twice, in 1965 and in 1967, as the Senator stated. As the Senator pointed out, the amendment is actuarially sound.

However, the Senate should be aware of the reasons the House conferees refused to accept the amendment in the past. The first reason is its budgetary impact. Although it is actuarially sound in the long run, the immediate effect of the amendment would be to increase social security payments by $600 million annually, and the Senate has already accepted quite a number of amendments that vastly increase the outflow of social security funds above the amounts under present law. The Senate has already approved amendments which will increase social security payments by about $6.5 billion a year. At a time when inflation is running rampant, we should be extremely careful about fueling further inflation.

In addition to its budgetary impact, the amendment would give people at age 60 permanently lower benefits, one-third less than they would receive at age 65. For example, a person who would be entitled to the $100 minimum voted by the Senate yesterday would only receive $67 at age 60. The reason is simple: The actuaries estimate that at age 65, a person will receive social security benefits about 15 years on the average. If he begins drawing the same total amount at age 60, 15 years' worth of payments must be spread out over 20 years, and each months' payment must be one-third less. While it can certainly be said that two-thirds of a benefit is better than nothing, the House conferees have taken the position that the Congress should not provide benefits that are permanently reduced by one-third.

One final word in conclusion. Under existing law, anyone under social security who is totally or permanently disabled can draw benefits regardless of age, so that the amendment would address itself only to able-bodied individuals at the age of 60.

Mr. WILLIAMS of Delaware. Mr. President, I join the distinguished acting chairman of the committee in expressing the hope that the Senate will not accept the Byrd amendment, as appealing as it may be. True, as the Senator points out, from an actuarial basis it is sound, but the impact on the Federal budget would be about $600 million additional per year. As the chairman pointed out regarding the bill as reported by the committee, its net result would have been to provide additional revenue of $6½ billion. The Senate has whittled that away by approving $12½ billion dollars in extra revenue loss, so that as the bill now stands we shall be losing about $6 billion in revenue instead of gaining $6 billion, even without the pending amendment, which would add another $600 million loss.

I am afraid that we cannot accept such an amendment and be fiscally solvent or responsible.

Another disadvantage to it, as people retire and as the years progress they will realize that they cannot live on that amount of two-thirds, and Congress will, as it did the other day in a previous amendment of my good friend from West Virginia, raise that minimum because it will be so low that they cannot live on it. I am not sure that we are rendering a service to these people when we hold out an incentive such as this, where they may be encouraged to retire on benefits which will not be enough over a period of time. I would, therefore, hope that the amendment would be rejected.

Mr. President, I believe we would want a record vote on this amendment, and when the Senator from Virginia has completed his remarks I shall ask for a call of the quorum in order that we may get the yeas and nays ordered on his amendment.

Mr. BYRD of West Virginia. Mr. President, I concede that what the able Senator from Delaware has said may be true, and that some persons who, at such time as the amendment takes effect, would elect to accept the actuarially reduced benefits at age of 60 might, may in later years, feel that they had perhaps erred. On the other hand, there are those who really have no choice, or who are unable to get work because of age, or who are unable to get work because of their physical condition, or who otherwise may be forced to go on welfare or to become the wards of their children. This amendment would at least give them the opportunity to make that choice.

In some cases, necessity would dictate that the individual elect to retire early. The Byrd-Mansfield amendment merely provides a choice. It is purely voluntary. If the individual elects to retire early, and if the $100 minimum is accordingly reduced, that would still be his choice.

I recognize, also, the validity of the statements made by the Senator from Georgia (Mr. TALMADGE) and the Senator from Delaware (Mr. WILLIAMS) with respect to the impact that this amendment might have upon inflation. I listened very carefully to what President Nixon said last night. In view of what the President said, and in view of the arguments which have been made here with respect to the inflationary effect which this amend-

ment might have, I wish to modify my amendment, to provide that it go into effect only when the President issues a proclamation that he has determined it to be desirable to expand consumer purchasing power by making additional persons eligible to receive social security benefits.

Mr. WILLIAMS of Delaware. Mr. President, would the Senator be willing to modify his amendment to make it go into effect when the President determined that we have a balanced budget?

Mr. BYRD of West Virginia. I would not want to modify my amendment beyond what I have already indicated. The modification I make would give the President the opportunity to trigger the effect of the amendment, and at such time as he feels that it would not have an undue inflationary impact upon the economy and might be desirable to expand consumer purchasing power, he may do so. My modifying language would leave it up to the President to trigger the amendment.

Mr. President, I offer the modification and send it to the desk and ask that it be read.

The PRESIDING OFFICER. The modification will be read.

The assistant legislative clerk read as follows:

On page 9 of the amendment strike out lines 17 to 21 and insert in lieu thereof:

"SEC. 1003. The amendments made by section 1002 of this title shall apply with respect to monthly benefits under title II of the Social Security Act for months after the month in which the President issues a proclamation that he has determined that it is desirable to expand consumer purchasing power by making additional persons eligible to receive social security benefits."

Mr. BYRD of West Virginia. Mr. President, I am ready for a vote, and I suggest the absence of a quorum in order that we might get the yeas and nays ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia. Mr. President, I ask for the yeas and nays on this amendment.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment (No. 398) of the Senator from West Virginia (Mr. BYRD) and the Senator from Montana (Mr. MANSFIELD), as modified. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. YOUNG of Ohio (after having voted in the affirmative). Mr. President, on this vote, I have a pair with the Senator from Missouri (Mr. SYMINGTON). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withdraw my vote.

Mr. GRIFFIN (after having voted in the negative). Mr. President, on this vote I have a pair with the Senator from Wyoming (Mr. MCGEE). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withdraw my vote.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Wyoming (Mr. MCGEE), the Senator from Montana (Mr. METCALF), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that, if present and voting, the Senator from Montana (Mr. METCALF) would vote "yea."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Maryland (Mr. MATHIAS) is detained on official business.

I have announced my pair with the Senator from Wyoming (Mr. MCGEE).

The result was announced—yeas 54, nays 37, as follows:

[No. 196 Leg.]

YEAS—54

Aiken	Harris	Moss
Bayh	Hart	Muskie
Bible	Hartke	Nelson
Burdick	Hatfield	Pastore
Byrd, W. Va.	Hollings	Pearson
Cannon	Hughes	Pell
Church	Inouye	Proxmire
Cook	Jackson	Randolph
Cooper	Jordan, N.C.	Ribicoff
Cotton	Kennedy	Russell
Cranston	Long	Schweiker
Dodd	Magnuson	Sparkman
Eagleton	Mansfield	Spong
Eastland	McCarthy	Stennis
Fulbright	McGovern	Tydings
Goodell	McIntyre	Williams, N.J.
Gore	Mondale	Yarborough
Gravel	Montoya	Young, N. Dak.

NAYS—37

Allen	Ervin	Percy
Allott	Fannin	Prouty
Baker	Fong	Saxbe
Bellmon	Gurney	Scott
Bennett	Hansen	Smith, Maine
Boggs	Holland	Smith, Ill.
Brooke	Hruska	Stevens
Byrd, Va.	Javits	Talmadge
Case	Jordan, Idaho	Thurmond
Curtis	McClellan	Tower
Dole	Miller	Williams, Del.
Dominick	Murphy	
Ellender	Packwood	

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY RECORDED—2

Griffin, against.
Young of Ohio, against.

NOT VOTING—7

Anderson	McGee	Symington
Goldwater	Metcalf	
Mathias	Mundt	

So the amendment (No. 398), as modified, was agreed to.

Mr. GRIFFIN. I move to reconsider the vote by which the amendment was adopted.

Mr. BYRD of West Virginia. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

TAX REFORM ACT OF 1969

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Mr. KENNEDY. Mr. President, I ask unanimous consent that I may yield to the distinguished Senator from Wisconsin (Mr. NELSON) for a brief colloquy with the chairman of the Committee on Finance, without losing my right to the floor.

The PRESIDING OFFICER (Mr. PACKWOOD in the chair). Without objection, it is so ordered.

Mr. NELSON. Mr. President, I should like to ask a question of the manager of the bill for the purpose of clarification.

Section 901 of the bill as reported by the Committee on Finance would impose special limitations on contributions to pension plans of certain corporations, defined as professional service organizations.

I am anxious to make sure that this section of the bill is not intended to apply to a corporation like the Marshfield Clinic, in Marshfield, Wis. This corporation has operated a medical clinic in Marshfield, Wis., since it was organized in 1916. It employs 84 physicians as full-time employees. The Marshfield Clinic was not organized under one of the special State laws recently enacted for professional service corporations. Instead, it was incorporated in 1916 under the general business corporation law of the State of Wisconsin.

The Marshfield Clinic has the following characteristics of an ordinary business corporation: It is governed by a board of directors; it has an executive committee of directors; it issues certificates representing shares of capital stock; it is empowered to amend and has amended its articles of incorporation; it has purchased, constructed, leased, and mortgaged its assets; liability of its shareholders for its debts is limited; it has initiated suits as a corporation in the Wisconsin courts; it has continuity of life; it is liable for Wisconsin income tax as a general business corporation; it has always been subject to Federal income tax as a corporation; and it files required annual reports with the Wisconsin Secretary of State as a general business corporation.

Clearly the Marshfield Clinic was not set up to take advantage of pension plan benefits under the Federal tax law, since it was in existence for more than 25 years before the present tax treatment of employee pension plans was first enacted in 1942.

While the Marshfield Clinic is subject to no such requirement under the Wisconsin general business corporation law, its articles of incorporation provide that its shares of stock may be issued only to physicians licensed in Wisconsin and may be voted only by them.

I would appreciate it if the Senator could assure me that it was not the intention of the committee that section 901 apply to a corporation under these circumstances.

Mr. LONG. It would be my understanding that the new provision relating to professional corporations would not apply to the type of case the Senator refers to.

My reason for saying this is that although this corporation by its charter is limited to having only doctors as shareholders, this is not required by the State law under which it is organized. Nor is it my understanding that there is any indication that when this clinic was organized in 1916, this limitation in the charter was specifically required by the then-existing rules of professional ethics.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. RIBICOFF. Mr. President, I think the chairman is absolutely correct. What we were seeking to do in the Committee on Finance was to close the loophole of those corporations which were seeking to circumvent the guidelines laid out in H.R. 10 of the so-called Keogh plan. Clinics such as the Marshfield Clinic, the Mayo Clinic, and the Lahey Clinic were established many years ago, long before H.R. 10 and the Keogh plan in 1962. They were established to give these particular services.

When a person goes to the Marshfield Clinic or the Mayo Clinic or the others, he knows he is going to a clinic. But when Dr. Jones forms a corporation, the patient thinks he is going to Dr. Jones. He does not know he is going to a corporation at all.

It is my understanding from the discussions in the Finance Committee that we specifically were determined that clinics such as described by the Senator from Wisconsin would not be covered by the changes adopted by the Finance Committee.

Mr. LONG. I believe that is true, for the reasons I indicated in my statement.

Mr. RIBICOFF. The Senator is correct.

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AMENDMENT NO. 382

Mr. MATHIAS. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

On page 401, line 16, strike the numeral "5" and insert the numeral "10".

Mr. MATHIAS. Mr. President, this is a technical amendment.

Subchapter S of the Internal Revenue Code allows small corporations, those with 10 or fewer shareholders, to elect not to pay the regular corporate income tax and instead to have the income or loss of the corporation taxed directly to the shareholders. In a general way, this results in a pattern of taxation similar to that of partnerships. Subchapter S is now being used by more than 200,000 corporations and the number is constantly increasing. However, because of the hybrid nature of the Subchapter S corporation—not quite a corporation and not quite a partnership—the governing rules have been quite complex. Under both the Johnson and the Nixon administrations, with the aid of the Committee on Partnerships of the American Bar Association, legislative proposals have been developed to alleviate problems associated with subchapter S corporations. The proposals have been designed to tax such corporations as much like partnerships as possible without conferring unwarranted advantages on them.

H.R. 13270 as passed by the House and reported by the Senate Finance Committee would apply the H.R. 10 ceiling—10 percent of earned income or $2,500, whichever is less—to deferred compensation of "shareholder employees" of subchapter S corporations. This amendment would change the section 531 definition of "shareholder employee" from an officer or employee who owns more than 5 percent of the corporation's stock to an officer or employee who owns more than 10 percent—by making the appro-

priate change at page 401, line 16, of H.R. 13270.

This amendment would conform to the Surrey proposals under the Johnson administration, the Cohen proposals under the Nixon administration, and present section 401(c)(3)(B) of the code.

Mr. President, I hope the Senate will support the amendment.

Mr. JAVITS. Mr. President, I understand there is some question with reference to an amendment that was to be offered by another Senator. That amendment would seek to take out the provision from the bill altogether.

Is the Senator aware of anything like that, and how does it tie in with his amendment?

Mr. MATHIAS. I am not aware of any such intention on the part of any other Member.

It is my understanding that when the Secretary of the Treasury came before the committee—the distinguished chairman of the committee can confirm this—he testified that the Treasury would like further time to study the whole question of subsection S matters in this general area of the economy. However, since the committee has elected to act, this amendment is intended to mitigate to the extent possible the action of the committee. It will not result in any loss of revenue to the Treasury. It will conform to present business practices, and I think it will have the effect of making the changes more circumspect and less far reaching than under the committee draft.

Mr. JAVITS. Will the Senator yield further?

Mr. MATHIAS. I yield.

Mr. JAVITS. How is this going to deal with the professional service corporations—that is, in States where they are permissible?

Mr. MATHIAS. Only if they come within subsection S categories, but they are in a different category from the usual subsection S situation.

Mr. JAVITS. In other words, an amendment relating to professional service corporations will not find itself in conflict with or contradicted by the amendment of the Senator from Maryland?

Mr. MATHIAS. I do not believe that they will have any impact on such an amendment, and I am advised that the distinguished Senator from Arizona (Mr. FANNIN) has such an amendment in preparation.

Mr. JAVITS. I thank my colleague. I just wanted to be sure that the field would be open.

Mr. CURTIS. Mr. President, will the Senator yield for a question?

Mr. MATHIAS, I yield.

Mr. CURTIS. I have not been able to hear. Just what does the Senator's amendment do?

Mr. MATHIAS. In the case of subsection S corporations, it merely permits one to have 10 partners, instead of 20 for the purpose of treating his income on a partnership basis. It is 10 percent instead of 5 percent, which is the limitation in the bill.

Mr. CURTIS. The number of partners?

Mr. MATHIAS. The effect. Of course, they may not have an equal share. It permits the treatment which is accorded subsection S corporations to be available if you have 10- rather than 5-percent interest as provided in the bill.

Mr. CURTIS. But it relates to subsection S corporations generally and not in reference to retirement programs specifically. Is that correct?

Mr. MATHIAS. Just subsection S.

Mr. CURTIS. I mean, the Senator's amendment.

Mr. MATHIAS. Yes.

Mr. CURTIS. The Senator's amendment does not deal with the retirement but, rather, deals with subsection S generally?

Mr. MATHIAS. That is correct.

Mr. FANNIN. Mr. President, will the Senator yield?

Mr. MATHIAS. I yield.

Mr. FANNIN. Would the Senator object to my obtaining a parliamentary ruling that this will not affect the amendment I am going to offer?

Mr. MILLER. Mr. President, will the Senator yield?

Mr. MATHIAS. I have yielded to the Senator from Arizona.

Mr. FANNIN. Mr. President, I have a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. FANNIN. I should like to have a ruling as to whether or not this would affect the amendment I will call up later. I already have submitted the amendment.

The PRESIDING OFFICER. Will the Senator specify the amendment he is talking about?

Mr. FANNIN. Amendment No. 296.

The PRESIDING OFFICER. It will have no effect.

Mr. FANNIN. I thank the Chair.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. MATHIAS. I yield.

Mr. MILLER. I should like to ask the Senator from Maryland whether, by merely changing 5 to 10, representing the amount of outstanding stock a shareholder-employee must have, this does not restrict the privilege of one of these subsection (s) corporation pension plans rather than expand it. It seems to me that with only 5 percent required, this would indeed permit 20. But, as I understood the Senator's response to the Senator from Nebraska's question, he indicated that this would permit 10 instead of 20.

It seems to me that the Senator's amendment does not just permit 10 instead of 20, but it requires that there would be 10 instead of 20, because of the way the bill would read with his 10 percent added in lieu of the 5 percent.

If his intention is to expand the coverage, it seems to me that the 5 percent expands the coverage. If his intention is to restrict the coverage, then the 10 percent does restrict it. But I am not quite clear what he intends to do, because I had originally thought he was intending to expand the coverage.

Mr. MATHIAS. I am happy to respond to the distinguished Senator from Iowa.

He will note that on page 401, line 16, it says "more than 5 percent." This would be more than 10 percent; therefore, it provides an extra degree of flexibility.

Mr. MILLER. May I respond to the Senator from Maryland by reading the entire paragraph as it would now read if his amendment were adopted:

> For purposes of this section, the term "shareholder-employee" means an employee or officer of an electing small business corporation who owns . . . on any day during the taxable year of such corporation, more than 10 percent of the outstanding stock of the coropration.

That means that if one is a shareholder-employee and is to come under this subsection S pension plan, he must own more than 10 percent.

Mr. STEVENS. Less than.

Mr. MILLER. The Senator from Alaska suggests "less than," but that is not the language. The language is "more than."

If the Senator from Maryland is trying to expand the coverage—I would suppose that he is, and I think that is a good objective—perhaps it ought to read "not more than 10 percent," rather than just "more than 10 percent."

If that accords with his intent, I would suggest that he might wish to modify his amendment accordingly, and I would support it on that basis.

I am afraid that, as it now stands, the amendment is going to restrict the number who could be covered under these plans, and I think that our objective ought to be to expand the number

Mr. MATHIAS. Let me say to the distinguished Senator that the bill imposes a new limitation which has not existed heretofore. What I am trying to do is to bring that new limitation and the new rules which are being applied here into line with other appropriate statutes.

The Senator is not wholly wrong in his interpretation. The purpose is to apply only as is consistent with other aspects and with other features of the code. For that reason, we felt that the 10 percent would be a more desirable figure in line with the other provisions of the law, although it would be more restrictive in that respect, as the Senator has indicated.

It is my understanding that the distinguished chairman of the committee and the distinguished ranking Republican member of the committee are willing to accept this amendment.

Mr. MILLER. Mr. President, will the Senator yield further?

Mr. MATHIAS. I yield.

Mr. MILLER. Mr. President, I can visualize a situation in which we have, under present law, 20 members of a firm, each having 5 percent. They are all covered under present law. I can understand another situation in which 10 members have, let us say, 8 percent each, which would account for 80 percent of the ownership, and the balance, let us say, of five members have 4 percent each; and under the present law, only the five members with 4 percent each would be eligible.

Now, if we want to expand the eligibility we can do that by providing that a shareholder-employee have not more than 10 percent and that means that those who have 8 percent, since they did not have more than 10 percent, are eligible, and, therefore, coverage would be expanded and it seems to me would be desirable to do that.

But I think that this matter should be checked with staff further. Therefore, Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside in order to consider an amendment to be offered by the Senator from Florida (Mr. HOLLAND).

Mr. HOLLAND. Mr. President, I thank the Senator for yielding.

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AMENDMENT NO. 382

The PRESIDING OFFICER. The question recurs on the amendment of the Senator from Maryland (Mr. MATHIAS).

Mr. LONG. Mr. President, I ask unanimous consent for a time limitation on

debate on the pending amendment, the it be limited to 20 minutes, the time to be equally divided between the sponsor of the amendment and the Senator in charge of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MATHIAS. Mr. President, during the interval, I have had the opportunity to discuss this language with the distinguished Senator from Iowa, and we have agreed upon a modification which is agreeable to the distinguished chairman of the committee and to the senior Republican Member of the committee.

Therefore, I ask unanimous consent to modify my amendment so that it will read:

On page 401, line 16, strike the words "more than 5 percent" and insert the words "10 percent or more".

I believe that this will satisfy the objection which was raised by the Senator from Iowa, and will further conform to the bill and to other pertinent parts of the statute.

Mr. LONG. Mr. President, I understand this matter as well as I would like to understand it, but the Treasury studied it and they agree with the amendment. They think it is desirable.

The staff committee members also have studied it and think it is a good amendment. Therefore, in that spirit, I think it would be appropriate to agree to the amendment and take it to conference.

Mr. President, I yield back the remainder of my time.

Mr. MATHIAS. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment has been yielded back.

The question is on agreeing to the amendment of the Senator from Maryland (Mr. MATHIAS).

The amendment was agreed to.

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AMENDMENT NO. 296

Mr. FANNIN. Mr. President, I call up my amendment, No. 296, pertaining to professional service organizations, which I offer on behalf of myself, the Senator from Illinois (Mr. PERCY), and the Senator from Texas (Mr. TOWER).

Before I do so, I ask unanimous consent that the names of Senators ALLOTT, BIBLE, CRANSTON, DOLE, GURNEY, HRUSKA, JAVITS, MURPHY, and SCHWEIKER be added as cosponsors.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FANNIN. Mr. President, I call up my amendment, No. 296, to H.R. 13270.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read the amendment, as follows:

On page 509, beginning with line 5, strike out all through line 18, page 512 (section 901 of the committee amendment), and renumber the succeeding sections.

The part of the bill proposed to be stricken, is as follows:

SEC. 901. QUALIFIED PENSION, ETC., PLANS OF PROFESSIONAL SERVICE ORGANIZATIONS.

(a) SPECIAL RULES FOR SHAREHOLDER-EMPLOYEES.—Section 72 (relating to annuities) is amended by redesignating subsection (p) as (q) and by inserting after subsection (o) the following new subsection:

"(p) SPECIAL RULES FOR SHAREHOLDER-EMPLOYEES OF PROFESSIONAL SERVICE ORGANIZATIONS.—

"(1) INCLUSION OF CERTAIN AMOUNTS IN GROSS INCOME.—Notwithstanding the provisions of section 402 (relating to taxability of beneficiary of employees' trust), section 403 (relating to taxation of employee annuities), or section 405(d) (relating to taxability of beneficiaries under qualified bond purchase plans), a shareholder-employee of a professional service organization shall include in gross income for his taxable year the sum of—

"(A) the excess of the amount of contributions paid on his behalf which is deductible under section 404(a) (1), (2), or (3) by such organization for its taxable year ending in or with his taxable year, over the lesser of (i) 10 percent of the compensation received or accrued by him from such organization during its taxable year, or (ii) $2,500, and

"(B) the amount of any forfeitures allocated to his account under a stock bonus or profit-sharing plan established by such organization during the taxable year of a trust forming part of such plan ending in or with his taxable year.

In the case of an individual on whose behalf contributions are paid under more than one plan to which subparagraph (A) applies or under a plan contributions to which on his behalf are subject to the limitations provided in section 404(e), the provisions of subparagraph (A) shall, under regulations prescribed by the Secretary or his delegate, apply with respect to the aggregate of the contributions paid on his behalf under under all such plans.

"(2) TREATMENT OF AMOUNTS INCLUDED IN GROSS INCOME.—Any amount included in the gross income of a shareholder-employee under paragraph (1) shall be treated as consideration for the contract contributed by the shareholder-employee for purposes of this section.

"(3) DEDUCTION FOR AMOUNTS NOT RECEIVED AS BENEFITS.—If—

"(A) amounts are included in the gross income of an individual under paragraph (1), and

"(B) the rights of such individual (or his beneficiaries) under the plan terminate before payments under the plan which are excluded from gross income equal the amounts included in gross income under paragraph (1),

then there shall be allowed as a deduction, for the taxable year in which such rights terminate, an amount equal to the excess of the amounts included in gross income under paragraph (1) over such payments.

"(4) PROFESSIONAL SERVICE ORGANIZATION DEFINED.—For purposes of this subsection, the term 'professional service organization' means any corporation, beneficial ownership in which, or control of which, is limited under State or local law, applicable regulations, or rules of professional ethics to—

"(A) individuals who are required to be licensed or otherwise authorized under State or local law to perform the professional services necessary to carry on the trade or business in which such corporation is engaged, or

"(B) the executor or administrator of an individual described in subparagraph (A).

"(5) SHAREHOLDER-EMPLOYEE.—For purposes of this subsection, the term 'shareholder-employee' means any employee of a professional service organization who owns any beneficial interest in such organization."

(b) CONFORMING AMENDMENT.—Section 62 (relating to adjusted gross income) is amended by inserting after paragraph (9) (as added by section 531 of this Act) the following new paragraph:

"(10) PENSION, ETC., PLANS OF PROFESSIONAL SERVICE ORGANIZATIONS.—The deduction allowed by section 72(p) (3)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969.

Mr. FANNIN. Mr. President, I call up an amendment, which is printed as amendment 296 to H.R. 13270, and which restores to professional service corporation employees the same pension plan benefits which are available to employees of other corporations.

Now, Mr. President, the Tax Reform Act is a long and complicated measure. We all know that. And since we all know that a great number of proposed amendments are being considered, I will keep my remarks brief and to the point.

In executive session, and without the benefit of hearings, department reports, or other opportunity for comments from interested person, the Finance Committee added to the tax reform bill, section 901.

This section unfairly discriminates against employees of professional corporations by placing limitations on the amount of their earnings which they may contribute towards their retirement. No similar limitation is imposed on persons who are not required to adhere to professional standards of ethics and who organize under general corporation statutes.

Persons affected by this unfair change include lawyers, medical and osteopathic physicians and surgeons, dentists, architects, stockbrokers and accountants, as well as the many nonprofessional employees of professional service corporations.

The amount of revenue that can be gained by this section of the tax reform bill is small. The amount of ill will it generates is great—and justified.

The U.S. Treasury Department has gone on record as opposing the committee change at this time. The Department has said:

As a general matter, the Treasury Department is opposed to the imposition of limitations or requirements on retirement plans solely because of the type of business engaged in or the form in which business is conducted.

My amendment restores to employees of professional service corporations the same rights and benefits which employees of other corporations enjoy. It eliminates an unfair discrimination, restores equality, and favors no one unjustly.

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG. Mr. President, will the Senator yield?

Mr. FANNIN. I yield.

Mr. LONG. Mr. President, would the Senator be willing to limit the time on the amendment?

Mr. FANNIN. Yes.

Mr. LONG. Mr. President, I ask unanimous consent that the time for debate on this amendment be limited to 1 hour, to be equally divided between the sponsor of the amendment and the manager of the bill.

The PRESIDING OFFICER. Is there objection?

Mr. TOWER. Mr. President, reserving the right to object, I did not hear the request.

Mr. LONG. I asked unanimous consent that there be a limitation of 1 hour on the amendment, one-half to each side.

Mr. TOWER. One hour to each side?

Mr. LONG. Half an hour to each side.

Mr. FANNIN. Mr. President, I have requests from other Senators to make it an hour on each side.

Mr. LONG. Mr. President, I ask unanimous consent that there be a limitation of debate on the amendment of 2 hours, 1 hour to each side.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. FANNIN. Mr. President, I have been requested to add the name of the Senator from Vermont (Mr. PROUTY) as a cosponsor of the amendment, and I ask unanimous consent to do so.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FANNIN. Mr. President, I yield to the Senator from Texas such time as he may need.

Mr. TOWER. Mr. President, one of the greatest injustices apparent in the proposed bill approved by the Finance Committee is the discrimination that will be applied to the employees of professional service associations, such as doctors' and lawyers' offices and paramedical personnel. The primary purpose for the enactment of State laws to allow the creation of professional service corporations was to enable the building and processing of pension plans and funds for the benefit of all the employees of these associations.

For each individual who is a "professional" in such an organization, there are from four to six staff employees—secretaries, nurses, technical specialists, receptionists, bookkeepers, janitors, clerks—who must back up the entire operation. As a profession becomes more complex, still more such backup personnel will be needed, or the quality of professional service will decline. With the adoption of the committee's recommendations, the organizations will be unable to compete with other businesses and industry for the needed personnel. Professional employers will be discriminated against by being denied the tax treatment accorded other employers who create pension and retirement benefits. Likewise, their employees will be discriminated against by being denied the right to participate in such programs.

At a time when we are stressing equity of treatment for the taxpayer, it makes no sense to discriminate against the professional taxpayer and his employees. In the November 3 issue of the U.S. News & World Report there is an interview with Dr. John A. D. Cooper, president of the Association of American Medical Colleges. In this article, Dr. Cooper points out the need for more attractive jobs in the industry so that more people will consider them for careers. Retirement and other fringe benefits are an important part not only for securing career-type personnel, but also for retaining trained personnel once they have entered a given field. If the professional organizations are not put on an equal plane for competing for these people, the service they render will suffer and our quality of living will be diminished.

Recently, the Deputy Assistant Secretary of the Treasury, John S. Nolan, realized how inequitable the committee's position would be and had these comments on the matter:

The Treasury Department is opposed to the imposition of limitations or requirements on retirement plans solely because of the type business engaged in or the form in which business is conducted. We believe that the distinction in present law between qualified retirement plans of self-employed persons and corporate plans generally is unwise and should be eliminated.

Then Mr. Nolan went on to say that the Department is currently drafting legislation on this problem which will deal effectively with allowing the professional corporations to compete and said:

It is our position that it would be preferable to defer action on retirement plans of both professional service corporations and subchapter S corporations until next year when we expect to present comprehensive legislation recommendations concerning all employee benefit plans.

Mr. President, not only is the discrimination against professional service organizations opposed by logic and the Treasury Department, but such discrimination is also in contravention to the overwhelming weight of judicial authority on the subject. In the last 6 months, at least three separate circuit courts of appeal have upheld the equity of allowing professional service organizations, duly organized under State law, to be considered as corporations for income tax purposes.

In *O'Neill* v. *United States*, 410 F. 2d 888 (6th Cir. 1969), the court held that the definition of what is a corporation is well established in this country, dating to Chief Justice Marshall's declarations on the subject in the Dartmouth College case of the early 1800's. This definition, which would be changed if the committee's language is accepted, was held to be as good now as it was at the time it was announced. This definition allows professional service organizations to be considered as corporations for income tax purposes.

In a recent fifth circuit case, *Kurzner* v. *U.S.*, 413 F2d 97 (1969), the court was even stronger in the denunciation of attempts to deny corporate standing for tax purposes to the organizations. This court called such attempts "wholly arbitrary and discriminatory," and further concluded that they were "* * * bold attempts not to conform but to avoid judicial decision." "The only apparent expediency served by such attempts has been the collection of more taxes; in this regard, we need only observe that the courts have not yet become so cynical as to subscribe to the tax-dollar school of statutory construction." This rationale was even further buttressed in a tenth circuit case, *U.S.* v. *Empey*, 406 F2d 157 (1969), where the court under-

scored the right of professional service organizations to be considered corporations, where permitted by State law, and classified attempts to prevent such action as "unreasonable" and "invalid." As the courts have refused to give in to such openly "wholly arbitrary and discriminatory" characterizations of professional service organizations, which deny to them the rights granted to other, similar organizations, we in the Senate should do likewise.

Thus, Mr. President, I propose that we strike those provisions which would discriminate against the professional service associations and other similar organzations as being not in the best interest of the policy of the Nation. The Treasury Department has endorsed this proposal as best serving its policy of considering this entire field, which it is currently doing. The circuit courts of appeal of four of the circuits in the United States have held that to do any less is a discrimination against the rights of the associations and should not be allowed.

In the interest of elemental fairness, I urge that the amendment of the Senator from Arizona (Mr. FANNIN), which I am delighted to join with him in cosponsoring, deleting this discrimination, be adopted.

Mr. President, I commend the distinguished Senator from Arizona for bringing this issue to the floor and giving us an opportunity to redress what I consider to be an imbalance and an inequity.

Mr. PERCY. Mr. President, will the distinguished Senator from Arizona yield me 4 minutes?

Mr. FANNIN. I yield 4 minutes to the Senator from Illinois.

Mr. PERCY. Mr. President, I am seated in the Senate to the right of the Senator from Texas, though not very frequently do I find myself to the right of him ideologically. I find myself today four-square behind him, and certainly behind the distinguished Senator from Arizona, in the amendment they are now offering.

This is an amendment that looks to equity, it looks to organization of our health resources, and it looks to how we are going to provide health care to the people of this country.

I rise in strong support of the pending amendment. It is vitally important to continued improvement of health care in this country.

In this richest most affluent nation in the world, we are deficient in many respects in the health care assistance we offer to Americans, especially those living on lower incomes. We are able to develop effective heart transplant procedures and advances in immunology are dramatic. Yet, when it comes to caring for health needs of the average citizen, our material advances and scientific achievements frequently seems to have deserted us.

Today the Nation's practicing doctors for the most part largely function as 300,000 independent and uncoordinated medical systems. We need to take measures to encourage and assist the medical profession to make more efficient and economical use of their strong and independent operations. It would seem logical to encourage wider multispeciality group practice to allow greater availability and utilization of expertise, ancillary personnel, and costly facilities. Closely related to group practice is the team approach to medical care. This technique has demonstrated an effective means of supplying sound health care where it has been tried.

The pending amendment would encourage the expansion of group practice by deleting restrictive provisions written in by the Senate Finance Committee. These provisions would limit members of professional corporations to the same pension and profit-sharing plan basis as self-employed individuals. This removes an important incentive for group practice.

If the committee provision prevails, members of professional corporations would be allowed to contribute only 10 percent of their income to pension plans up to a maximum of $2,500 per year. This is unrealistically low.

The Treasury Department is currently conducting a study of the whole area of deferred compensation. The study will be completed in the spring. At that time Treasury expects to recommend sweeping changes in the whole area affecting all taxpayers. In the meantime Treasury supports this amendment deleting section 901 of the tax bill. I feel that the current law should not be changed until such time as the Treasury report is ready. Edwin S. Cohen, Assistant Secretary of the Treasury for Tax Policy, has stated that—

> It would be preferable to defer action on retirement plans of . . . professional service corporations . . . until next year when we expect to present comprehensive legislation recommendations concerning all employee benefit plans.

Some other points I feel that are of importance:

The committee provision was written into the bill without hearings and without affording an opportunity to present counterarguments.

The benefits realized by existing law are not just for the employer, but must be given proportionately based on salary to all employees.

The courts consistently have ruled that professional corporations should be taxed no differently from other corporations and IRS has been rebuffed by the courts in every instance of trying to change this tax treatment.

This amendment would not allow professional corporation employees to deduct unlimited amounts of income. Any pension plan of a professional corporation must be an IRS qualified plan with benefits the same for all employees in the corporation—in the case of doctors that would mean for doctors, nurses, technical personnel.

Contributions to the plan must meet IRS standards of reasonableness and IRS will disallow excessive contributions. In any event contributions to profit-sharing plans are limited to 15 percent of salary.

For all the above reasons I strongly urge adoption of the amendment.

The PRESIDING OFFICER. Who yields time?

Mr. LONG. Mr. President, I yield myself such time as I require.

I ask unanimous consent to have printed in the RECORD an article entitled "Physicians Profit From Tax Device," written by Sandra Blakeslee, and published recently in the New York Times.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

PHYSICIANS PROFIT FROM TAX DEVICE

(By Sandra Blakeslee)

Thousands of physicans across the country have begun to take advantage of a lucrative tax device that is saving many of them more than $15,000 a year in taxes.

Some doctors are finding they can use the same device to retire on 10 times as much money as they once planned—without earning a penny more during their careers.

The growing popularity of this tax mechanism—the professional corporation—was reflected in interviews with medical society officials, legal counselors, management consultants and physicians from around the country.

"It's the hottest thing to happen to us doctors since penicillin," remarked a heart specialist from California.

The tax device is also available to other professional men, such as lawyers and architects, but they do not appear to be utilizing it as widely as doctors because of problems peculiar to their professions. However, authorities said the concept might find wider popularity as the practice among doctors became better known.

The Treasury Department, which is alert to this trend and concerned about it, is studying the matter as part of a broad examination of deferred compensation plans. The agency intends to present legislation in 1970 that would seek to outlaw this practice and to deal with what it considers to be other inequities in the tax treatment of retirement plans for employes and the self-employed.

One reason for the doctors' enthusiasm for the professional corporation is illustrated in the case of a New Jersey physician who for years expected his retirement income to be $10,000 a year. He now expects to get $100,000 a year after age 65, without a change in his current standard of living.

The professional corporation, which has been repeatedly ruled legal by the courts despite frequent attacks by the Internal Revenue Service, is the same as any other corporation except that it is made up of several professional men, or even an individual professional man, rather than businessmen. Like most corporations, the professional corporation is a tax-sheltered entity that is in a special, often enviable position come tax time in April.

I.R.S. SHIFTS VIEW

Before 1950, the I.R.S. said that professional men could group together to form associations, or corporations, and that they would be taxed as corporations, which generally pay higher taxes than individuals.

After 1950, however, the I.R.S. changed its mind in view of amendments to its code that had been made in 1942. These changes allowed corporations considerable savings on taxes through corporate pension plans.

Under the tax agency's 1950 decision, professional men could not legally incorporate because, the I.R.S. argued, a professional corporation is inherently different from a business corporation.

In the eyes of the tax agency, the professional corporation had become no more than a lucrative tax dodge, and the agency sought to prove its point in court.

By 1960, the tax agency had not won its case, but it was making the establishment of corporations increasingly difficult for professional men. It did this by conducting special audits, by filing lawsuits and by doing what it could to discourage the trend.

In the last two years, the agency has fought and lost battles in nine district courts and three Federal appeals courts. The thrust of the rulings was that I.R.S. opposition to professional corporations was "discriminatory" and "patently arbitrary."

On August 8, the door was thrown wide open. The I.R.S., giving up its legal fight, promulgated a new policy that "organizations of doctors, lawyers and other professional people organized under state professional association acts will, generally, be treated as corporations for tax purposes."

Physicians have been attracted to the concept of professional corporations for several reasons, according to doctors, lawyers and medical officials interviewed. One is that many doctors, in the higher income tax brackets, want to save money.

Another is that many more physicians in recent years have been tempted by the advantages of group practice—better hours, better business arrangements and better equipment—and find that incorporation of a group practice offers them the best financial arrangements as well.

Engineers, lawyers and other professional men who might qualify for corporate status have been slower to take advantage of the tax device, several observers said.

"Many lawyers just don't want to fool around with it yet," said a lawyer from Indiana. "They often practice alone and don't want to go into groups, since groups offer the best excuse to needing a corporation."

STATE ESTIMATES

Many engineers in New York State, for example, oppose professional corporations, a legislative adviser from Albany said. "Many people don't feel it's kosher," he said.

Estimates of how many doctors are turning to corporate practice are difficult to make, according to the American Medical Association.

The legal department of the A.M.A. receives dozens of requests each day from physicians asking for advice on incorporation procedures. The association mails them a brochure describing the situation in detail.

Some state medical societies will hazard estimates.

In California, for example, 30,000 doctors were said by officials to be lining up at lawyers' offices after a professional incorporation enabling law was passed in April.

The Indiana attorney general said that there were 121 new professional medical corporations in the state as of a month ago and that 5,000 to 6,000 doctors in the state practiced through corporations. The average size of a corporation is three physicians, and 14 corporations consist of only one physician.

Each state is empowered to pass its own laws regulating corporations and setting minimum standards for their organization. Professional corporations, often called associations, are flourishing in 48 states. New York, Wyoming and the District of Columbia do not allow them.

BILLS FAIL IN ALBANY

The battle to legalize professional corporations in New York is being carried on largely by the state medical society, which will try again next year to get the legislature to pass an enabling law.

In the last year in Albany, two enabling bills were defeated as legislators argued that professional corporations would serve no purpose other than to permit doctors to enrich themselves at the expense of the state and Federal Governments.

In other states, however, lawyers and business management consultants have been doing a thriving business with physicians.

One such consultant is Gene Balliet of Teaneck, N.J., who advises doctors in several surrounding states.

Recently, Mr. Balliet drew up a financial plan for a well-to-do client, a specialist in internal medicine with a subspecialty in ailments of the gastro-intestinal tract. If he incorporates, this physician is advised, he will save $17,280 a year in taxes and will be able to retire 23 years from now on an income of $99,900 a year.

The physician, Mr. Balliet said, is not atypical of many successful doctors found in all parts of the nation.

According to Mr. Balliet's analysis, this doctor would fare better financially next year by incorporating, while still maintaining the private, solo nature of his practice.

After incorporating, the doctor would probably pay more in overhead costs, due to added costs in bookkeeping and accounting. However, he would be able to deduct about 20 per cent of his gross income—free from all taxes—to put toward his retirement.

Over a 23-year period, before the doctor reaches age 65, he could thus amass $1,665,200 in investments, which he could draw upon as retirement income.

If he does not incorporate, the doctor is allowed to invest, tax free, only $2,500 a year of his gross income toward retirement. The $2,500 limit, called the Keogh Plan, is set by Federal law for all self-employed professional men except those establishing themselves as corporations.

TAKE-HOME PAY

The doctor's take-home pay, or the dollars in his pocket after taxes at the end of the year, is less after incorporation than before.

However, taking into account the money he has invested toward his future which is part of his income, he can increase his income from $60,800 before incorporation to $72,850 after incorporation—a gain of more than $12,000.

The A.M.A. Newsletter, in recognizing the advantages of incorporation, said recently:

"A major plus is that corporate practice offers physicians a greater potential economic benefit than any other single element in the financial environment."

The drawbacks of professional corporations, the A.M.A. said, are that the I.R.S. may still oppose professional corporations where it can, that it costs money in legal fees to set up the corporation and that patients may object to being treated by a corporation.

However, some physicians, who have been practicing as corporations for some time, said in interviews that there was no problem in the doctor-patient relationship resulting from the business move.

"My patients don't even know I'm a corporation," said one physician from Skokie, Ill., "and if they did I'm sure they wouldn't care."

There are probably some advantages in professional corporations for patients as well as doctors, according to Mr. Balliet.

Any doctor who has half a million or a million dollars in investments waiting for him at retirement is less likely to raise his fees, Mr. Billiet said. Professional corporations, he added, may serve to hold down medical costs for the welfare of all—doctors and patients alike.

A WEALTHY PHYSICIAN'S INCOME PLAN

[Following is a financial analysis prepared by Gene Balliet of Teaneck, N.J., for a well-to-do medical specialist]

	Continuing in solo practice	As a corporation
Gross practice income for 1 year	$176,700	$176,700
Overhead costs	−$53,000	−$55,650
Amount deducted for tax-sheltered investment plan	−$2,500	−$23,950
All forms of insurance deductible	(1)	−$1,297
Net practice income	$121,200	$95,803
Tax bracket (percent)	64	66
Federal tax paid	$64,180	$46,900
Personal take-home pay	$57,020	$48,900
Deductible investments added back to indicate total personal income	+$2,500	+$23,950
Personal insurance	−$1,297	(2)
Net personal income (total assets)	$60,800	$72,850

Footnotes at end of table.

A WEALTHY PHYSICIAN'S INCOME PLAN—Continued

	Continuing in solo practice	As a corporation
Investment projection: Keogh plan to age 65 (23 years); corporate plan (to age 65)	$173,800	$1,665,200
Retirement income on a 6 percent withdrawal plan (per years)	$10,400	$99,900

[1] Not allowed.
[2] Already paid and deducted.

Mr. LONG. Mr. President, this New York Times article by Sandra Blakeslee discusses the provision involved in the pending amendment as one of the growing bonanzas in terms of tax loopholes.

Some years ago, we had before us the proposal to allow self-employed people to deduct $2,500 or 10 percent, whichever was the lesser, of their annual incomes, to be set aside for retirement. Many of us thought that was a very generous provision. The doctors wanted it, and the lawyers wanted it, and certain other professional people wanted it; and while some of us thought it was altogether too generous, eventually it became the law.

Subsequently someone persuaded the doctors and certain other professional groups that they could have an even greater tax benefit by obtaining the passage of State laws allowing them to set up corporations for the practice of medicine, law, and the other professions.

Corporations, when they set up a retirement plan, are required to have nondiscriminatory plans. They cannot discriminate in favor of highly paid employees. Most corporations have a great many employees covered under their plans, so that the amount of each employee's pension is kept within reasonable bounds by virtue of the fact that benefits must be funded for a large number of employees.

But in the cases where doctors get together and form the kind of corporation that is authorized by these laws, in many instances the physicians are in the overwhelming majority. They are the stockholders of the company, and also account for perhaps 80 or 90 percent of the earnings of all the people working in the corporation. And they have one thing in common: the desire to shelter as much of their income from taxes as possible. Where, under H.R. 10, they can only put aside $2,500 or 10 percent of their earnings, whichever is lesser, under the State laws to which I refer they could put aside a much higher percentage of their earnings before taxes, so long as perhaps the one secretary they might have, or the two or three nurses that they might have, were also included in the plan on a nondiscriminatory basis.

Just to quote one paragraph of the article to which I have referred—and my staff advises me this is sound—

One reason for the doctors' enthusiasm for the professional corporation is illustrated in the case of a New Jersey physician who for years expected his retirement income to be $10,000 a year. He now expects to get $100,000 a year after age 65, without a change in his current standard of living.

Imagine that; he can step up his retirement income from $10,000 to $100,000 a year without any sacrifice in his current standard of living. Uncle Sam is

paying for it. As Senators can well imagine, here is a fast-growing tax loophole in the making right now—a vast tax loophole, created by State laws to grant a loophole in a Federal law.

Mr. GORE. Mr. President, will the Senator yield?

Mr. LONG. I yield to the Senator from Tennessee.

Mr. GORE. And then he may draw this amount down so that it is not taxed as ordinary income, it is capital gains income.

Mr. LONG. If he takes a lump-sum distribution, that is true. But even if he draws it down in installments as ordinary income he has a great advantage. When he puts the money aside for retirement, that is deductible, he pays no tax on it. Then, let us say, it sits in a trust for 20 years earning income, so that the principal, perhaps, by that time, has doubled or tripled by the time he wants to draw it down. There is no tax when the income is earned by the trust—he is taxed only when he takes them down. At that time he may be enjoying the benefit of a much lower tax rate available for retired persons. And if a person is over 65——

Mr. RIBICOFF. Mr. President, the Senator makes a most significant point. Most of the officers of corporations have only themselves as an officer of the corporation.

An example is given in the New York Times of doctors setting up these corporations. A plan is drawn up for a practitioner in solo practice in a State, an internist, who makes $176,000 a year.

Under the Keogh plan adopted in 1962, he would retire with an income of $10,400 a year. Under the present plan, as a corporation, we find the same doctor saving $17,280 a year in taxes. However, in addition, with the use of the same plan, in 23 years he has a nest egg of $1,665,000 and he draws a $99,900 a year retirement payment.

Mr. President, I was very much interested when the distinguished Senator from Illinois talked about our needing doctors to take care of the health of our Nation. I assure the Senator that this doctor who is making $176,000 a year is not concerned with the slums or the poor or the people who really need decent health care.

The Keogh plan, adopted in 1962 at their request, to take care of doctors and lawyers was a modest plan. We agreed to it in Congress. It had rules and regulations making it possible for a self-employed person to put away $2,500 a year, or 10 percent of his income, whichever was lower. Now we suddenly find a new gimmick with corporations being formed.

This is not the situation of a clinic that has been established for a long time. This is a doctor who is practicing by himself and forms a corporation. When the patient goes to the doctor, he does not think he is going to a corporation. He is still going to see Dr. Jones.

Dr. Jones has a loophole and one of the best tax shelters ever devised. His income has been set aside. He will be drawing $99,000 a year retirement instead of $10,000. The taxpayers are paying for it.

It is the worst kind of subterfuge and tax dodge. We should not be encouraging this kind of tax avoidance.

The Treasury is studying the problem, but, we should wait for the Treasury report and allow this loophole to remain untouched.

Mr. President, I commend the Finance Committee for closing the loophole.

This is a tax gimmick that is going on all over the country for the benefit of a small group of doctors and lawyers.

Mr. LONG. Mr. President, the Senator is correct. If we are going to close a tax loophole, we ought to do it when there is some momentum in favor of closing tax loopholes.

I am in favor of tax reform. This is a case of laws being passed by State legislatures with no other purpose in mind than the avoidance of Federal tax laws. A State legislator can vote for such a law with a clear conscience. It will not cost the State government one dime. It will cost the Federal Government. He can vote for it for his doctor friends for the purpose of enabling them to avoid Federal taxes.

These corporations are formed for no other purpose than tax avoidance. There is no effective limit on how much money they can shelter from taxation.

Mr. COOK. Mr. President, if what the Senator is saying is true, where did the committee get the figure of $2,500?

Mr. LONG. I am talking about H.R. 10. That is the existing law. That is the limitation for self-employed people. That is how the doctors wanted it, until someone came up with this scheme.

Mr. COOK. Where did the committee get the figure in the bill of $2,500?

Mr. LONG. That is what they wanted and what is the law for a self-employed person. They were self-employed people. They came up here for it. They lobbied for it.

Now they can set aside a lot more than that under this scheme which we are trying to eliminate in the bill.

Mr. COOK. But the distinguished Senator from Connecticut said a moment ago that they could do all of these things.

We in the Senate have a pension plan. And the funds for that pension program come out of our check. It is a little over $230 a month. That means that we pay $2,500 and more into the pension program in a year. We have to invest in it for at least 6 years. I do not know how much the Government puts into it at the moment. It would be less than 3 percent a year. And we are trying to figure how on $2,500 a year this physician that everyone goes to can build for himself a decent pension plan. He cannot build on it at all.

Mr. LONG. We do not get a tax deduction on ours. We pay taxes on the money we put up. That is more than you can say for our doctor and lawyer friends. They have a tax deduction, and from a practical point of view they can put as much more into the plan as they want when they pay taxes on that extra money.

That is not what I am complaining about. I am complaining about putting this money aside without paying one penny in taxes. We pay taxes on the money we put in.

Mr. COOK. Mr. President, the reason I asked the question is that I am trying to figure how with a $2,500 limit on the pension plan they can build up much of a pension.

Mr. RIBICOFF. Mr. President, for many years a leader in the fight was Representative Keogh of New York. At the request of the doctors and lawyers, he fought for a special provision in the tax laws to allow a self-employed person to set aside 10 percent or $2,500 a year, whichever is lesser, from his income, which he could take as a tax deduction in order to build up a pension plan.

This took many years to go through. In 1962, Congress adopted H.R. 10, the Keogh plan, which for the first time allowed doctors and lawyers to have a pension plan of their own.

The pension system enabled a doctor to start building up an estate. If the Senator will follow with me this example that was cited in the New York Times of a plan, that was drawn up for a physician in New Jersey, we will see what happens under H.R. 10.

We have a physician with a gross practice of $176,700. He has overhead cost of $53,000. He has a little more overhead cost if he is a corporation.

He then deducts tax free, his investment plan under the Keogh plan of $2,500 a year. But, when he is a corporation, he can now deduct $23,950 a year. This is a new tax shelter.

Mr. COOK. He can do that.

Mr. RIBICOFF. Under the Fannin proposal, which is now advocated by the Senator from Arizona we would have this tax gimmick prevail. It is not illegal. The Treasury Department has ruled it is proper.

Mr. GORE. Mr. President, the Treasury has lost case after case in the courts until they say they cannot contest it further.

Mr. FANNIN. The Senator is saying that I advocate this. That is not so. The Senator is stretching the facts.

Mr. RIBICOFF. I say the Senator is trying to permit it to remain as it is at the present time.

Mr. FANNIN. Until we have hearings and treat everyone alike.

I am just asking for the same treatment for a professional corporation that is given everyone else, other corporations. I am not asking for any special privileges.

Mr. RIBICOFF. Not special privileges, but I am talking about the thrust of the Senator's proposal as against the thrust of the committee proposal, and I am comparing them.

Mr. FANNIN. The committee proposal is discriminating against one group.

Mr. RIBICOFF. No, I do not think the committee proposal is discriminating against anybody. The committee proposal wants to plug a loophole before it spreads like wildfire, all through America.

There is a paragraph here that, in California, officers said 30,000 doctors were lining up at lawyers' offices after the Professional Corporation Enabling Act was passed in April.

Mr. FANNIN. How many corporations do we have in the United States?

Mr. RIBICOFF. I do not know. Hundreds of thousands.

Mr. FANNIN. That is correct.

Mr. RIBICOFF. But I do not think we should be in a position, frankly, of giving doctors and lawyers this tremendous loophole.

Mr. FANNIN. Does the Senator favor passing measures without having hearings, without having departmental reports? Does he think it is fair and equitable to pass measures on that basis?

Mr. RIBICOFF. I think there is collective wisdom in the Senate of the United States, and I think that the collective wisdom of the Senate in many instances is superior to that of a bureaucracy or a department. I do not hesitate to have the Senate initiate the legislative process. What has been wrong with the legislative process over the last 30 years is that the Senate has failed to take the initiative and has waited, hat in hand, for a decision to be made at the other end of Pennsylvania Avenue.

Mr. FANNIN. Does the Senator think that we are prepared to pass judgment on matters with which we are not familiar, with which we can become more familiar by getting the departmental reports, by getting information, and by giving the people involved an opportunity to testify?

Mr. RIBICOFF. Yes, I do. I think that the Senator from Arizona, the Senator from Louisiana, the Senator from Tennessee, and I have sufficient knowledge and experience that we do not have to apologize to someone who is in the Treasury Department for making a decision. Members of the Treasury Department and even the Secretary of the Treasury, have only been there 5 or 6 months. I think that our collective experience and wisdom is equal to theirs. I do not hesitate to take the initiative in the legislative process, and I hope the day never comes when the Senate fails to take the initiative.

Mr. GORE. Mr. President, will the Senator yield?

Mr. RIBICOFF. I yield.

Mr. GORE. The distinguished Senator from Arizona indicates that the committee is trying to discriminate against professional corporations. As a matter of fact, the committee has a provision in this bill to put the same limits on subchapter S corporations, small business corporations.

Mr. FANNIN. Partnerships.

Mr. GORE. Similar to what it recommends for professional corporations. So, instead of the committee discriminating, the Senator from Arizona would discriminate against small business corporations by providing for so-called professional corporations a kind of tax benefit for retirement which is denied to the small business corporations.

Mr. FANNIN. They have the privilege of electing how they are going to be taxed. They have the privilege of making a determination. We are not giving the same privilege.

I am not talking about what should be done. I am talking about fairness and equity in permitting the people involved to come before us and testify and then getting departmental reports, so that we can evaluate.

Mr. GORE. Mr. President, will the Senator yield?

Mr. RIBICOFF. I yield.

Mr. GORE. I rose to make this comment because it was the distinguished Senator from Arizona, himself, who raised the question of discrimination. Discrimination is not involved in the provision in the committee amendment as between professional corporations and subchapters corporations. The discrimination would be worked if the amendment of the distinguished Senator from Arizona should be adopted.

Mr. COOK. Mr. President, will the Senator yield?

Mr. RIBICOFF. I yield.

Mr. COOK. First, let me say that I do not mean to disagree with the Senator from Tennessee. One has an election as to whether he wants to go under section 401 of the Internal Revenue Code or under chapter S, and I think it would be found that the same small corporation would elect to go under 401.

I should like to make one thing clear. When we talk about the fact that, somehow or other, it is like Senator Pastore's poor widow who has to work in a grocery store or a department store, this just does not apply to a doctor. If he elects to have one of these programs under section 401, is it not true that he makes an election and that he has to file a qualified pension plan with the Department, and that it not only applies to the doctor but also to everybody else who works in his office? It applies to the nurses and to the secretaries. It applies to engineering firms and their employees. It applies to law firms and their secretaries. It does not apply to the individual alone.

Mr. RIBICOFF. That is correct. But there is a great difference in how this operates, because there is a sense of balance under the Keogh plan. I will cite the difference, with the same doctor.

Under the Keogh plan, which was passed in 1962, the investment projection in 23 years for the same doctor with a lucrative practice of $173,800, would give him a retirement income, on a 6 percent withdrawal plan, of $10,400 a year. But under the present corporate plan, the same doctor, with the same income, would have an investment projection of $1,165,200, with a retirement income of $99,900 a year. This is a great variable. The nurse who works there is not going to receive $99,900. The nurse who works there will probably retire at an income of $4,000, $5,000 or $6,000, depending on how many years she has worked for him.

What we have here is a situation that is going like wildfire, and we are trying to prevent a loophole from becoming larger and larger until we find out the Treasury's program to treat all retirement plans, which they do not have.

What we have here is a discriminating feature, because not every State has the same type of incorporation laws. Not every doctor is incorporated, not every lawyer is incorporated, when they are incorporated it is not a true corporation; because, basically, doctors still have to have ethical concepts; they are still personally liable. They do not have corporate liability.

Something completely false has been engrafted on our corporate system—not a true corporation but just a shadow corporation, taking advantage of a tax loophole gimmick.

Mr. President, our system of progressive taxation on higher incomes has been generally accepted for several generations.

But this system crumbles when a high income bracket taxpayer is permitted to take 20, 30, or 40 percent of his income which he earns in one year and defer it in such a way as not to pay any taxes until a much later date when he is in a considerably lower tax bracket.

The whole concept of deferring large chunks of income is contrary to the theory of our tax laws. Deferrals can only be used by people with high incomes. The vast majority of taxpayers must use all of their current income to meet current expense.

In 1962 Congress gave careful consideration to the area of allowable income deferrals for self-employed people. At that time the Congress set clear guidelines for future policy. These guidelines are known as the H.R. 10, or Keogh, plan.

Since that time a great many professional people have simply circumvented these guidelines by establishing professional corporations. There is no doubt that the major if not only motivation for these corporations was the tax angle to escape from H.R. 10 guidelines. No other basic change is made. These people are still self-employed. Often their clients do not know they are dealing with a corporation.

As a result, doctors, lawyers, engineers, who remain basically self-employed are not subject to the law for the rest of the self-employed. These people have been able to deduct tremendous percentages of their current income tax free.

The tax savings have been enormous. For instance, the professional with a net income of $100,000 who previously could deduct only $2,500 under the Keogh plan can, by simply incorporating, be able to deduct say $25,000. This permits him to decrease his taxes by over $15,000.

In only 10 years' time this man will be able to set aside a question of a million dollars—60 percent of which is tax money when he escaped from paying.

Mr. President, the Finance Committee studied this matter very carefully. It has recognized that the provisions of the bill may create a disparity among professionals and the corporate executive. But it has also recognized that the Treasury Department is at this moment carefully studying this area and will propose legislation to deal with these problems in the very near future.

But this Treasury study is no reason to delay closing off this loophole used by professional persons who are still essentially self-employed people.

Mr. LONG. Mr. President, will the Senator yield?

Mr. RIBICOFF. I yield.

Mr. LONG. Let us assume two doctors get together and form themselves into one of these professional corporations, set up a retirement plan, and put 25 percent

of the money they make into this tax shelter retirement plan. They can include in the plans, let us say, a 10-year vesting provision. Then, having set aside 25 percent of each nurse's salary for the retirement plan, if a nurse quits before the end of 10 years, they can use the amount they put in to fund her pension, to fund the other pensions including their own.

Mr. RIBICOFF. I quote from the AMA newsletter:

A major plus is the corporate plan which offers physicians a greater potential economic benefit than any other single element in the financial environment.

Mr. GORE. Mr. President, will the Senator yield?

Mr. RIBICOFF. I yield.

Mr. GORE. The irony of this debate is illustrated by the fact that last evening the distinguished President of the United States indicated a possible veto of this bill, for one reason, that it provides a 15-percent increase in the social security benefits——

Mr. COOK. The President did not say that last night.

Mr. GORE. I listened.

Mr. COOK. They asked him if he would veto the bill under the circumstances, and he said, "Yes." He did not expand. He did not say what the reasons were.

Mr. GORE. He did not say "yes."

Mr. COOK. He said, "No," that he could not support it.

Mr. GORE. As I understood the question—and it is in the newspapers today—the reporter rose and asked the President if he could sign the tax bill if it contained a 15-percent increase in social security benefits and an $800 personal exemption. He gave a one-word answer—"No."

Mr. COOK. The Senator does not have any illusions about the other things done in this bill, has he?

Mr. GORE. The irony of this is illustrated by the fact that the President is talking about vetoing this bill because it provides a meager personal exemption of $800 and a 15-percent increase in social security benefits, social security benefits presently average only in the neighborhood of $100 a month and the 15 percent increase would raise this by less than $25 per month. Here we are talking about tax deductions for retirement systems running into hundreds of thousands of dollars a year, and then, an amendment is offered to strike it out. I suppose the President would sign the bill if we did that.

Mr. LONG. The Treasury opposes our doing anything about this fantastic loophole until we spend a year studying it.

Mr. FANNIN. Mr. President, that is not true. They said they will take it up all together.

Mr. RIBICOFF. Mr. President, I am amazed at where this discussion is going. Since when does the Senate depend for its decision on what any secretary has to say? What has hurt Congress is that we have forgotten there are two ends to Pennsylvania Avenue, one end where the President is, and the other end where we are. We should look at legislation and not wait for what the Treasury, the Department of Interior, or the Department of Commerce sends here. That is why we have debates. There is not a man here who did not come here with a great deal of background and experience in life and in Government. I do not defer to anyone in the agencies in my judgment as to what we should do. We can study the problems and we are qualified to act.

Mr. LONG. Mr. President, we have in this bill what is known as section 311. That was not the subject of the hearings. An article appeared in Forbes magazine that pointed out a device that insurance companies and others were relying on. I believe the Senator from Delaware dug it out and said "Look at this. It is awful." We asked the Treasury Department what they thought about it. They said corporations other than insurance companies also use that device.

The Treasury Department fought this device, but the courts were deciding the lawsuits in favor of these corporations. Finally the Treasury Department gave up.

We looked at the situation and decided to act. The Treasury Department did not speak, but they know something has to be done about it.

If they are not going to make doctors and other professionals pay taxes, how are they going to make others? The committee thought the doctors should pay taxes.

Mr. RIBICOFF. And the lawyers.

Mr. COOK. Mr. President, there is one point I would like to make to the Senator from Louisiana. I do not think he is just talking about doctors. I am not a doctor, and I could not get to be one, anyway, I expect. You could have the same situation if plumbers got together, and I suspect some of them have 401 plans. It could be a tile man or anybody else, if they are not a corporation. They could qualify under this if they got approval. This is not just professional groups of doctors and lawyers. I think it should be pointed out that is true under 401 pension plans, if you file with the Internal Revenue Service and get approval.

I recall talking to the Senator from Connecticut yesterday. We were talking about social security provisions. I gave an example. In the Senator's mind it was an example of extremes. I would say the example of the doctor with a pension plan under 401 who gets $90,000 a year—I am sure the Senator would admit it—is an extreme.

Mr. RIBICOFF. I would say that basically the medical profession is the highest paid profession in the country at the present time. The plumber does not earn $100,000 a year or $150,000 a year.

Mr. GORE. Mr. President, before the Senator leaves the Chamber I would like to clarify one matter. May I have the attention of the Senator from Kentucky?

Mr. COOK. I gave the Senator the article. I read it.

Mr. GORE. Mr. President, the Senator from Kentucky states "if they obtain approval." That is what the law suits have been about. The Internal Revenue Service has lost all the cases. Therefore, it is no longer attempting to enforce the regulations.

Now I wish to read to the Senator the question and answer to which reference was made earlier. The question asked the President at the news conference last night was:

Q. Sir, if the final version of the tax reform bill now pending in Congress includes the Senate-adopted $800 exemption provision and the 15 percent Social Security increase, can you sign it?

A. No.

Mr. COOK. I would hope the Senator would state for the RECORD that I gave him the article.

Mr. GORE. I appreciate it very much. However, it illustrates this point:

We have been debating for an hour and a half a reasonable provision in the tax bill to put some reasonable limit on tax deductions for personal corporation retirement systems when the President is threatening to veto the bill because we gave a 15-percent increase for the old people trying to live on social security.

Mr. FANNIN. Mr. President, I ask unanimous consent that the names of the Senator from Kentucky (Mr. COOK), the Senator from Colorado (Mr. ALLOTT), the Senator from Oregon (Mr. HATFIELD), and the Senator from Oklahoma (Mr. BELLMON), be added as cosponsors of the amendment.

The PRESIDING OFFICER (Mr. ALLEN in the chair). Without objection, it is so ordered.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. FANNIN. I yield 2 minutes to the Senator from Texas.

Mr. TOWER. Mr. President, I was impressed with the talk about Congress acting independently of the executive departments. I seem to recall that a few days ago when the President complained that the legislative program was not moving rapidly enough through Congress that the response of congressional leadership was that there were many bills on which they had received no reports from executive departments and agencies. I think that is a rather moot point here.

I am concerned about what was brought out in the testimony. I would like to ask the Senator from Arizona the extent to which abuses under H.R. 10 were brought out in testimony before the committee. Were these abuses catalogued or inventoried? How many appeared before the committee?

Mr. FANNIN. We did not have testimony before the committee.

Mr. TOWER. No testimony on this?

Mr. FANNIN. No testimony and no departmental report.

Mr. TOWER. I find that shocking, Mr. President.

The PRESIDING OFFICER. Who yields time?

Mr. HRUSKA. Mr. President, will the Senator yield to me for 3 minutes?

Mr. FANNIN. I yield 3 minutes to the Senator from Nebraska.

Mr. HRUSKA. Mr. President, I would not take a position on any subject brought before the Senate simply because a Secretary or anybody else said they had reached a particular conclusion. I do not think that is enough. I would like to know his reasons for that conclusion.

Mr. President, I rise to support the Fannin amendment for two reasons. First, there were no hearings, and sec-

ond, the Treasury is opposed for good and substantial reasons.

LIMITATIONS ON CONTRIBUTIONS TO PENSION AND PROFIT-SHARING PLANS

Mr. President, the Treasury is in opposition to sections 531 and 901 of the Tax Reform Act, which would impose limitations on contributions on behalf of shareholder-employees to qualified pension and profit-sharing plans of subchapter S corporations and professional service corporations. Its opposition results from the belief that an overall review of the entire deferred compensation area is necessary but that piecemeal amendments are not an effective way of dealing with the problems in this area.

During the past several months, I am informed, the Treasury has been studying intensively this area, with a view to submitting comprehensive recommendations to the Congress early next spring. One conclusion of this study is that the distinction in present law between corporations and unincorporated businesses is an unwise one. Not only is it questionable from the standpoint of tax policy, but it also has important nontax implications. This distinction is undoubtedly responsible for the enactment of special legislation in 47 States permitting professional persons to practice their professions in corporate form. While most of this legislation contains safeguards intended to maintain the traditional relationship between the professional and his client, it is not certain that this result will obtain, and this relationship may be altered.

One of the questions the Treasury is studying is the desirability of limits on contributions to or benefits under pension and profit-sharing plans, the form in which these limits should be cast, the effect of contributions or benefits in excess of these limits. Thus, the matter with which sections 531 and 901 deal will be specifically covered in the recommendations to be made next year.

With respect to section 531, it should be noted that this provision was recommended as part of a comprehensive revision of subchapter S of the Internal Revenue Code. This revision would have simplified subchapter S substantially and made the tax treatment of corporations electing its benefits more similar to that of unincorporated businesses. In this context, it was not unreasonable to extend certain of the limits on retirement plans of unincorporated businesses to retirement plans of subchapter S corporations. Whatever the merits of this argument, it clearly does not now apply since the comprehensive revision of subchapter S recommended by the Treasury was not adopted.

The Treasury Department supports the deletion of sections 531 and 901 from the Tax Reform Act. At a minimum, the Treasury believes that the effective dates of these provisions should be delayed for 1 year to permit consideration of the Treasury's recommendations in the deferred compensation area.

Mr. President, this Senator addressed a letter to the Treasury Department concerning these two sections, and under late of November 21, Assistant Secretary Edwin S. Cohen, directed a reply to me, and I ask unanimous consent that at the conclusion of my remarks the text of that letter be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. HRUSKA. Mr. President, among other things, here is what the letter says:

We believe that the distinction in present law between qualified retirement plans of self-employed persons and corporate plans generally is unwise and should be eliminated.

The elimination of this distinction is one of the objectives of the review which we have undertaken of the entire deferred compensation area. The accomplishment of this objective may involve the imposition of some form of limitation on contributions or benefits for high-paid corporate employees, at least for shareholder-employees, and the adoption of uniformly applicable requirements for vesting, eligibility, and other matters.

Mr. President, it seems to me that the reasons for the Secretary's conclusions are what are important. He is asking that this matter be deferred until a time that will be more suitable and in keeping with the rules or logic and of determination of sound, public policy.

Thus, I would urge that the amendment be agreed to achieve this objective.

Failing its adoption, Mr. President, I intend to offer an amendment which would make the subchapter S and the professional corporation sections applicable for tax years beginning after December 31, 1970. In the interim, the Treasury Department can submit to the committee and to the Senate the results of its study; we can then have hearings and proceed in a logical and deliberate fashion, which will be much more in keeping with the determination of policy in such an important area.

EXHIBIT 1

THE DEPARTMENT OF THE TREASURY,
Washington, D.C., November 21, 1969.

Hon. ROMAN L. HRUSKA,
U.S. Senate, Washington, D.C.

DEAR SENATOR HRUSKA: You have requested a statement of our position on the Senate Finance Committee action extending the limitations on contributions now applicable to retirement plans of self-employment persons to retirement plans of professional service corporations.

As a general matter, the Treasury Department is opposed to the imposition of limitations or requirements on retirement plans solely because of the type of business engaged in or the form in which business is conducted. We believe that the distinction in present law between qualified retirement plans of self-employed persons and corporate plans generally is unwise and should be eliminated.

The elimination of this distinction is one of the objectives of the review which we have undertaken of the entire deferred compensation area. The accomplishment of this objective may involve the imposition of some form of limitation on contributions or benefits for high-paid corporate employees, at least for shareholder-employees, and the adoption of uniformly applicable requirements for vesting, eligibility, and other matters. Action in these areas is consistent with our basic objective in this area, the formulation of a statutory framework which will encourage the development of a strong private retirement system, enabling us to decrease our reliance on the public system.

With regard to the particular matter under consideration, we believe that it would be preferable to defer action on retirement plans of both professional service corporations and so-called subchapter S small business corporations (also affected by the Tax Reform Bill) until next year when we expect to present comprehensive legislative recommendations concerning all employee benefit plans. At the very least, any provisions in the Tax Reform Act extending the limitations of present law applicable to self-employed retirement plans to retirement plans of subchapter S corporations or professional service corporations should be effective only for taxable years beginning after December 31, 1970. This postponement would provide sufficient time for us to complete our study and develop our recommendations and for the Congress to act upon them. Congress could act with the benefit of the views of the groups interested in corporate plans and the views of self-employed persons concerning our recommendations. This limited postponement would at the same time serve to make clear the intention of the Congress to act quickly in providing the much needed reforms in this area.

I hope that this expression of our views will be helpful to you in your consideration of this matter.

Sincerely yours,

EDWIN S. COHEN,
Assistant Secretary.

Mr. LONG. Mr. President, do I understand correctly that the Senator is suggesting we should make the effective date of the provision in the committee bill December 31, 1970?

Mr. HRUSKA. Yes. If the Fannin amendment is not agreed to, I intend to offer an amendment which would achieve that purpose.

Mr. LONG. In the spirit of compromise, I would be willing to agree that we would make the date in this proposal—and I should like to ask that the Senator from Arizona (Mr. FANNIN) be alerted about this matter—I would be willing to agree that we make the date of the provision we are discussing December 31, 1970. It will be a lot easier to close this loophole after we conduct the hearings and proceed with regard to this matter. All lawyers know that that will have to be passed on to close the loophole—something like getting the genie back inside the bottle, after Congress has reasonably agreed to it, to permit this claim to continue. This would be a better way to handle it when, next year, we finally agree on what would be in order to take effect, rather than acting without seeing what the situation would be.

Mr. FANNIN. I appreciate what the Senator is talking about.

Mr. LONG. We would continue existing law until December 31, 1970, and at that point the amendment would go into effect unless we have agreed to some other alternative between now and then. I think the Senator would agree that something must be done about this. The Treasury would be the first to agree that something must be done. It seems to me that if we are going to have to vote, in the long run, to plug a loophole of this kind, something must be done between now and the end of next year, because if nothing is done about the matter, the committee amendment would go into effect.

Mr. TOWER. Mr. President, I would urge the Senator from Arizona not to

accept that, because I think many of us feel that we should hold hearings before we positively enact legislation on this subject. Within 1 year's time, that can be done. Therefore, I would not like to see this locked into the law, on the basis of what we think may or may not be right.

Mr. FANNIN. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Arizona has 36 minutes remaining and the Senator from Louisiana (Mr. LONG) has 26 minutes remaining.

Mr. FANNIN. Mr. President, I yield such time to the Senator from Texas as he may desire.

The PRESIDING OFFICER. The Senator from Texas is recognized further.

Mr. TOWER. Mr. President, therefore I urge the Senator from Arizona not to accept the proposal offered because I think we have adequate time to hold hearings, and to consider and enact constructive legislation based on the accumulation of the appropriate facts in the matter.

Mr. FANNIN. Mr. President, I thank the distinguished Senator from Texas. Let me say to the distinguished chairman of the committee that I appreciate very much his thoughts, but there are a number of cosponsors that I cannot contact immediately and therefore would like to defer the Senator's proposal at this time.

Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. LONG. Mr. President, from time to time, we have seen articles or cartoons to the effect that the Senate Finance Committee was whittling away at the bill. However, for those who have doubts about the ability of the majority of members of the committee to plug up loopholes when we find them and do what should be done in a certain area, I believe we have a good example of it right here.

The vote was 12 to 4 in the committee. One can say that we did not have hearings, but on the other hand, we did not have the opportunity of doctors and other professional groups bringing pressure on members of the committee who voted on this matter, before they voted on it.

The balance on the committee is about the same as in the Senate, and when we looked into the matter, we decided, by a vote of 12 to 4, that the loophole should be closed.

If legislation is desired in the future, we can have it. The Treasury can bring in its recommendations. But the Treasury's recommendations should come in against a loophole that has been closed, not against a newly created loophole that has gone into effect, because when we have people enjoying a tax advantage never intended, it is very difficult indeed to take it away. I submit it is better to close the loophole in the beginning rather than to allow people to create at all these plans authorized by State legislatures, and then say they are being discriminated against when Congress does what it should do.

Mr. GORE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. GORE. I think it would be interesting to see how many Senators who voted against increasing the exemption for a dependent child from $600 to $800 will now vote to give tax deductions for retirement plans that are without limit. The Senator from Connecticut read into the RECORD the example of a deduction of $23,950 to provide a retirement plan of $99,900 a year.

The pending amendment by the Senator from Arizona is to continue the legality of these kinds of retirement plans and deductions for those kinds of plans. So it will be interesting to see how many Senators who opposed raising the personal exemption for a dependent child from $600 to $800 will now vote to continue tax deductions for such retirement plans as these.

Mr. LONG. May I say it would be even more embarrassing, if we are going to look at the record, to see how many could not vote for a social security increase but who will now vote that a doctor can take a $100,000 deduction to achieve that result. So, just comparing rollcall votes to see how it would be embarrassing, that might be equally worthy for comparison purposes.

Mr. GORE. But they say "fiscal responsibility."

Mr. COOK. Mr. President, I think if we are going to go into the record to see who voted for something and who voted against something, I think we should show for the record that the personal exemption was $500 in 1958 and it went to $600 in a Republican Congress. The President was President Truman. I think the record should likewise show that the now Senator from Tennessee was a Member of the Congress who voted against it, and when the President vetoed the bill, he voted to sustain the veto. So I think if Senators are going to show how one voted yesterday and today, we ought to have the full record.

Mr. LONG. Mr. President, I point out that under this tax avoidance device one can get a tax shelter and not pay a tax on part of his earnings until he retires and then pay the tax only as he draws down the money for his personal use. He will be in the more favorable situation which exists when he retires at age 65. He could even draw it down in a lump sum settlement, at capital gains rates.

Mr. FANNIN. Mr. President, this amendment does not change present law. All we are asking is to have hearings and to have departmental reports, and take it up in proper order.

Mr. LONG. All I am saying is that one does not need to look at this situation very long to see that those affected have a big tax avoidance device. Every defense against that argument has been a procedural defense rather than a defense on the merits. This is one of the big tax loopholes we discovered while we were considering this bill. This and section 311 were two big tax loopholes I was not apprised of until we commenced the executive sessions. I am happy to say for the Finance Committee that, having seen them, the committee then closed them.

Mr. FANNIN. The Senator understands the difficulty of arguments from the standpoint of news stories and news programs. The Senator made reference to a news article. There are other reports in the press we could use, but the Senator knows we are not going to get bogged down that way.

Mr. LONG. The difference is that no one in the Treasury says this is not a big loophole, nor would anyone on the staff or on the committee argue that this is not a very big loophole and should not be closed. Even the Treasury says it should be closed sometime.

Mr. FANNIN. But it should be done in an equitable, orderly manner. Fine, we go along with that.

I do not think it is necessary to argue further about it. We could talk all day. Is the Senator ready to yield back the remainder of his time?

Mr. CANNON. Mr. President, will the Senator yield briefly to me?

Mr. FANNIN. I yield.

Mr. CANNON. Mr. President, in almost all of the States today, doctors, lawyers, engineers, accountants, and other professional individuals have created corporate entities for the benefit of themselves and their shareholder-employees.

The right to establish professional corporations was won in a series of court actions contested by the Commissioner of Internal Revenue.

The Keogh bill (H.R. 10) gave self-employed individuals the right to establish pension plans not to exceed 10 percent of earned income or $2,500, whichever is less.

That measure helped the self-employed to lay away a nest-egg toward the retirement years.

Yet, the allowances under Keogh are less than those permitted to corporations.

Now, these self-employed professionals have the privilege of setting up new corporations and should also be able to enjoy the privilege of contributing more generous amounts to pension plans.

Corporations should be treated alike without discrimination against any one kind of corporate entity.

I support this amendment.

Mr. LONG. Mr. President, if there is no further request for time, I am glad to yield back my time.

Mr. FANNIN. Mr. President, I yield back my time.

The PRESIDING OFFICER. All time on the amendment has been yielded back.

The question is on agreeing to the amendment of the Senator from Arizona. The yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. TYDINGS (after having voted in the negative). Mr. President, on this vote I have a pair with the distinguished Senator from Arizona (Mr. GOLDWATER). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withdraw my vote.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Indiana (Mr. BAYH), the Senator from Arkansas (Mr. FULBRIGHT), the Senator from Indiana (Mr. HARTKE), the Senator from Mon-

tana (Mr. METCALF), the Senator from Georgia (Mr. RUSSELL), and the Senator from Missouri (Mr. SYMINGTON) are necessarily absent.

I further announce that, if present and voting, the Senator from Arkansas (Mr. FULBRIGHT) would vote "yea."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The pair of the Senator from Arizona (Mr. GOLDWATER) has been previously announced by the Senator from Maryland (Mr. TYDINGS).

The result was announced—yeas 65, nays 25, as follows:

[No. 198 Leg.]

YEAS—65

Allen	Eastland	McClellan
Allott	Ellender	Miller
Baker	Ervin	Moss
Bellmon	Fannin	Murphy
Bennett	Fong	Packwood
Bible	Gravel	Pastore
Boggs	Griffin	Pearson
Brooke	Gurney	Percy
Burdick	Hansen	Prouty
Byrd, Va.	Harris	Randolph
Byrd, W. Va.	Hatfield	Schweiker
Cannon	Holland	Scott
Church	Hollings	Smith, Ill.
Cook	Hruska	Sparkman
Cooper	Inouye	Spong
Cotton	Jackson	Stevens
Cranston	Javits	Talmadge
Curtis	Jordan, N.C.	Thurmond
Dodd	Jordan, Idaho	Tower
Dole	Magnuson	Yarborough
Dominick	Mansfield	Young, N. Dak.
Eagleton	Mathias	

NAYS—25

Aiken	McGee	Ribicoff
Case	McGovern	Saxbe
Goodell	McIntyre	Smith, Maine
Gore	Mondale	Stennis
Hart	Montoya	Williams, N.J.
Hughes	Muskie	Williams, Del.
Kennedy	Nelson	Young, Ohio
Long	Pell	
McCarthy	Proxmire	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Tydings, against.

NOT VOTING—9

Anderson	Goldwater	Mundt
Bayh	Hartke	Russell
Fulbright	Metcalf	Symington

So Mr. FANNIN'S amendment was agreed to.

Mr. FANNIN. I move to reconsider the vote by which the amendment was agreed to.

Mr. HRUSKA. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

* * * * *

TAX REFORM ACT OF 1969

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business, which the clerk will state.

The ASSISTANT LEGISLATIVE CLERK. The bill (H.R. 13270), the Tax Reform Act of 1969.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. WILLIAMS of Delaware. Mr. President, I send to the desk a motion and ask that it be read.

The PRESIDING OFFICER. The motion will be stated.

The ASSISTANT LEGISLATIVE CLERK. The Senator from Delaware (Mr. WILLIAMS) moves that the bill (H.R. 13270) be recommitted to the Committee on Finance with instructions to report back forthwith an amendment, in the nature of a substitute for the bill as passed by the

House, containing the provisions of the committee amendment, as reported on November 21, 1969, as amended by all amendments adopted by the Senate prior to the offering of this motion with the following exceptions and modifications:

First. The amendment proposed by the Senator from Connecticut (Mr. RIBICOFF) relating to a tax credit for expenses of a higher education shall not be included;

Second. The amendment proposed by the Senator from Indiana (Mr. HARTKE) relating to an exemption from the termination of the investment credit for up to $20,000 of qualifying investment each year shall not be included;

Third. The amendment proposed by the Senator from Alaska (Mr. STEVENS) relating to an exemption from the termination of the investment credit for certain investments in depressed areas shall not be included;

Fourth. Section 515 of the committee amendment—relating to total distributions from qualified pension, and so forth, plans—which was stricken by the amendment proposed by the Senator from Hawaii (Mr. INOUYE) shall be restored;

Fifth. The amendment proposed by the Senator from California (Mr. MURPHY) relating to the medical deduction in the case of individuals who have attained the age of 65 shall not be included;

Sixth. The amendment proposed by the Senator from Arizona (Mr. FANNIN) relating to a deduction for commuting expenses of disabled persons shall not be included;

Seventh. The amendment proposed by the Senator from Tennessee (Mr. GORE) relating to increases in personal exemptions, and making other changes in the provisions of sections 801, 802, and 803 of the committee amendment, shall not be included; and

Eighth. The various amendments proposed with respect to social security benefits—proposed as a new title X of the bill—shall not be included.

Mr. WILLIAMS of Delaware. Mr. President, the motion strikes provisions from the committee bill. It is not a delaying tactic. If the motion should be approved the bill would be reported back forthwith.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG. Mr. President, would the Senator desire the yeas and nays?

Mr. WILLIAMS of Delaware. Yes.

Mr. LONG. Mr. President, while there are enough Senators present, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. LONG. Mr. President, would the Senator be willing to agree to a time limitation on his motion?

Mr. WILLIAMS of Delaware. I would rather wait until the Senator from Tennessee is present to make sure he is protected. I told him I would not get any unanimous-consent agreement while he was not present.

Mr. HRUSKA. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HRUSKA. Mr. President, is the motion amendable?

The PRESIDING OFFICER. The motion consists of instructions to the committee. Therefore, it would be amendable.

Mr. LONG. Mr. President, could we agree to consider the amendments en bloc? I would just as soon vote the motion up or down one way or the other.

Mr. WILLIAMS of Delaware. I am going to ask for that later. I did want to wait until the Senator from Tennessee was present to make sure that if he wished to object he would be protected.

I was going to point out that the motion is subject to amendment. Each of these sections would be subject to amendment; however, if we start all over again, we will be back where we were before.

Later I shall ask the Senate for unanimous consent that these sections be considered en bloc in order that we may have a vote on the merits of the issue.

I respect the right of any Senator to vote for his amendment; however, it would only result in moving this matter back into debate.

The effect of the motion very simply would be to strike from the bill the Senate amendments which would result in a loss of revenue in 1970 totaling $10.65 billion.

There will be a total annual revenue loss of $12.35 billion when we include the effect of the Ribicoff amendment, which will result in a revenue loss of $1.7 billion. That provision would become effective in 1972.

The breakdown of the proposals that this motion would delete is as follows:

The Ribicoff amendment, the No. 1 item, would lose $1.7 billion annually in revenue; however, that would not be lost until 2 years hence.

The Hartke amendment, which reinstated a portion of the 7-percent investment tax credit, would cost $720 million a year.

Under the Stevens amendment for the depressed areas, which would restore the investment tax credit for depressed areas, we would lose $70 million a year.

Under the Inouye amendment, which would restore the capital-gains treatment which comes from distribution under pension funds, $10 million a year would be lost.

Under the Murphy amendment for unlimited deductions for medical expenses after age 65 we would lose $210 million per year.

Under the Fannin amendment, which deals with the deductions for commuting expenses for disabled persons, and so forth, we would lose $90 million per year.

The Gore amendment would result in a $2.3 billion additional loss of revenue in 1970. The additional loss of revenue in 1971 would be $3.8 billion.

When we add the Ribicoff amendment to it, we have a loss of revenue as the result of Senate action totalling over $12 billion annually.

The social security amendments that would be deleted involve some $7.5 billion. That refers to the social security 15 percent increase across-the-board amendment at a cost of $4.5 billion; this is the amendment of the Senator from West Virginia (Mr. BYRD) to raise the minimum to $100. That would cost another $2 billion immediately while the second Byrd amendment would cost $600 million for each of the next 2 years.

Mr. BYRD of West Virginia. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. BYRD of West Virginia. Mr. President, I ask the Senator from Delaware, does not the amendment offered by the distinguished majority leader and me pay its own way?

Mr. WILLIAMS of Delaware. It does after 1972 when the new tax would become effective. It does not do so for the next 3 years.

I am talking now about the loss in fiscal 1970. The Senator is partially correct in his statement, as I was going to point out.

The second Byrd amendment, which reduces the retirement age to 60, while actuarially sound over a long period, results in $600 million loss in revenue next year.

The Harris amendment would result in a $150 million annual loss in revenue.

Taking the social security amendments together, we have an annual loss of $7.25 billion.

The Senate action on social security would drain over $20 billion from that trust fund during the next 3 years and there is no method provided for financing these extra costs.

Mr. BYRD of West Virginia. Mr. President, will the Senator yield again?

Mr. WILLIAMS of Delaware. I yield.

Mr. BYRD of West Virginia. Mr. President, the Senator referred to the second Byrd amendment. While it would have an initial impact on the trust fund in the first year, is it not true that in the long run it would level out so that there would be no overall impact? And does the Senator not also agree that it would not likely go into effect next year because of the triggering mechanism which was added?

Mr. WILLIAMS of Delaware. The Senator is correct—5 or 10 years hence. However, I am speaking of the triggering effect for the fiscal year 1970 if all of the amendments are agreed to by the Senate and by the conferees. It would result next year in an additional loss of revenue over and beyond what it would be if we had enacted the bill, as reported by the Senate Finance Committee of $10.650 billion.

Our Government just cannot afford such a loss in revenue, to do so would be fiscally irresponsible.

That total of $10.5 billion does not include the Ribicoff amendment which goes into effect a couple of years later. Including that revenue loss in the year 1973 would be $12.150 billion. The total loss of revenue for the next 2 years, the 2 calendar years of 1970 and 1971, if the Senate bill were enacted into law as it stands now, would be $22.800 billion. How can we reduce taxes or increase expenditures by such an amount when we are already operating at a deficit.

That is the loss of revenue over and beyond what would have been lost by the bill if the bill approved by the Finance Committee had been approved by the

Senate without amendment the day it was reported.

Mr. BROOKE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. BROOKE. Mr. President, if the motion is agreed to, would that prohibit a vote in this session on an increase in social security benefits?

Mr. WILLIAMS of Delaware. It would not. I was getting ready to mention that point. That is why these social security amendments were included. It was the thought of some of us that social security should not be a part of the tax bill.

I have conferred with the chairman of the committee and with all the members on our side of the committee, and we are in complete agreement that the social security bill would be stopped at the desk if this motion were to be agreed to.

We make this as a pledge. The House is acting on a social security measure this week. There is no question about that. I suppose that it will be a 15-percent increase across the board. However, it will be subject to whatever amendments may be offered in the House or the Senate.

We agree, and the chiarman of the committee will concur on this, that if this motion is agreed to we will stop the bill at the desk when it comes over so that it can go direct to the Senate Calendar.

The question of whether the Senate wants to vote for or against a 15-percent increase in social security and whether it wants to vote for or against the other social security amendments will all be germane to the social security bill and can be acted upon at that time.

This will assure the Senate that if the motion is carried, the Members of the Senate will have an opportunity to vote on the question of whether they should or should not raise social security benefits before we go home this year.

Mr. BROOKE. Mr. President, if the social security bill from the House comes over and is stopped at the desk, would that bill then be amendable in the Senate?

Mr. WILLIAMS of Delaware. Yes. It would be the same position as any other bill. The advantage of stopping it at the desk is that it would eliminate the necessity of the bill going to the committee and the committee having to meet, with or without hearings, and order the bill reported. And the members of the Finance Committee will no doubt be tied up for a day or two in the conference on this bill no matter what we do on the motion.

So, being realistic, I doubt that the Senate Finance Committee would have a chance to hold hearings and report a social security bill. The chairman of the committee and the minority committee members have agreed that we would stop it at the desk, if this amendment is adopted, and then it could be brought before the Senate at the convenience of the leadership.

Mr. BROOKE. That would enable the Senate to vote on an increase in social security benefits in this session, prior to our recess?

Mr. WILLIAMS of Delaware. That is correct. And the motion is being offered with that understanding.

Mr. SCOTT. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. SCOTT. That is a very reassuring statement, because I am sure that Senators will want to know about that if they vote to support the Senator's motion to recommit—and I intend to support it, because the President has made it quite clear that the bill in its present form is entirely unacceptable. What I want is a bill. What I want is tax reform. Therefore, I also want to know, as the Senator has given this assurance to the Senator from Massachusetts (Mr. BROOKE), that the Senate will have a reasonable expectation of treating the 15-percent increase in social security proposal, now in the other body, in the current session of Congress. It can be so handled only, in my judgment, by stopping it at the door. The other body has that measure before it and reportedly may act on it today.

If we have this reasonable assurance that we can get the social security increase this year, I believe that the Senator's motion offers the Senate an opportunity to go on record with regard to the features of this bill which we may severally and effectively regard as bad. For example, I do not regard as seriously or as ominously bad certain of the amendments which the Senator from Delaware includes in his motion to recommit. But I hope that he will ask that they be voted on en bloc, as he says, in order that we do not have to again go through this lengthy exercise of trying new amendments to the bill by handling his motion other than as a single motion.

Mr. WILLIAMS of Delaware. I thank the Senator. I will make that request at the appropriate time, when Members are advised.

I say to the Members that the position I am taking today, to try to hold what I personally consider is a fiscally responsible position, is not taken because we have a Republican President in the White House. I am not offering this as an administration proposal, although I know the President is very much concerned about the revenues loss entailed in this bill.

I remind Senators that a little over a year ago I stood in this same place and took the same position when President Johnson was in the White House. At that time I cosponsored, with the Senator from Florida, a bill which we felt was essential to the country, the 10-percent surcharge; and I pleaded with my colleagues on both sides of the aisle to support it because I thought our country needed that revenue in order to maintain the solvency of the dollar. I thought that in order to check the threat of inflation that action had to be taken.

I am making the same plea today. I am going to ask at the appropriate time that we can have a vote on this motion en bloc. I would like to think that I am entitled to such a vote, because I feel very strongly that we cannot afford this loss of $10 billion in revenue next year.

So far as the particular amendments are concerned I cosponsored three similar amendments on prior occasions, but today we just do not have the revenue.

I cosponsored on one occasion the amendment sponsored by the Senator from Connecticut (Mr. RIBICOFF). I think there is a great deal of merit to the proposal that we allow some form of tax credit for college tutitions, and I am looking forward to the day when we can afford it. But I do not think we can do it today and remain fiscally responsible and make progress toward checking inflation.

Mr. DOMINICK. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. DOMINICK. I wish to comment on item No. 1, referred to in the Senator's memorandum as the amendment of the Senator from Connecticut (Mr. RIBICOFF). Of course, he and I were cosponsors and the principal sponsors of it. Is is not a fact that this amendment would not become effective until 1972 and that it would not be reflected in revenues until 1973?

Mr. WILLIAMS of Delaware. I have so stated in my opening remarks. The Senator is correct.

Nevertheless, if we have the revenue to do it in 1972 it could then be done. I shall not be in the Senate, but I look forward to the day when this amendment can be made part of the law. I think it is something Congress should consider whenever the money is available, but we do not have it now.

What I was confronted with was not singling out those amendments which I felt were not meritorious. They all have merit. I took them across the board, on both sides of the aisle.

On a few occasions I have offered in the committee the same amendment that was offered by the Senator from California (Mr. MURPHY), and I tried to get it adopted. I think there is merit to it. I think there is great merit to the amendment of the Senator from Arizona. I will not quarrel with the merit of the amendment of the Senator from Tennessee. I know that there is a great deal of sentiment in this country for these exemptions.

The amendment of the Senator from Connecticut and the Senator from Colorado would not become effective until 1972. On the other hand, the Gore amendment represents an additional loss in revenue in 1970 of $2.3 billion beyond the committee bill, and in 1971, $3.8 billion. But the long-range effect of the Gore amendment is that it would not lose any more revenue than would the committee bill. I think in fairness that it should be stated.

So I am not attacking any of these amendments on their merits; not one of them. I am not discussing their merits. I am discussing only the fiscal impact on our budget for the years 1970 and 1971.

Mr. DOMINICK. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. I will yield for a question. I promised the Senator from New York that I would yield to him.

Mr. JAVITS. Mr. President, I ask the Senator, who has gone a little further with his speech than he thought he

would have to, if he would yield to me. We are tying up a number of Senators on another matter. I think we could finish all our business within 15 minutes. I will try to make it 10 minutes. We have the hunger problem before us now. I ask him to yield to me, without losing his right to the floor.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that I may yield for 10 minutes to the Senator from New York, without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMINICK. Mr. President, will the Senator yield for a question on this colloquy?

Mr. WILLIAMS of Delaware. I yield.

Mr. DOMINICK. If the Senator from Delaware should try to get unanimous consent to consider these items en bloc, would that then prohibit an amendment to strike out one item or another?

Mr. WILLIAMS of Delaware. No; I have checked with the parliamentarian.

I would hope that such amendments would not be offered, and I am appealing to my colleagues not to do that for this reason: If anyone offers an amendment to protect his amendment, naturally each Member will feel obligated to have his amendment restored, and we shall be back on the merry-go-round.

All I am asking for is a vote on this as a package because I believe we have debated the merits of it. There is no question in my mind that the Senate is on record for these amendments. For example, the amendment of the Senator from Connecticut and the Senator from Colorado was adopted by a substantial margin. I do not question the sentiments of the Senate. I would merely like to have one vote. That is all I am asking for.

I was interested in good tax reform measures as early as any other Member of this body. I have been advocating tax reform for years, as Senators know. I regret that this bill has been converted into such a revenue-losing measure. I would like to support it, but I cannot do so unless some adjustment is made.

Since Labor Day our committee has been in session almost daily and occasionally on Saturdays. For months I have neglected other matters in my office for the one purpose of expediting this bill in order to get before the Senate a measure the Senate could support.

But the bill now before us, as amended by the Senate, is not one I can support. I am trying to make one last effort to bring it in line. All I ask is the right to vote on that question.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. RIBICOFF. Mr. President, I would like to make the record clear at this point, because of the debate which has taken place and the discussion between the Senator from Delaware and the Senator from Colorado that the Senator from Delaware points out the merits of the Ribicoff-Dominick approach in the tax credit and expresses the hope that in some time in the future this legislation is adopted.

The only way to get this philosophy impressed upon the country is to pass it as law.

The Senator from New York (Mr. GOODELL), the Senator from Colorado (Mr. DOMINICK), and I were well aware of the problems involved insofar as fiscal responsibility and shortfall are concerned. In our discussions we determined why we believed in the principle. We were deeply concerned that there would not be a revenue loss for the coming year. Consequently our amendment affected 1972, which would first show up in 1973 when the tax returns for 1972 were filed.

So the Senator from Colorado, the Senator from New York, and I do believe that we were being very fiscally responsible on a measure that had great popular appeal not only in the Senate but in the country.

I am at a loss to understand why item 1 is included when we were being so careful to make sure there would not be a revenue impact until 1973.

Mr. WILLIAMS of Delaware. Mr. President, I stated in my remarks that the revenue loss would not take effect until 1973. I shall outline why I still think it should be eliminated from the bill.

Mr. LONG. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG. Mr. President, I have discussed the possibility of a limitation of debate, hoping we can vote on final passage of the bill today. For that reason, I believe we have an understanding. I will put the request, and see if we can agree to it. I am going to ask that we limit debate on the motion, and on that I am going to ask for time to be controlled by the author of the motion and the Senator from Tennessee.

Then I am going to ask that we have 2 hours on the bill, to be controlled by the Senator from Louisiana and the Senator from Delaware.

I want to make it clear that if amendments are offered to the motion, the Senator from Louisiana would plan to offer, in the event time on the motion had expired, at such time as seems appropriate, time on the bill to any Senator who wants to offer an amendment to the motion, in order to explain his amendment. No Senator would be foreclosed from making a statement, although we would have a 2-hour limitation on the bill and a 1-hour limitation on the motion, if agreement is reached on the request.

Mr. WILLIAMS of Delaware. Mr. President, if the Senator will yield, as I stated earlier, it is my hope that we can get a straight up-and-down vote on this motion, but I have talked with Senators whose amendments are affected and have assured them that they would be protected. I said that if we agreed to any consent agreement we would have 20 minutes, 10 minutes on each side, on any amendment they wanted to offer.

I hope no amendment will be offered, but I am committed to protecting their rights if Senators want to amend the motion.

Therefore, I would suggest that we have 1 hour on the motion itself to be controlled, as I understand, by the Senator from Tennessee, and myself, equally; and if there should be any amendments offered to the motion that they be limited to 20 minutes, to be divided between the maker of the motion and myself, 10 minutes each; and then on the bill we could have 2 hours.

I think that would protect every Senator's rights. Some Senators who are not presently on the floor could be assured they have this protection.

Mr. LONG. Mr. President, I think it would be better to have more time on the bill, which could be yielded. The reason why I say this is that if a Senator wanted to engage in dilatory tactics—and no Senator has indicated any desire to do so—the kind of consent agreement the Senator is suggesting is even more subject to dilatory tactics than would be the ordinary Senate rules.

My thought would be that if a Senator really needed time, I would be happy to yield him time on the bill. I am sure the Senator from Delaware would be happy to yield some time also, if he had time remaining, to any Senator who needed it.

I would suggest that we have 4 hours on the bill, so that any Senator who wants to offer an amendment can do so. Then we will know that eventually we can vote on the bill.

Mr. WILLIAMS of Delaware. I assure the Senator we can vote on the bill at an early hour. This is not going to be a dilatory tactic. In fact, I talked with the majority leader and told him my plans. If it should develop into such a delaying procedure I would withdraw my motion. I do not anticipate any problem in all in that direction. I only want a vote.

I have promised Senators that there would be no unanimous-consent agreement if they were off the floor unless they were protected in their rights.

I am hoping there will not be any amendments offered, but I would suggest, in case there are that we have 1 hour on the motion itself, equally divided, and 20 minutes on any amendment if there should be one, equally divided between whichever Senator makes the motion and myself. I think we can dispose of this matter in very short order.

Mr. LONG. Could we have an agreement on how many amendments can be offered? For example, if we are going to allocate time for amendments to the amendment, since the Senator's motion would strike, as I understand, about 10 amendments from the bill, I would suggest we have no more than 10 minutes on a side for each amendment, with time allocated for those amendments. That is 200 minutes, if we actually take 20 minutes on each one.

I cannot for the life of me see any reason why any Senator, other than Senators interested in the amendments refererd to, would want to offer an amendment to the Senator's motion.

Mr. WILLIAMS of Delaware. I do not think they are going to offer amendments. The only reason I offered that suggestion is that we make haste better if a Senator does not think his rights

have been ignored. I told certain other Senators that their rights would be protected whether they were on or off the floor, just as I promised the Senator from Tennessee. He is present and can speak for himself.

I would suggest that we proceed in this way. I am confident it will not delay a vote.

Mr. LONG. I am not going to ask for 20 minutes on amendments. That could go on forever.

Mr. GORE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. GORE. Perhaps I can offer a suggestion. I have examined the motion of the distinguished Senator from Delaware to recommit. His instructions would direct the committee to strike out eight amendments. I find that on all amendments, except the amendment relating to the social security benefits and the amendment relating to an increase in personal exemption, items 7 and 8, I voted the same as the Senator from Delaware. In other words, on his first six items, his position and mine have been exactly the same. Therefore, if we could eliminate 7 and 8, I would be wholeheartedly in favor of his amendment. But if I removed from the instructions, or attempted to remove from the instructions, what I do not like, I daresay other Senators would do the same, and that would open up the bill again.

I am willing to have a vote up or down on the motion to recommit, but I realize that if other Senators start offering amendments, I will feel a necessity to do so—which comes to the suggestion I arose to make: If we could agree to a time limitation on the motion to recommit, plus 20 minutes for any amendment to strike out any one of the eight items of instructions, that would limit it to 160 minutes at a maximum.

Mr. LONG. Item 8 is three amendments.

Mr. GORE. I understand it is, but it would all be together by a motion to strike out item 8 in the Senator's instructions.

Mr. LONG. Mr. President, suppose I put it this way: I ask unanimous consent that further debate on the motion of the Senator from Delaware be limited to 1 hour, to be divided between the Senator from Delaware and the Senator from Tennessee—the manager or a Senator to be designated by him—and that the time on amendments to the amendments that would be stricken—they are listed as eight, but item 8 is three amendments, one by the Senator from Louisiana and two by the Senator from West Virginia—be limited to 20 minutes, to be divided between the sponsor of the amendment and the Senator from Delaware—not to exceed 20 minutes, to be equally divided—and that there be 2 hours of debate on the bill itself, to be controlled by the manager of the bill and the Senator from Delaware (Mr. WILLIAMS).

Mr. WILLIAMS of Delaware. That is agreeable.

The PRESIDING OFFICER. Is there objection?

Mr. KENNEDY. Mr. President, reserving the right to object, does that mean there would not be an opportunity for anyone else, other than the sponsors of the affected amendments, to offer amendments?

Mr. LONG. No; it does not. That is the purpose of asking for 2 hours. If someone else wants to offer something, the manager of the bill and the Senator from Delaware then have 2 hours in which they can yield to Senators who might wish to discuss some thought of theirs, or might wish to bring up some additional item of debate on something that may come up later.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

Mr. HOLLAND. Mr. President, will the Senator from Delaware yield to me so that I may propound a parliamentary inquiry?

Mr. WILLIAMS of Delaware. I yield.

Mr. HOLLAND. Mr. President, it seems to me that it is of the utmost importance that Senators understand what will be the situation in the event that this motion of the Senator from Delaware—or, if it be modified, any modification of it—be agreed to, and if the Finance Committee, acting instanter, reports back a bill shorn of the amendments, heretofore voted, mentioned by the Senator from Delaware in his motion, or any portions thereof.

Therefore, I make this parliamentary inquiry: In the event of the adoption of the motion of the Senator from Delaware to recommit, and the immediate action, as directed by that motion, of the committee in reporting back the bill shorn of the various amendments heretofore voted which are recited in the motion, or which may be recited in the motion as modified, the question is, Would the bill still then be in the position it now is; that is, of having passed third reading and being subject to being voted up or down on the question of passage?

The PRESIDING OFFICER. In the opinion of the Chair, the bill having been read the third time, the question would be on the adoption of what the committee reported back forthwith.

Mr. HOLLAND. I thank the Presiding Officer.

As I understand the ruling of the Presiding Officer—and I think it is correct—it is that, as reported back, the bill would not then be subject to amendment, but the question would be on passage, up or down, in the condition reported back by the committee.

The PRESIDING OFFICER. As reported back; the Senator is correct.

Mr. HOLLAND. I thank the Chair.

Mr. WILLIAMS of Delaware. Mr. President, I might add that having consulted with the Parliamentarian before I made the motion, I concur completely with the ruling. It was for that reason that I waited until after third reading of the bill to make my motion, so that we would not be opening it up for another donnybrook of amendments.

I state again that I advised those whose amendments are proposed to be deleted by my proposal. Senators knew what action I was planning to take here. I have tried to protect their interests so that they will have an opportunity to defend their proposals.

I have checked with the Parliamentarian and am advised that I can ask unanimous consent that the various items in my motion be considered en bloc and that, at the same time, obtaining unanimous consent for that would not preclude any Senator who might wish to offer an amendment to my motion from doing so. Their rights would be protected.

With that understanding I ask unanimous consent that the eight points in my motion be considered en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I realize that an excellent argument can be made for any one of these amendments, and I realize also that the sponsors of the individual amendments feel very strongly about the merits of their particular amendments and could make a good argument that I should exempt this or that proposal.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG. I have been furnished with a tabulation showing the revenue impact of the various items in the Senator's motion, and I find that the biggest revenue item on the Senator's list includes the amendment I offered, which embodied the provisions of the House bill for an increase in social security benefits.

The Senator need not apologize for moving to strike my amendment. If his motion is agreed to, that is perfectly all right with me. When the House bill comes over, we can pass it. There is no problem about that, as far as I am concerned.

Mr. WILLIAMS of Delaware. I appreciate that. I have discussed the matter with the chairman of the committee, and we agreed that when the House bill comes to the Senate, we would stop it at the desk so that Senators would be assured they would have a chance to vote on that social security measure, as the Senator has stated.

We are trying to protect the rights of all Senators, but I say again, the position I am taking, as the Senator from Louisiana knows, is the same as I took very strongly last year, when President Johnson was in office. I thought then that our fiscal situation was such that we could not afford to do without the revenue in the 10-percent surtax proposal. I feel equally strongly now that we cannot afford to lose this revenue, and I am asking my fellow Senators to give me a straight up or down vote on my motion. I certainly hope amendments to my motion will not be offered, although I understand we could be confronted with an almost indefinite donnybrook here. I do not want that, and I do not think we are going to get it; but at the same time, I did tell the Senators they would be protected in their rights.

The chairman of the committee has been very generous, and I say that, having worked with him for weeks and months in the committee on this bill. He has done a tremendous job as chairman in trying to get out of the committee and before the Senate a bill balanced as to revenue and one that would

provide some tax reform and at the same time give some tax relief in other areas.

What the committee was trying to do was report a bill which would not be a tax increase or a tax reduction bill, but one that would be more or less an equalization of the tax load. We were adding taxes in some areas and distributing the benefits of the tax reduction in other areas to people we thought were now paying more than their proportionate share. This was to be more or less an adjustment bill. For those in the higher brackets we were raising their taxes by raising the capital gains tax or by eliminating some of their benefits under pension plans. While we were eliminating benefits in many areas, at the same time we sought to offset the increases for those in the higher brackets where possible by reducing their rates to 65 percent.

For those we felt had been overburdened with taxes we eliminated over 5 million taxpayers from the tax rolls entirely. We passed on to them the benefits of the revenue gained from the repeal of the investment credit, which is really a tax on corporations of about $3 billion. We distributed revenue to the low-income groups. The committee bill was a fair bill.

We tried to be fair. I recognize that there are those who may differ with the bill, but we tried to come up with an answer that would not upset the budget in the long run. But since the bill came to the floor of the Senate it has, in the opinion of some of us, gotten out of hand, and I do not think we can afford the impact of its additional $10 billion loss in revenue. As I stated earlier, one of the biggest items I have in mind, especially for fiscal 1970 and 1971, is the amendments of the Senator from Tennessee (Mr. GORE). This one amendment in 1970 and 1971 would cost the Federal Treasury over $6 billion. That would be highly inflationary.

However, as I stated earlier, the long-range effect of the Gore amendment a few years hence would not lose any additional revenue from the committee bill. In fact, if I recall correctly, it picks up $100 million over a period of time and would be less costly when it gets fully implemented.

Mr. GORE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. GORE. Mr. President, I am very grateful for the forthright statement of the senior Senator from Delaware. There have been a great many loose statements made to the effect that the amendment which I sponsored to increase the personal exemption was fiscal irresponsibility.

The fact is that my amendment replaced other tax relief provisions in the bill and, as the distinguished Senator has just said, the responsible estimates by our technical staff are that, when fully implemented, the amendment which I sponsored would cost an estimated $100 million less than the tax relief in the bill which my amendment replaced.

I hope that Senators and the American people who read the RECORD will now realize that this is the case. I read editorials and I hear comments to the effect that the Gore amendment is going to bust the budget. As a matter of fact, the Gore amendment, as the able senior Senator from Delaware just said, will, when fully implemented, cost $100 million less than the provisions in the bill which it replaces.

If we look at it in the short run, the amendment which I offered will just about be even with the revenue gains in the bill in the calendar year 1970.

There is a shortfall in the calendar years 1971 and 1972. However, it would not be enough seriously to affect the budget.

So, I rise to express my gratitude to the able Senator not only for his statement, but also for his responsibility and willingness to refrain completely from misinterpretations of the facts with respect to the amendment.

Mr. WILLIAMS of Delaware. Mr. President, I thank the Senator. I tried to point out in presenting this matter earlier when the Senator was not present, both the short- and long-range effect of this bill. The Senator is correct. At the same time, I outlined the financial effect of the amendment of the Senator from Connecticut and the Senator from Colorado, the Ribicoff amendment has no impact whatever in the years 1970 and 1971 but becomes effective after 1972.

I tried to outline statistically exactly what the effect would be of each of these amendments.

Mr. GORE. Mr. President, will the Senator yield again?

Mr. WILLIAMS of Delaware. I yield.

Mr. GORE. Mr. President, there is one other distinction that we need to be reminded of. That relates to the difference between the calendar year and the fiscal year.

The Government budget is made on a fiscal-year basis. However, taxes are generally levied and collected with respect to calendar years. So, one can take his choice as to which is the most appropriate period to use. As a matter of fact, the able senior Senator from Delaware has referred to both calendar year and fiscal year.

Mr. WILLIAMS of Delaware. The Senator is correct, and changes made in the bill will only have half of the effect for fiscal year 1970, whereas in calendar year 1970 it would be fully effective.

I have tried to keep in context the provisions of the various amendments and the impact they would have in the respective years. Likewise, the provisions of the social security amendments will result in a $7.25 billion drain on the trust fund in 1970, and there would be about the same drain in 1971 and 1972. But in 1973, as the Senator from West Virginia pointed out, there would under his amendment, be a tax to offset the cost of his amendment. However, in the next three years under the Byrd amendment and the Long amendment we would have a $21.75 billion drain from the social security trust fund over and above the revenue being provided.

I recognize that Congress will pass some kind of social security increase measure in this session of the Congress, but surely it will be properly financed.

I am confident that before Congress goes home it will pass some kind of social security measure, but let the increased taxes for that measure be a part of the same bill. However, my tabulation concerns the next 2 years' loss of revenue in this bill, and as I stated, I hope that we can get a vote up or down on this pending motion, which would save this revenue loss.

Last year I introduced President Johnson's tax bill and coupled it with what I thought was an important additional measure providing for expenditure controls and reducing the expenditures by $6 billion.

A lot of people ask why the surtax was not more successful. It may not be a part of this debate, but I think that it should be mentioned. One reason that the surtax was not successful in controlling inflation was that Congress was a year late in getting it enacted. And after that there was a gradual whittling away by Congress and the administration of the expenditure controls. Expenditure controls were eroded by a series of exemptions, and during the latter half of last year the Federal Reserve Board pumped money into the economy at a faster rate than normal. Both steps contributed to the inflation in my opinion.

Again, if Congress had acted on the administration's recommendations for a repeal of the investment tax credit and extension of the surtax a little earlier, it would have helped. I think Congress could have acted earlier. We delayed and have not acted yet on investment credit. The taxpayers do not know whether they are going to get the tax credit or whether it will be repealed. That has created a problem.

Let us eliminate this uncertainty and take action on the bill, either pass it or do not pass it, and either accept or do not accept my motion. However, we should act so that the taxpayers will know where we stand.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG. Mr. President, the Senator from Delaware has compiled two tabulations, I believe with the help of the Joint Committee on Internal Revenue Taxation, which show the increases and decreases in revenues from the committee bill which result from the various actions taken here on the floor. One table shows this information on a fiscal year basis and the other is on a calendar year basis. I ask unanimous consent that the tables, which I understand have been laid on Senators desks, be printed in the RECORD.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

DECREASES (−) AND INCREASES (+) IN TAX LIABILITY AND SOCIAL SECURITY VENEFITS RESULTING FROM SENATE APPROVED AMEDNMENTS AS COMPARED TO SENATE FINANCE COMMITTEE BILL, CALENDAR YEARS 1969–1974 AND LONG RUN

[In millions]

	1969	1970	1971	1972	1973	1974	Long run
Tax relief for individuals		−$2,251	−$3,739	+$85	+$85	+$85	+$85
Investment credit:							
Small business exemption	−$520	−720	−720	−720	−720	−720	−720
Depressed area exemption	−10	−70	−70	−70	−70	−70	−70
Medical expenses for aged		−225	−225	−225	−225	−225	−225
Transportation deduction for disabled		−90	−90	−90	−90	−90	−90
Exemption for foster children	−(1)	−(1)	−(1)	−(1)	−(1)	−(1)	−(1)
Credit for higher education expenses				−1,800	−1,800	−1,800	−1,800
Capitalization of certain citrus grove costs		+5	+10	+10	+10	+10	+10
Total distributions from pension plans, and so forth		−(1)	−5	−10	−15	−20	−55
Reduction of audit fee tax on foundations		−20	−20	−20	−20	−25	−25
Liberalization of children's support test		−75	−75	−75	−75	−75	−75
Alternative capital gains rate provision		−50	−65	−80	−80	−80	−80
Accumulation trusts		−5	−15				
Tax on preference income		−20	−20	−20	−20	−20	−20
Real estate		(2)	−10	−20	−30	−45	−90
Percentage depletion (molybdenum)		−5	−5	−5	−5	−5	−5
Total	−530	−3,526	−5,049	−3,040	−3,055	−3,080	−3,160
Social security:							
Benefits		−5,700	−6,400	−6,400	−6,400	−6,400	−6,400
Tax					+6,700	+6,700	+6,700
Total including social security	−530	−9,226	−11,449	−9,440	−2,755	−2,780	−2,860

[1] Less than $2,500,000.

DECREASES (−) AND INCREASES (+) IN TAX RECEIPTS AND SOCIAL SECURITY BENEFIT PAYMENTS RESULTING FROM SENATE APPROVED AMENDMENTS AS COMPARED TO SENATE FINANCE COMMITTEE BILL FISCAL YEARS 1970–74

[In millions]

	1970	1971	1972	1973	1974
Tax relief for individuals	−$970	−$3,040	−$2,095	+$85	+$85
Investment credit	−585	−780	−790	−790	−790
Medical expenses for aged	−25	−225	−225	−225	−225
Transportation deduction for disabled	−10	−90	−90	−90	−90
Credit for higher education expenses			−180	−1,800	−1,800
Capitalization of certain citrus grove costs	(1)	+5	+10	+10	+10
Total distributions from pension plans, and so forth	(1)	(1)	−5	−10	−15
Reduction of audit fee tax on foundations	−5	−20	−20	−20	−20
Liberalization of children's support test	−30	−75	−75	−75	−75
Alternative capital gains rate provision	−5	−50	−65	−80	−80
Accumulation trusts	(1)	−5	−15		
Tax on preference income		−20	−20	−20	−20
Real estate	(1)	(1)	−10	−25	−30
Percentage depletion (molybdenum)	(1)	−5	−5	−5	−5
Total	−1,630	−4,305	−3,585	−3,045	−3,055
Social Security:					
Benefits	−2,600	−6,300	−6,400	−6,400	−6,400
Tax				+700	+6,700
Total including social security	−4,230	−10,605	−9,985	−8,745	−2,755

[1] Less than $2.5 million.

Mr. LONG. Mr. President, I think it is correct to say that the calendar year table shows that the bill as presently tailored, would produce a revenue decrease as compared with the committee's bill of $530 million this year—1969; in 1970, the decrease would be $9,226 million; in 1971, it would be $11,449 million.

Mr. WILLIAMS of Delaware. For 1970 it is $9,226 million.

Mr. LONG. For 1971, $11,449 million; for 1972, $9,440 million; and for 1973, $2,755 million. It would stay at about that level thereafter. In the long run, the bill as it now stands would result in an additional revenue loss of $2,860 million.

Mr. WILLIAMS of Delaware. That is correct.

Mr. LONG. The evaluation contained in the Senator's table is a precedent that is desirable. Just as we today are evaluating the revenue impact of this bill, we also at the end of each year, ought to take a look at what we have done, to see where we stand in terms of appropriations, and to determine what is needed in terms of revenue. We should seek to arrive at a balance that would be responsible, so that we would not continue indefinitely to have the fantastic national debt that at present overhangs the economy and the Nation.

We should think about the economic condition of the country, and all other relevant factors being equal, we should try to raise at least as much money as we spend.

The Senator from Delaware is seeking to provide that, at least so far as this bill is concerned—and that is, after all, what the members of the Committee on Finance have to think about—the Government will not be placed in a very bad fiscal situation.

I think I would vote for the Senator's amendment. If we do not do so, we will have something of this sort in conference. In other words, the House of Representatives, having sent us a tax reform and tax reduction bill that it regarded as being fiscally responsible, will undoubtedly be extremely concerned about the fiscal impact of the bill as it now stands. They will say they sent us a bill that was fiscally responsible, taking into account the inflationary pressures, the budgetary problems, and the various other factors that confront this Nation, its tax system and its economy at this point, but that we, on the floor of the Senate, played politics and voted for many things with political appeal and many things that are desirable if we can afford them, without providing the funds to pay for all this.

The Senator knows how concerned House confereees can be when they feel the Senate has put many amendments on a basically good bill which do nothing but create mischief. I find it somewhat embarrassing to go into a room with those men, who have been responsible on their side, and tell them that we have overburdened the bill to the tune of approximately $11 billion.

There is no doubt in my mind that if the Senator's motion is not agreed to, we still will have to take a good amount of the revenue loss out of this bill—in fact, much of what the Senator is seeking to strike from it, including my amendment. So far as I am concerned, I would be content to look at the social security bill when the House sends it to us this week or next week, as the case may be, and consider those items individually and also the administration's objections to putting the program into effect as of January 1. I know they prefer that the effective be March 1, with the first increased checks being received in April. Also, we could then consider the amendments that have been added to this bill. There is no doubt in my mind that if we consider the social security bill by itself, it will pick up other amendments which may be meritorious and worthy, but I should think we could vote on the social security bill within a week.

Mr. WILLIAMS of Delaware. I think we can. I appreciate the remarks of the Senator from Louisiana.

It should be pointed out that the figures he read from the chart being placed in the RECORD are the differences as compared with the bill reported by the Senate Finance Committee.

The reason I want to make this motion is that if we go to conference with the bill as it is I am afraid that we shall not be able to complete the work in time to get the bill back and signed by the President. Furthermore, it will be

sheer hyprocrisy on the part of the Senate to pass this bill in its present form and then expect the conferees to eliminate those same provisions for which they are now voting. Let us each be man enough to take a firm stand. Congress has already waited too long to act on some of these measures.

For example, the investment tax credit: Either this bill becomes law at the end of this year, or there will be no repeal effective for 1969. We cannot repeal the investment tax credit next year and make it retroactive in the calendar year 1969. We have never done that in our committee. This bill would be retroactive to April 18. Soon the taxpayers will be filing their returns. They get their tax returns in the mail the first of the year, and they have a perfect right to compute their tax liability based on the law as it was at the close of the year, and the present law still provides for a 7-percent investment tax credit. We must complete action on this bill within the next few days, or it will be too late. That is why my motion is so important.

The same is true with the excise taxes, which expire December 31, 1969. The surcharge expires at the end of this year. There is no good reason why the Senate has delayed action on these proposals until this late hour.

With my motion I am trying to get a decision as to what the Senate expects the conferees to do if we go to conference. Members may disagree with what I am proposing to do in this motion, but let us vote. I understand their right for disagreement.

I do not know of a single amendment I propose eliminating that I could not give a good argument for and cosponsor if we only had the revenue. I am not attacking any of them on their merits; none at all. I am trying to present the case of each of them as fairly as I can, because I do not think we get anywhere by trying to misrepresent; but the sum total of these amendments which I propose to delete from the bill would result in a revenue loss next year of over $10 billion.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. LONG. The Senator has presented this table to us. While it is true that in the long run the revenue impact of what we have done on the floor is not unusual—$2.8 billion in 1974 and thereafter—it is rather startling to note that as compared to the committee's bill we have an adverse impact on the budget of $9 billion in 1970 and $11.4 billion in 1971.

The Senator is well aware that in the Finance Committee—actually, it was on the suggestion of the Senator from Delaware—we proceeded with our bill step by step through our tax raising sections, our reform sections, to see how much money we would raise; and, having tabulated how much we would raise, we then proceeded to see how much tax relief we could provide.

Mr. WILLIAMS of Delaware. That is correct.

Mr. LONG. The Senator is going about this in an organized fashion, having laid the whole business before us, to see how much we raise and how much we lose by our actions on the floor. The Senator now is offering a motion to bring the bill back into the balance it had when the committee reported it for next year and the year after.

With all deference to what some of these amendments would do in the long run, as a practical matter we had better be thinking about what we do for 1970 and 1971. The impact on the economy of a revenue shortfall as great as we now have in the bill for these years could be exceedingly inflationary.

The Senator has indicated his desire to retire. I hope he will change his mind, and I believe that hope is shared by every Member of this body.

The good Lord could call us home between now and then. But, there will be other Congresses and other sessions when people can think about what happens to the Government in later years. We had better concern ourselves now about what happens in the immediate future. What the Senator seeks to do at this point is to save the Government approximately $20 billion in the next 2 years.

Mr. WILLIAMS of Delaware. The Senator is correct.

I call attention to the fact that 17 months ago, on June 30, 1968, the national debt was $350.7 billion. On November 20 of this year, 17 months later, our national debt was $369.5 billion, or an average increase of over $1 billion per month.

We cannot keep going down this road of deficit spending and finance it with the debt. It should be pointed out that a part of this large increase in debt is because the revenues the first 5 months of a fiscal year are always lower than in the second half. So it would not be quite fair to say that we are running behind at the rate of $1 billion per month, even though the debt has increased that much, because it will average out later. But we are running a deficit of an average of approximately $700 million per month at this time. We just cannot afford to continue down this road. toward fiscal insolvency. We can have a bond-buyers' strike in this country unless this inflation is brought under control.

I promised to yield to the Senator from New York (Mr. GOODELL). He has been very patient.

Mr. GOODELL. I thank the Senator. I appreciate his yielding to me. It has been a pleasure to listen to the Senator from Delaware, and I commend him for his motion. I intend to support it.

I wish to congratulate him for the tremendous contribution he has made to this legislation in committee and in debate on the floor of the Senate. He has made a tremendous contribution over the years in connection with tax legislation.

In the past weeks the Senate has virtually washed tax reform away in a deluge of indiscriminate tax cuts.

We have before us now a bill which is nothing more than an overstuffed Christmas stocking. In its present form, it is not so much a tax reform as a tax relief measure. Its overall impact will not strengthen the Federal tax structure while eliminating inequities. Its wholesale tax cuts will feed inflation and take away revenues desperately needed to meet the social problems facing this Nation. This is particularly true in the next 2 fiscal years.

Amendments to the tax reform bill adopted on the Senate floor will cost about $10 billion a year in each of the next 3 years. Much of this additional cost is attributable to two amendments which I would have favored under circumstances of fiscal responsibility with the provision of adequate revenue to pay for them, but had to oppose under present circumstances because of their inflationary effect. These are the increase in the personal exemption from $600 to $800 and the increase in social security minimum benefits to $100.

Surely, even in the Christmas season we cannot afford to be so prodigal.

A revenue loss of the magnitude contemplated by the Senate bill will gravely aggravate the inflation this Nation is now facing—thus further eroding the savings of millions of Americans and diminishing the purchasing power of their earnings.

Perhaps still more serious, such a loss will make it impossible for the Federal Government to provide effective programs for alleviating poverty, hunger, and urban decay.

Frankly, I find it difficult to comprehend how some of my colleagues, who have been highly vocal in calling for massive new programs at the Federal level for dealing with our social problems, could support enormous cuts in tax revenues needed to fund these programs.

The PRESIDING OFFICER (Mr. SPONG in the chair). All time of the Senator has expired.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 10 additional minutes on the bill.

Mr. GOODELL. Mr. President, it is difficult enough under present budgetary limitations to provide sufficient funds for welfare reform, revenue sharing, and adequate health, urban rehabilitation, education and job training programs. It is stating the obvious that a reduction of billions of dollars in Federal revenues will make it literally impossible to finance these efforts at adequate levels.

Our budgetary problems have been aggravated by excessive military spending that many of my colleagues and I have opposed. Such military spending, however, remains a reality. These bitter experience of many years suggests that if revenues are cut, it will be domestic programs, not military expenditures, that will suffer most.

I have long been an advocate of tax reform to make the tax structure more equitable and to eliminate the favoritism that now exists in the tax laws for special interest groups.

There are tax reform provisions of this bill that are improvements over present law—such as the imposition of a minimum tax on many wealthy individuals who are now escaping taxation through various deductions; a low income allowance for the poor; a limitation on hobby farm losses for the rich; and various other loophole-closing measures. Several

of these reform measures should, however, have been made much tougher.

In a number of respects, this bill is an improvement over the House bill. It has, for example, eliminated provisions of the House bill that would have made it difficult or impossible for States and localities to obtain financing for needed capital improvements. It adopted more sensible rules for the treatment of capital gains and charitable contributions. And it mitigated the highly punitive provisions of the House bill regarding private foundations.

I very much hope these improvements will prevail in conference.

In other respects, the Senate bill has been unduly solicitous of private interest groups, at the expense of real reform. A glaring example is the oil depletion allowance—which was reduced in the House to 20 percent but only decreased to 23 percent in the Senate.

The Senate bill should be judged, however, not on its individual provisions, but on its total impact.

It has become a wholesale tax cutting bill more than a tax reform bill.

Its tax cuts are so deep as to cripple our economy and hamstring our efforts to solve the Nation's pressing social programs, particularly in the next 2 years.

Its total impact, in short, is negative.

I shall vote against the bill in its present form.

Mr. President, I shall support the motion of the Senator from Delaware to recommit the bill. If the Senator's motion is not agreed to, I shall vote against the bill on the final vote.

I might say to the Senator from Delaware that I was a cosponsor of one of the amendments to which the Senator refers, namely, the tax credit for expenses of higher education. I regret that he has included that proposal, because the Senate at my request amended it so as to have deferred its fiscal impact until taxable year 1973. As much as I have favored this educational tax credit for the 10 years I have been in the House and the Senate, I did not feel we could responsibly put it into effect before 1973.

However, since the Senator from Delaware has included the educational tax credit in his proposal, I want him to know I do not intend to offer an amendment to delete it from his motion to recommit. I believe the Senator from Delaware should have an opportunity to have a vote up or down on his entire motion.

I believe the overall impact of the motion to recommit is so meritorious that even though I do not agree with all its provisions, I will support it.

Mr. LONG. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I shall yield in just a moment.

The Senator mentioned the fact we do not have as much reform in this measure now before us as some of us would like to have. I certainly concur in that point, but at the same time I think I should add this comment.

I have explained the financial impact of some of the amendments which I am trying to delete, including the amendment of the Senator from Connecticut (Mr. RIBICOFF) and the Senator from Tennessee (Mr. GORE). I have tried to outline fairly the impact in my remarks. But I should add that throughout the work on this bill in the Committee on Finance and by our efforts on the floor of the Senate we have been together 90 percent of the time in our efforts to get needed tax reform. I compliment both of those Senators on the efforts they have made. I differ with them on this particular motion. I realize that. But at the same time as one who worked to get needed reform, as the Senator from Tennessee and the Senator from Connecticut know, we have joined together on many of the items.

When it came to trying to get real reform in our revenue code I compliment both of those gentlemen for the efforts they made. I wish we had been more successful. At the same time I am now trying to delete a couple of their amendments from the bill which would cost over $4 billion and which I do not think we can afford. I thought the RECORD should show that.

Mr. LONG. Mr. President, I ask unanimous consent that the time in opposition be assigned to the Senator from Tennessee (Mr. GORE).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. RIBICOFF. Mr. President, as I listen to the distinguished Senator, I know from my 7 years on the Committee of Finance there is no Senator in this body more interested in reform than the Senator from Delaware. But on listening to the Senator's remarks, I cannot help commenting that if it were not for the reforms the Senator from Delaware, the Senator from Tennessee, and myself consistently voted for in committee, and in this Chamber, we would not have this problem because those reforms not only would have closed the loopholes and brought real reform but would have also brought in a considerable amount of revenue.

Mr. GORE. Mr. President, will the Senator from Delaware yield at that point?

Mr. WILLIAMS of Delaware. I yield.

Mr. GORE. The record should also show, somewhat in contradiction to the statement of the Senator From New York (Mr. GOODELL), that the reform provisions remaining in the bill, despite the barrage of amendments, will still produce additional revenue over present law of $5.590 billion. That is to be compared with additional revenue that would have been provided by the reform provisions of the bill as reported by the Finance Committee of $6.650 billion.

Thus, despite all the talk about the barrage of amendments, and all the votes, the amendments have lessened revenues from reform measures only by one-sixth of added revenue from reforms in the bill when, fully implemented.

So those who condemn the bill as being without tax reform are beside the point. They have become victims of the noise.

Unfortunately, amendments were adopted that, in my view, should not have been adopted. I think, by and large, that the Senator from Delaware and I voted together about 90 percent of the time on these amendments.

But, Mr. President, the thing I rose to nail down is that the bill still contains a large measure of tax reform.

Mr. WILLIAMS of Delaware. The Senator is correct. I made that point earlier. This is the reason for making this motion. We need a bill to go to conference which could become the law.

Mr. CURTIS. Mr. President, will the Senator from Delaware yield for a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. Is it not true that if we retain those portions in the bill that pick up revenue, including the repeal of the investment credit, extension of the surtax, the other miscellaneous items, and eliminated the tax reduction, a reasonable amount of restrained appropriations and a balanced budget could be a reality?

Mr. WILLIAMS of Delaware. It could. I do not know that it could at the end of this fiscal year, but——

Mr. CURTIS. No. This would take a while.

Mr. WILLIAMS of Delaware. But I think that should be the No. 1 objective. I do not think we shall get control of inflation until we can convince the American people that we are going to stop pyramiding the national debt and balance this Federal budget.

Mr. CURTIS. That is why the vote coming up on recommittal is one of the most far-reaching votes that will be cast in this Congress, or perhaps the next. It is the one chance to obtain a balanced budget. If we miss this, we may miss it for a long, long time.

Also, if we miss it, does not the Senator from Delaware agree that we will have rendered a disservice to the American people, both now and future years?

Mr. WILLIAMS of Delaware. That is my opinion. While tax reductions are very attractive and everyone would like to reduce taxes, I do not believe we should lose sight of the fact that for each 1-percent increase in the cost of living it adds $5 billion to the cost of consumer goods. Thus, we would be taking that money away by fanning the fires of inflation.

Inflation, which I recall was around 6 percent last year, has got to be checked. We have got to bring it under control.

Say a wage earner gets a salary increase. It looks nice. He will get more money. But before he can get home the increase in the cost of living, in groceries, in clothes, and so forth, will have so advanced in price that his salary increase has been gobbled up.

Mr. CURTIS. Does not the Senator believe that the voters of any State in the Union will not demand reductions if we have to borrow the money to do it?

Mr. WILLIAMS of Delaware. Personally, I do not think so. It is not sound practice to cut taxes with borrowed money.

Mr. CURTIS. Is it not also true that if we increase the national debt by $1 billion, at the present cost of borrowing money we would add to the burden of carrying the interest at least $60 million a year, and that $60 million a year will have to be paid year after year after year, until a Congress is elected which will

have the courage to start paying off on the debt; is that not correct?

Mr. WILLIAMS of Delaware. The Government the other day paid 7¾ percent for an 8-year bond. So it will cost $77 million.

Mr. CURTIS. I understand that, but I am figuring it over the long run.

Mr. WILLIAMS of Delaware. That is correct.

Mr. CURTIS. I thank the Senator.

Mr. WILLIAMS of Delaware. Mr. President, I withhold the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. GORE. Mr. President, the distinguished former Governor of Alabama, the Honorable George Wallace, appeared today on a national television program which originated in Washington.

Governor Wallace endorsed an increase in the personal exemption as a method of tax relief.

From this, I have taken encouragement in two respects:

First, the influence of Governor Wallace may prove helpful in the conference between the House and the Senate in securing adoption of the Gore amendment. I appreciate his endorsement and welcome his assistance. All assistance is needed. Indeed, every ounce of support on behalf of the people will be needed in that conference, because there are great forces arrayed against the amendment. They are arrayed against the amendment because this benefit for the mass of the people of this country will replace the benefit proposed for the few by the Nixon-Agnew administration. The few are powerful and they have friends in very high places. All of the strength of the White House, the President, the Vice President, the Department of the Treasury, and their political affiliates are moving heaven and earth to defeat the amendment.

The distinguished former Governor of Alabama is a man who has been demonstrated to command the loyalty, respect, and support of millions of Americans.

As a candidate for President, he ran second in the State of Tennessee, and a close second. The people who supported him in my State were, largely, working people, largely people who have been friends and supporters of mine because in my career my efforts have been devoted earnestly to an improvement of the economic status of the people who toil.

So I take encouragement from the endorsement by Governor Wallace of this method of tax relief as one more piece of evidence that I represent the wish and the will of the mass of men and women, young and old, in Tennessee for economic justice which, I think, is demonstrated by the pending amendment.

Mr. President, I ask unanimous consent to insert at this point in the RECORD excerpts from the remarks of Governor Wallace on the television interview this morning.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

Well, I advocated during the presidential campaign a $1200 tax exemption, the same as Senator Allen has introduced. The $800 is a start but it is not enough. It should go more than $800; it should be at least $1000 or $1200. I don't consider it inflationary. I consider the high government spending that brings no return to the American people as inflationary. And I say this Administration ought to remove the inequities in the tax structure that let the filthy, multi-million-billion dollar rich—such as the foundations—get by scot free while every working man and little businessman and little farmer has his nose to the grindstone. And this Administration must give tax relief to this mass of people in our country or they are going to find that it is one of the prime issues of 1972.

Mr. GORE. Mr. President, much has been said and written about fiscal responsibility with respect to this bill. I have a tabulation of measures rejected by the Senate that would have increased revenues to the Government in the sum of $4.170 billion. These amendments were supported by the senior Senator from Tennessee. I do not criticize any of my colleagues in any way when I say that in voting on these amendments there was a composite vote by the members of the minority party of 350 against these revenue-raising measures, and only 71 in favor. The senior Senator from Tennessee supported all these amendments.

So, Mr. President, let us examine the question of fiscal responsibility. The amendment which I offered, and which was adopted by a vote of 58 to 37, does not lose revenue for the Government. Indeed, it represents an increase in revenue of $100 million, when fully effective, as against the provisions in the committee bill which the amendment replaced, it being a substitute amendment.

Mr. RIBICOFF. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. RIBICOFF. Is it not true that the list of the amendments the Senator refers to that would have raised substantial sums of money represents attempted corrections of some of the most glaring and consistent loopholes in our entire Internal Revenue Code?

Mr. GORE. Indeed so, and I am sorry that the Senate did not see fit to adopt them.

Second, I would like to refer to amendments that were adopted by the Senate that lost revenue for the Government. These amendments produced a revenue loss of more than $3 billion. The senior Senator from Tennessee opposed each of them, but my distinguished colleagues on the other side of the aisle, in large majority, supported them.

So if the performance of Members of this body need be measured by fiscal responsibility, then I submit that the two Members of this body, by the record, whose votes were most closely parallel during this whole fight are the senior Senator from Delaware and the senior Senator from Tennessee.

I am not sure that he claims that as a mark of prideful distinction or association. I do, and I say now on the floor of the Senate that I hope the senior Senator from Delaware will reconsider his decision and offer to serve another term in this body. I know of no one who can adequately fill his shoes.

Mr. President, this has been a very long and arduous task. I suppose the senior Senator from Tennessee has been the most persistent voice for tax reform in the Senate for the last decade. I am glad to say that we are accomplishing tax reform. I do not like to see the bill blackened and discredited because the Senate has, in my view, committed some errors. There is a great deal of tax reform left in the bill—as I have said, reforms that bring in additional revenues of $5.5 billion. This is a sizable sum, but this is not the end of tax reform. We will try again, and I will try again, to raise the personal exemption to $1,000, where it should be.

Of course, when we consider that my amendment has a low income allowance of $1,000, then the $800 exemption can be realistically interpreted as being equal to $1,000 in personal exemptions for a family of four.

No, tax reform will not end with this, but despite its shortcomings, this is still a good bill, not in all respects, but, as amended, I would rather have it than not have it.

Mr. President, I yield 10 minutes to the Senator from Oklahoma (Mr. HARRIS).

Mr. HARRIS. Mr. President, I rise in opposition to the pending motion of the distinguished Senator from Delaware.

May I say first, Mr. President, as has already been said, that I think the distinguished Senator from Delaware and the distinguished Senator from Tennessee have been as consistent supporters of real tax reform during this and prior sessions of the Senate as any Member of this body.

None of us can overlook the appearance of serious disease in the economy of this country. The consumer price index on meat, fish, and poultry, for example, rose almost as much during the first 8 months of this year as it did in all the previous 8 years combined.

There have been major increases in prices in the basic industries of steel and copper, for example, whence price increases roll ocean waves throughout the rest of our economy. The President of the United States, very early in his administration, indicated quite clearly that he intended to pursue a hands-off policy in regard to price and wage decisions, even in the basic industries. That has been the policy which he has pursued, and I think very unfortunately and with very seriously detrimental consequences for the economy generally.

I was glad that, at long last, he did alter that hands-off policy to some degree recently; but even then, Mr. President, he only sent out a letter to labor and management representatives, simply surging their support in holding the line on wages and prices. It seemed to me that that was a rather half-hearted effort, which came much too late in the day.

I do not think that the President of the United States ought to try to twist arms out of sockets, but I think most of the economists, the experts on the economy of this country, would say with President Theodore Roosevelt that the Presidency of the United States is "a

bully pulpit." It is the focal point for the moral power and influence of this great people. The Presidency is, today, an office which must be occupied by an activist, and in no field is that more true than in the field of the economy. I think we have seen the consequences of a passive Presidency in regard to wage and price decisions.

Second, Mr. President, I think that the worst thing that has happened in this economy, and the worst thing that could happen in this economy, is the fact that interest rates have been permitted to rise to their highest level in 100 years of this Nation's history. I do not think that this kind of tight money policy serves either the cause of the people of the United States—the plain people of this country—or the cause of curbing inflation. Rather, Mr. President, I think it can be clearly demonstrated that the outrageously high, scandalously high interest rates now in effect in this country fuel the fires of inflation and will, unless curbed, unless acted upon, cause this Nation, I am afraid, to fall upon even more difficult economic times.

The stock market does not, in my judgment, serve as a very good barometer to predict the short run future of the economy of the country. However, I think there is merit in the belief of many economists that it does serve as some kind of barometer as to what may happen in the economy for the longer run. We have only to look at what is happening in the stock market, Mr. President, and judge by that standard to find that, unless something happens to right this economy and to cure its serious ills, we may be headed for very serious troubles in the months ahead.

This, incidentally, is the first time in history—or it certainly is the first time in history so far as I know anything about it—that this country has had a conscious policy of raising interest rates at a time when we are trying to publicly finance a major war. That is exactly what we have done during the time of the policies which are now in effect.

Mr. GORE. Mr. President, will the Senator yield?

Mr. HARRIS. I am happy to yield.

Mr. GORE. For those who say that there is no way to control interest rates, I should like to recall a little history. Former Presidents Roosevelt and Truman took this country through World War II and the Korean war maintaining an interest rate on Government obligations of 2.5 percent.

Mr. HARRIS. The Senator is quite correct; and, if he will recall, we had before the Senate not long ago a bill which sought to provide more mortgage credit, and at the same time—and as I understood it over the objections of the administration—provide some kind of voluntary credit restraints and credit rationing similar to that system which was in effect during the Korean war. That bill was passed, but that provision was adopted, as I understand it, over the objections of the administration.

Furthermore, as I understand it, there is a bill to provide for a system similar to the kind of system which was in effect during the Korean war presently pending in the House Banking and Currency Committee; and I only hope that finally, at long last, this administration and its Secretary of the Treasury will reverse themselves, and see that it is not in the public interest, that it is not in the interest of the plain people of this country, to continue this outrageously high interest rate policy which is sapping the strength of our economy, which is killing the housing industry, and which is distorting the economy generally.

The President of the United States has, I think, tremendous powers of suasion—and, more than suasion, of actually holding down interest rates—if he desires to use them. So far as I know—and I have watched it rather closely—to this good moment, the President has yet to say that it is against the national interest, as he sees it, to continue these high interest rates.

Furthermore, the President has lately appointed a man, Dr. Arthur Burns, to the Federal Reserve Board chairmanship; and I would think that, with that appointment of his own man, the President could finally, if he wanted to do so, see that the Federal Reserve Board reversed this high interest rate policy which is causing such tremendous economic troubles in this country—and is going to lead us down the road to a recession, in the eyes of so many economic experts whose opinions I trust—unless it is curbed, unless it is reversed, and unless that is done right away.

I think we have to be fiscally responsible, as well. But I wanted to point out these other items to indicate that we have run the wrong course monetarily, in my judgment, with this tight money policy. We have to be fiscally responsible, as well. That is why so many Senators, in recent months, have stood here and attempted to hold down nonessential expenditures, particularly nonessential military expenditures, to which we have to look first if we are really serious about trying to hold the line on the budget and provide a budget surplus. I hope that we will have greater help from the administration in that regard.

I saw a report on some action in the House Committee on Appropriations the other day to cut substantially from the administration budget request for military expenditures. As I understand it, the administration's position is that it is opposed to such deep cuts.

I think we must be fiscally responsible, and that means responsible not only so far as the amounts of revenue raised are concerned, but responsible also with respect to the amounts spent.

That brings us to this bill. I have tried to be responsible in my votes on the bill. In this time of continuing inflation and rising prices, Congress must be responsible in its fiscal policies, so as not to increase the inflationary pressures.

I voted for the Metcalf amendment, which would have raised an additional $200 million; for the Tydings amendment, which would have raised an additional $2.5 billion; and for the Kennedy amendment, which would have raised an additional $480 million. The total increase in revenue that would have been raised had those amendments been adopted by the Senate was $3.18 billion above the revenues that are raised by the bill.

I voted against the Ribicoff amendment, which was agreed to and will cost $1.8 billion in lost revenue.

The PRESIDING OFFICER. The time of the Senator from Oklahoma has expired.

Mr. HARRIS. Mr. President, I yield myself an additional 5 minutes.

I voted against the Murphy amendment, which was adopted and will cost $225 million in lost revenue; against the Tower amendment, which was adopted and will cost $100 million in lost revenue; against the Hartke amendment, which was adopted and will cost $1.02 billion in lost revenue; and against the Inouye amendment, which was adopted and will cost $55 million in lost revenue. The total revenue that will be lost in those amendments, among others which I opposed but which were adopted by the Senate, is $3.2 billion.

Mr. President, I wish this bill were in better balance. I believe it will be—and it must be—as it comes back from conference.

I could support the motion of the distinguished Senator from Delaware in all particulars except in regard to items 7 and 8. I say, first, in regard to item No. 7, which would strike the increase in personal exemptions, which was adopted by the amendment of the distinguished Senator from Tennessee (Mr. GORE), that the attempt to make a distinction in the bill between tax relief and tax reform, to some degree, is, in my judgment, valid.

However, basically and fundamentally, I believe that tax relief is tax reform. Tax relief is a part of tax reform, especially since at the present time and without the pending bill, the lower and middle income tax payers in America are paying more than their fair share of the taxes.

I believe that the amendment of the distinguished senior Senator from Tennessee with regard to personal exemptions provides the kind of tax relief which a great majority of Americans can understand and, in my judgment, a great majority of Americans support.

It is in line with the kind and amount of tax relief which had been granted in the House bill.

I supported an increase in social security benefits to the extent of 15 percent because it seems to me that if any segment of our society is to have some relief from the growing inflation in this country and these alarmingly rising prices in our country, it ought to be this group of Americans.

I support the statements which were made in support of that increase, which is not inflationary and can be paid out of existing rates.

I believe that when the bill comes back from conference, decisions will have to be made weighing revenue and reform which will strike a balance to the degree that the Senate can agree to it.

There is not any question that changes have to be made in the measure along the lines I indicated I had voted. However, since the changes eventually have to be weighed and decided upon in the conference with the House of Repre-

sentatives, I believe it would be well not to agree to the motion of the Senator from Delaware now, but, instead, to send the bill to the conference committee so that the conferees may begin immediately to work their will upon the measure and both Houses will have an opportunity to take another look at it.

I believe that we can then hurry along with what I believe is absolutely essential—not next year, but this year—substantial tax relief and tax reform which is long overdue.

Mr. GORE. Mr. President, I yield 5 minutes to the Senator from Alaska.

The PRESIDING OFFICER. The Senator from Tennessee only has 3 minutes remaining.

Mr. GORE. Mr. President, I yield him 2 minutes in addition on the bill.

The PRESIDING OFFICER. The Senator from Alaska is recognized for 5 minutes.

Mr. STEVENS. Mr. President, there seems to be a great penchant here to equate tax reform with increased revenue to the Federal Government. I would like to get the matter back in perspective, at least as far as my State is concerned.

The investment tax credit has been in effect for the past few years. Just as my State is coming into a period of development, Congress wants to take it away.

We tried to limit the relief provided by my amendment to depressed areas. And Alaska is a depressed area. If my amendment is agreed to it will mean that when new jobs are created in my State, there will be a $1,050 tax benefit for each new job created by people investing in my State.

The real problem concerning the approach to the bill as far as I am concerned is that no attention has been paid to the impact of what will happen as a result of both the House and Senate bills concerning the decrease in depletion allowance.

I have predicted that the price of gasoline all over the country will go up at least 1.5 cents a gallon. How inflationary is that as compared to continuing the depletion allowance that was built into the fabric of our economy for so many years?

In terms of the total impact of the bill, what will be the effect of the exemption we have voted for the individual taxpayer if the taxpayer gets a $200 increased exemption over the period of time provided in the bill in individual exemptions? We talk, and the Senator from Oklahoma has just talked, about the concept of the rising interest rates. Instead of complaining about making more money available to individual taxpayers, if we find ways to encourage our people to save, the money made available by increased exemptions would go into the private stream of investments and would decrease interest costs for everyone, including the Federal Government, because more private capital would be available.

When I look at the decrease in tax liability and social security benefits resulting from the Senate approved amendment—and this table predicting the effect of our amendments has been placed on the desk of every Senator—it reminds me of the numbers game in accounting. One can do almost anything with figures. I do not believe that the impact of the Senate action on the bill can be interpreted simply by a look at the Federal Treasury today—we must realize that increased employment means increased tax revenues—increased savings means lower interest costs.

The investment credit is in effect today. By preserving it for small businesses and depressed areas, how in the world have we affected the budget?

I oppose the Senator's motion to recommit because I feel it does not show confidence in the conference committee.

I did not offer the amendment on depressed areas with respect to investment credit until the Hartke amendment was agreed to. I assume that the conference committee will be composed of people who serve on the Finance Committee who weer opposed to these amendments to begin with. We have little chance to succeed in the conference committee. Yet, we are asked to make a decision now.

I note that we are not asked to take out all of the amendments agreed to on the floor, but just a selected few. I would like to have my amendment receive the same consideration in the Conference Committee as the amendments of the Senator from Tennessee or the Senator from Indiana. I am prepared to abide by the decision of the Conference Committee, but not by a selective recommittal motion which says that we should take out some measures but that the rest of them are OK. Some of the amendments that are not listed in the motion to recommit have a great deal more effect on the budget than my amendment would have.

This table presented to us today states my amendment would cost $70 million with relation to investment tax credit for depressed areas in the fiscal year 1970. If the Treasury lost $70 million in 1970 as a result of my amendment, there would be 70,000 people who are currently unemployed and probably on welfare rolls who would be put to work and would be paying taxes.

Anyone who states that we would lose $70 million from my amendment is completely unrealistic in my opinion.

The PRESIDING OFFICER. The question is on agreeing to the motion.

Mr. GORE. Mr. President, I yield 5 minutes on the bill to the Senator from Utah.

The PRESIDING OFFICER. The Senator from Utah is recognized for 5 minutes.

Mr. MOSS. Mr. President, we have heard much about fiscal responsibility recently, but we have been hearing it from the wrong people.

Some Senators have been moaning and groaning about the revenue loss of the much-needed tax relief now provided for in this bill. They claim it is fiscally irresponsible. Yet when opportunities are presented to them to vote for amendments which would make up for this revenue loss, they are suddenly very quiet about fiscal responsibility.

Where were all the noisy advocates of fiscal responsibility when the Tydings capital gain amendment, the Kennedy minimum income tax amendment, and the Metcalf hobby farmer amendment were being voted on? Not only were these three amendments desirable on equitable grounds, but, in addition, together they would have added at least $3.2 billion to tax revenues. This sum could easily enough "pay" for the extra $2.3 billion that raising the personal exemption would cost.

Those Senators who are attempting to discredit the tax relief voted by the Senate are also including the 15-percent increase in social security as a further revenue loss. But this increase is not a revenue loss to the General Treasury. Social security is paid for out of a self-supporting trust fund which, without this 15-percent increase, would have an unnecessary surplus.

Although done for legislative convenience, it was perhaps a tactical mistake to add the social security to the tax bill. It really has nothing to do with tax relief, but the confusion has given the traditional opponents of social security a chance to distort it as fiscally irresponsible.

Mr. President, "fiscal responsibility," like "law and order," has become an abused term in the American political language. Behind the rhetoric of fiscal responsibility is the clear but unspoken message of the status quo—keep the loopholes open but oppose tax relief for everybody else.

But we should not let the enemies of meaningful tax reform get away with it. In my opinion, those who vote against tax reform are being fiscally irresponsible, not those who vote for tax relief.

Nor should President Nixon be allowed to get away with the rhetoric of fiscal responsibility. If the President had fought for tax reform with the same determination that he exhibited in the ABM and Haynsworth battles, we could have closed these loopholes and had more than enough increased revenue to cover the revenue loss of the barely adequate tax relief voted by the Senate.

Instead, the Nixon administration not only opposed some of the reforms in the House bill, but also wanted to cut the meager relief in the House bill by $1.7 billion and turn $1.6 of it over to the corporations in the form of a 2-percent reduction in corporate tax rates.

Mr. President, I shall vote against the motion to recommit. The Senate has exercised its responsibility in writing this bill, and I think we must send it on now to the President and let him exercise his function as he sees fit.

I yield the floor.

Mr. DOMINICK. Mr. President, will the Senator yield me 2 minutes?

Mr. GORE. I yield 2 minutes to the distinguished junior Senator from Colorado.

Mr. DOMINICK. Mr. President, I am not going to delay the Senate, but it seems a little difficult—to me, at least—to understand why we should go through 2 weeks of rather heated debate on many of these amendments, take vote after vote on the floor, and decide, as the Senate, what we are going to do, and then be asked to take all this and put it back in committee and vote it out as though we had never considered these items before.

I do not happen to be in agreement with the Senator from Tennessee on his exemption, but the Senate has decided this. I happen to be in favor of the tuition tax credit. It is my recollection that the Senator from Tennessee was not in favor of that. But the Senate has voted on both amendments, and it would seem to me only proper, having had those votes at this time, that we should send it to conference and see what can be worked out between the differing bills. Heaven knows, we have enough points which differ in both bills to take a rather extensive amount of time in conference if they are going to be gone over with care. So I find great difficulty in seeing why we should do it this way.

Obviously, I could support a motion which provides for taking out the amendment of the Senator from Tennessee, and he could support a motion which provides for my amendment for tuition tax credit to be taken out. What we are doing is saying that we should take out all the major things that have been put into the bill after extensive debate by the Senate, and I cannot see the point in going through this type of exercise.

The PRESIDING OFFICER (Mr. SAXBE in the chair). The time of the Senator has expired.

Mr. GORE. I yield 1 additional minute to the Senator.

Mr. DOMINICK. Insofar as the tuition tax credit is concerned, on which I have been working for 15 years, that was passed by the Senate once. It was taken out in conference last time on the ground that the revenue loss was too high. This time it was passed by the Senate and its effectiveness was postponed until 1973. It seems to me that there is room in this budget, as we go on, to take another look at this matter. If it looks bad at that time, we can change it around or reduce the amount, but at least we will have established a tax reform principle by which one is allowed to use his own gross earnings to further the national policy of making available the opportunity for more people to have an adequate education. This is the basic principle. It is a total reform concept. It seems to me that, in view of the postponement of the effective date so that there would be no real effect on the budget until 1973—not 1972, as shown in the schedule—we should retain this amendment.

Mr. GORE. Mr. President, I yield such time as he desires to the majority leader.

Mr. MANSFIELD. Mr. President, I have been informed that the revenue gain from reforms in the bill reported by the committee and as presented to the Senate amounted to $6.6 billion and that as of now, with all the amendments put in by the Senate, the amount comes to $5.6 billion. That is still a great deal of reform in my judgment—reform that in the end will distribute the tax burden in our society more equitably.

I would point out, Mr. President, that, to achieve this, the Senate has sweated for a number of days, for long hours, voted time and time again on amendments—20 of them yesterday—and that now the Senate is faced with a proposal to undo in a matter of minutes all the work we have done over the past 2 weeks.

What would be the effect of the loss of the amendment offered by the distinguished Senator from Connesticut (Mr. RIBICOFF) and the distinguished Senator from Colorado (Mr. DOMINICK) insofar as helping out the overwrought and overpressed parents who are saddled with the high tuition and expense costs of education.

What would happen to the amendment offered by the distinguished Senator from Indiana (Mr. HARTKE), which would give some small degree of relief to small businessmen—and really small businessmen?

What would happen to the amendment offered by the distinguished Senator from Alaska, who is trying to look after the interests of his State and to compensate, at least in part, for the damages caused by floods, tidal waves, earthquakes, and other disasters?

What would happen to the sound proposal of the distinguished Senator from Hawaii (Mr. INOUYE), which will provide some consideration for retirees under qualified pension plans?

What would happen to the amendment offered by the distinguished senior Senator from California, which only asks that older Americans be given a full deduction for their medical costs?

What about the amendment proposed by the distinguished senior Senator from Arizona (Mr. FANNIN), relating to a deduction for the commuting expenses of disabled persons?

What about the amendment of the distinguished senior Senator from Tennessee, who is trying to raise the income exemption from a piddling $600 to a mere $800—and even that through stages? I think the $600 exemption has been long outmoded, out of date, ridiculous, and in reality without any meaning. Frankly, I do not think the distinguished Senator from Tennessee went far enough. I joined the distinguished Senator from Alabama (Mr. ALLEN) in seeking to raise the exemption rate to $1,200, and even then I do not think you approach the level in a fashion that gives justice to the people who are being hit the hardest—not the rich, but the poor and the middle income groups. These are the citizens who contribute most of the funds which this Government so willingly takes and which the Senate spends, along with our colleagues in the other body.

Next we find that the pending motion would knock out the social security benefits—15 percent. The administration recommended a 10-percent increase. But that would only cover the increase in the cost of living since the last raise in social security. This motion would knock out as well the proposal of the distinguished Senator from West Virginia and the Senator from Montana, which would raise the social security minimum from $55 a month to $100 a month.

Who can live on $55 a month?

It would also knock out the provision that would lower the eligibility age from 65 to 60 with actuarially reduced benefits and to 50 for women—the latter feature with little or no effect on the fund.

Well, Mr. President, all I can say is I have taken my stand on the bill. I voted for some amendments; I voted against others. I am willing to take my chances when I go back to my people and tell them how I voted, whether it was for a depletion allowance, for an increase of 15 percent in social security payments or for whatever. The record is there. We voted. We know where we stand.

I hope most sincerely the Senate will reject the motion to recommit the pending bill. I hope most sincerely the Senate refuses to undo now what it has spent more than 2 weeks to achieve.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. MANSFIELD. Yes, indeed.

Mr. MILLER. Maybe I did not hear the Senator from Montana correctly, but would the Senator mind repeating what he told the Senate about the state of the budget for calendar year 1970 under the bill as it has been amended, as against the bill reported by the Committee on Finance?

Mr. MANSFIELD. I did not refer to the state of the budget. I referred to the fact that the revenue gained from reforms by the committee bill was $6.6 billion, but that as the bill stands now, with all the amendments, there is still a $5.6 billion gain from reforms.

Mr. GORE. From the reform provisions in the bill.

Mr. MANSFIELD. That is correct. From the reform provisions in the bill.

Mr. MILLER. Mr. President, I would like to comment on that statement because, while I am sure these figures are accurate, I do not think they convey the true picture as far as the overall budget is concerned. That is what we have to look at.

Mr. MANSFIELD. We are not talking about the budget, but rather a bill which was reported by the Committee on Finance, a tax reform and tax relief bill. We have expressed our views on it. We had almost 100 votes, I believe. The situation is quite clear. Now is the time to vote it either up or down.

If you are not for the bill, which all of us voted for in part, with one exception, possibly then I think the best way to do it is to face up to the matter as is; and the best way to do that is to vote down the motion of the Senator from Delaware.

Mr. MILLER. Mr. President, will the Senator yield further?

Mr. MANSFIELD. I yield.

Mr. MILLER. Mr. President, I think it is terribly important to look at the budget, that is, the way the budget is under the bill of the Committee on Finance and the way it would be under the bill as now amended with all of these Christmas tree ornaments.

The Senate will find in the committee report that under the committee bill there would be a surplus of $6.5 billion for calendar year 1970, but under the bill as now amended we would have a deficit of nearly $3 billion.

Mr. MANSFIELD. Though I did not refer to the budget, I can suggest to the Senator some areas where we could cut

that budget. For instance, I think we could cut it very easily in the Defense Department. Indeed, some of the cost overruns on some of its projects alone exceed many revenue items in the tax bill. There are other exotic items that have been funded in the past in the name of Defense that have been wrong decisions. It seems that all the people in the Defense Department have to do is ask and they receive. The fact is, the budget can be cut and redistributed in line with the needs and priorities of this Nation and we in the Congress have had that opportunity every year. With respect to the redistribution of the tax burden, however, it is not often that we have had the opportunity to provide reforms with a view to greater equity; certainly not every year, not even every decade. I hope we take advantage of the opportunity today.

Mr. MILLER. That is not the proposition before the Senate. That proposition will be reached by the Appropriation Committees, by the Senate and the House committees on appropriations.

Mr. MANSFIELD. The Senator used the word "budget" and to me the defense aspect of the budget comprises the overwhelming part of the money spent.

Mr. MILLER. I thoroughly agree on that, but I must point out to the Senator we are not dealing with the budget here; we are dealing with the Finance Committee bill, and the budget will come along later.

The PRESIDING OFFICER. Who yields time? The Senator from Tennessee (Mr. GORE) controls the time on the bill.

Mr. WILLIAMS of Delaware. Mr. President, I yield 2 minutes to the Senator from Iowa on the bill.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. MILLER. Mr. President, I agree with the figures which the Senator from Montana has presented here. They are correct. My point is that they do not go far enough in presenting the true picture. If we are so concerned about high interest rates in this country, we had better keep the Federal Government from competing in the money market with private industry and with individuals who want to buy homes. But we cannot do that if we continue to build up deficits.

The best part of the bill of the Committee on Finance was that it assured a surplus. But under the amendments that have been agreed to, which the Senator from Delaware is trying to get off the backs of the American people, we are not going to eliminate this competition from the Federal Government for money. That is the way high interest rates can go down.

Mr. President, I have one further comment. I think we should recognize this fact and I want to repeat it.

When we increase the personal exemption from $600 to $800, that means that people like most of my colleagues in the Senate, who are at least in the 50-percent tax bracket, get $400 in tax benefits for every exemption they have and the little fellow in the 15-percent tax bracket gets a $120 crumb.

Mr. GORE. Mr. President, will the Senator yield on that point?

Mr. MILLER. I yield.

Mr. GORE. I think frankly that is a poor excuse when the amendment was offered as a substitute for rate changes which would have given $10,000 or more in tax reductions for the wealthy. The Senator is talking about a difference between $400 and $10,000.

Mr. MILLER. If the Senator's amendment would give every taxpayer a similar tax break, that would be one thing, but to give every Member of Congress a $400 tax break and the little fellow who is in the 15-percent bracket $120 is not very much equity and is not tax reform.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Delaware. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BYRD of West Virginia (after having voted in the negative). On this vote I have a pair with the Senator from Louisiana (Mr. ELLENDER). If he were present and voting, he would vote yea; if I were at liberty to vote, I would vote nay. I withdraw my vote.

Mr. LONG (after having voted in the affirmative). On this vote I have a pair with the Senator from New Mexico (Mr. ANDERSON). If he were present and voting, he would vote nay; if I were at liberty to vote, I would vote yea. I withdraw my vote.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Rhode Island (Mr. PASTORE), the Senator from Missouri (Mr. SYMINGTON), and the Senator from Maryland (Mr. TYDINGS) are necessarily absent.

I further announce that the Senator from Louisiana (Mr. ELLENDER) is absent on official business.

I further announce that, if present and voting, the Senator from Rhode Island (Mr. PASTORE) would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) is absent on official business.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

If present and voting, the Senator from Arizona (Mr. GOLDWATER) would vote "yea."

The result was announced—yeas 31, nays 60, as follows:

[No. 222 Leg.]

YEAS—31

Aiken	Goodell	Pearson
Allott	Griffin	Percy
Baker	Hansen	Russell
Bennett	Holland	Saxbe
Boggs	Hruska	Scott
Brooke	Javits	Smith, Maine
Cooper	Jordan, Idaho	Thurmond
Cotton	Mathias	Tower
Curtis	Miller	Williams, Del.
Dole	Murphy	
Fannin	Packwood	

NAYS—60

Allen	Eastland	Jackson
Bayh	Ervin	Jordan, N.C.
Bellmon	Fong	Kennedy
Bible	Fulbright	Magnuson
Burdick	Gore	Mansfield
Byrd, Va.	Gravel	McCarthy
Cannon	Gurney	McClellan
Case	Harris	McGee
Church	Hart	McGovern
Cook	Hartke	McIntyre
Cranston	Hatfield	Metcalf
Dodd	Hollings	Mondale
Dominick	Hughes	Montoya
Eagleton	Inouye	Moss
Muskie	Ribicoff	Stevens
Nelson	Schweiker	Talmadge
Pell	Smith, Ill.	Williams, N.J.
Prouty	Sparkman	Yarborough
Proxmire	Spong	Young, N. Dak.
Randolph	Stennis	Young, Ohio

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY RECORDED—2

Byrd of West Virginia, against.
Long, for.

NOT VOTING—7

Anderson	Mundt	Tydings
Ellender	Pastore	
Goldwater	Symington	

So the motion to recommit the bill was rejected.

The PRESIDING OFFICER. The question now is on passage of the bill.

Who yields time?

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 5 minutes.

I regret very much that the Senate rejected this motion, which would have established some degree of fiscal responsibility as far as this bill is concerned.

I worked hard for the last 3 months trying to get a tax reform bill that would be properly balanced. The bill as it is now before us, which the Senate is about to vote for, as compared with the bill that was reported by the Finance Committee will lose $10.656 billion next year in additional revenues. That does not count the $1.7 billion amendment sponsored by the Senator from Connecticut and by the Senator from Colorado, which is in the bill but which does not become effective until 1972.

I do not think we can afford that. We are already confronted with a budget deficit of staggering proportions. I know they are projecting a $3.4 billion surplus under this unified phoney budget, but that surplus is only based on the premise that they count as normal revenues the $10.6 billion of accumulations in the trust funds. If those trust fund accumulations were eliminated—which never have been counted before, and they should not be counted—then there is a projected deficit of $6.8 billion for next year, and that does not include the $10 billion extra loss in revenue contained in the bill now before us.

In addition, even that deficit is based on the premise that Congress will increase postal rates retroactive to last July. It is also based on the assumption that social security increases will be effective April 1, 1970, instead of January 1, 1970. It does not include the extra $600 million Congress provided for pollution control. It does not include the $400 million extra for veterans benefits.

The appropriation for HEW has been increased over $1 billion. It does not take into consideration any salary increases over and above what have already been provided for in the budget.

There is no question that we are headed into a serious deficit situation next year and that this bill will only further aggravate the problem.

I regret very much that the Senate has turned what was supposed to be a tax reform bill into a political Christmas package which promises everything to everybody when I do not think Members of the Senate ever expect those promises to be delivered.

Senators speaking against my amendment have said, "Let us pass the bill as

it is." I have confidence in the conferees. They want to vote for these top reductions on the floor of the Senate, and then they can go home and tell their constituents how they voted for them, but the conferees took it away.

I will not be a party to any such political hypocrisy. I am sure we are going to pass the bill, but as one member of the committee who has worked long and hard on it and who believes in tax reform, I will not be a party to the irresponsible action the Senate is about to take. I am going to vote against the bill.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. If the bill is not passed, is it not true that, from the standpoint of the administrative budget, the deficit will be less than if it is passed?

Mr. WILLIAMS of Delaware. Benefits amounting to $10.650 billion were added on the floor of the Senate to what was already provided in the bill as it was reported from the committee. There were some tax reductions already in the committee bill. The increased revenue to be derived from repealing the investment tax credit, extending the surcharge and the excise taxes all that has gone down the drain under this Senate bill.

This bill represents the most irresponsible piece of legislation that I have seen since I have been in the Senate.

Mr. CURTIS. If the Senator will yield further, I believe it is grossly unfair to ask the American people to accept repeal of the investment credit and extension of the surtax and the many increases that are in this bill for naught, because after all that is done, the deficit will be greater and the debt will be greater. A nay vote is a vote to improve the condition of the budget.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 5 more minutes.

There is no question about what the Senator from Nebraska has said. As I mentioned earlier in the debate, in the last session when we enacted the 10-percent surcharge, when President Johnson was in office—and I supported that because I thought we ought to have it—as of June 30, 1968, our national debt was $350.7 billion. The national debt on November 20 of this year, just 17 months later, was $369.4 billion, or an increase of over $1 billion per month for that 17-month period.

Now the Senate proposes to increase that debt further by reducing revenues and increasing expenditures by another $10 billion.

I think it is the most irresponsible action ever taken in my 22 years in the Senate. We have cast the impression to a lot of people that they are going to get something. This is a political hoax for the American people. The people have been told that when the bill is passed they will get an increase of 15 percent in their social security benefits. They are told they will get an increase in their minimum social security payments to $100 a month. They are told they can retire at age 60. Under this bill they are being promised a big tax reduction next year. Parents with a child in college have been told they will get a generous tax credit for that student's expenses in college.

They have been promised all these things. How are we going to deliver when we do not have the money to pay for it?

Perhaps I am wrong, but if there are Senators who think that can be done I shall be looking forward to seeing how they do it.

Mr. CURTIS. Mr. President, will the Senator yield further?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. Mr. President, I shall not delay the Senate, but I take only one moment to praise the Senator from Delaware. Future generations will appreciate him for the fight he has made here, not only today, not only last week, but throughout his career. He has not won on every vote, but he has been true to his convictions. While opinions differ, and I respect the right to have differing opinions, in my opinion he has been eminently right, and I commend him.

I commend the distinguished chairman of the committee for the way he has handled the bill.

Once more I want to raise my voice in praise of the staff of the Joint Committee on Internal Revenue Taxation and the staff of the Senate Committee on Finance.

The task that was imposed upon them by browbeating the committee to bring about this monstrosity in so few short weeks resulted in night work, working weekends, and a very great burden. We must remember also that the end product of their work must stand testing, in court, by the best legal talent in the country. They have done an outstanding job, and they are deserving of the gratitude of the entire Senate.

Mr. PERCY. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. In a moment. I yield myself one-half minute.

I thank the Senator from Nebraska. I might say that I am not so conceited as to think that any future generations will remember what I have been doing, but I will say this: The generations to come will remember what the Senate is doing here today because they will be paying the cost of our votes today.

I yield 1 minute to the Senator from Illinois.

Mr. PERCY. I think 1 minute will be sufficient to indicate that I shall vote against this bill. Last night I placed in the RECORD my reasons for voting against the bill as amended by the Senate. I believe that a vote of "no" is really a vote of confidence in the work the Finance Committee originally did. Even though I think it is apparent that the bill will pass, a strong "no" vote will be an indication to the conferees to put the bill more in line with the House bill or the bill as originally reported by the Finance Committee, so as to provide a revenue loss of not more than $3 billion or $4 billion, rather than the $21 billion revenue loss we will otherwise suffer during the next 2 years.

Mr. GORE. Will the Senator from Louisiana yield me 5 minutes?

Mr. LONG. I yield 5 minutes to the Senator from Tennessee.

Mr. GORE. Mr. President, I should like again to spend a moment talking about fiscal responsibility and this bill. A great deal has been said about social security. The fact is that there is a social security trust fund, in which there is now a surplus—a social security trust fund with respect to which the actuarial experts of the Social Security Board testified that there was sufficient surplus to provide for a 15-percent increase in social security benefits across the board; and the record was so impressive that the House Ways and Means Committee reported such a bill unanimously.

How does it happen that now it is fiscally irresponsible to provide the benefits in the social security program, for which the people have already paid and have built up a surplus sufficient to provide for those benefits?

So much for social security. We now come to the tax provisions of the bill. I know we have had a great many votes and a great furor over amendments. I voted against most of the amendments that reduced revenues; but be that as it may, what is the result? As the Committee on Finance brought the bill to the Senate, its tax reform provision would bring in, according to experts in the Treasury Department, $6,600,000,000 in additional revenue. After all of our furor, the tax reform provisions in the bill as it is now ready to be voted, up or down, will produce $5,600,000,000 in additional revenue.

The committee chose to recommend that this additional revenue be used to provide tax relief for individuals. The principal choice before the committee has been who would get the tax relief. The administration recommended that it be done by a change in tax rates, lowering the top bracket on earned income from 70 percent to 50 percent. If Congress should approve that recommendation, it would mean that in one 5-year period, gradualism in our income taxes, above a reasonable level, would have been obliterated. It would mean that in one 5-year period, we would have cut the top rate from 91 percent to 50 percent on earned income. Striking that provision out was the first amendment the Finance Committee approved.

Then the bill came to the floor of the Senate, with the choice whether this additional revenue brought into the government by tax reform measures—more than five sixths of which are still in the bill—should be distributed in tax relief by way of rate changes running to 8 percentage points in the high brackets and only 1 percentage point in the low brackets, or whether that tax relief should be provided by way of increasing the personal exemption. After long debate the Senate chose the latter by a vote of 58 to 37.

So we have a bill that is not perfect, but one that is, on balance, good. It does not accomplish all the tax reform we desire.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. GORE. I ask for 1 more minute.

Mr. LONG. I yield the Senator 1 additional minute.

Mr. GORE. But tax reform will not end with this measure, either. Many of

us will be pressing harder and harder for more equitable tax reforms.

But this is a great start. Banish those who say it represents fiscal irresponsibility. This is a good bill, and I am prepared to vote for it.

Mr. LONG. Mr. President, I yield myself 1 minute.

I recorded myself as in favor of the Williams amendment, because I like the idea of being fiscally responsible with all revenue bills. But, as the Senator from Tennessee has so eloquently pointed out, there is a lot of good tax reform in this bill, and we are certainly justified in providing tax reduction to the extent that we provide tax reform. If the House of Representatives could do that, I see no reason why the Senate cannot do it. But the House position of a balanced bill for 1969, 1970, and 1971 will be in conference, and we can discuss that there.

After all the long, hard work that the Senate has done on the bill, I certainly would regret to see all this work done for naught. I very much hope that the bill will pass.

I believe that Senators will be happy with the final result of the bill. Between 500 and 700 amendments will be in conference. But it is my judgment that by the time we shape the bill into final form in conference, although it will not please everyone, the Senate will be better satisfied than it is at this moment. I believe that on balance it is a good bill, and that Senators will regret a vote against it.

Mr. METCALF. Mr. President, will the Senator yield 5 minutes to me?

Mr. LONG. Mr. President, I yield to the Senator from Montana as much time as he may desire.

Mr. METCALF. Mr. President, I am going to digress from the vehemence and the eloquence that have been spoken about the bill. I have asked for this time to ask a question of the Senator from Louisiana, who is managing the bill. I wish to ask him about a provision on page 349 of the bill, section 638, of the Internal Revenue Code, a provision which is discussed also in the committee report on page 189, section 7, regarding the Continental Shelf.

The Continental Shelf is the subject of great concern for several committees of the Senate. The distinguished and able Senator from Rhode Island (Mr. PELL) heads a subcommittee of the Committee on Foreign Relations; the able and distinguished Senator from South Carolina (Mr. HOLLINGS) is in charge of a subcommittee of the Committee on Commerce; and I am chairman of a subcommittee of the Committee on Interior and Insular Affairs. The Comittee on Interior and Insular Affairs is the committee that last had jurisdiction over Continental Shelf legislation.

This is a subject of concern in the United Nations, as it was also in the last Interparliamentary Conference, the U.S. delegation too, which was headed by the distinguished Senator from Alabama (Mr. SPARKMAN). It was a matter of much discussion.

We are concerned about whether we should have a 3-mile shelf or should have jurisdiction for 20 miles or, as some South American nations have asserted their jurisdiction, for 200 miles.

The Department of Defense, the Department of State, and other departments have yet to reach a conclusion as to what the recommendation should be made.

The bill provides that the United States shall have jurisdiction to tax provided such area is adjacent to our territorial waters and we have exclusive rights to such area under international law. I understand that the committee has written a provision in accordance with international law with respect to the exploration and exploitation of natural resources. But already we have demonstrated the ability to explore and exploit far beyond the 3-mile limit or the 20-mile limit.

I should like to make it clear today that this is only a tax bill and that we are extending only our tax jurisdiction; that this provision does not establish any precedent or make any statement so far as U.S. jurisdiction over the outer Continental Shelf is concerned for defense purposes or for fishing or for the water column or air column overhead.

Mr. President, for the benefit of my colleagues, I ask unanimous consent that section 507 of the tax reform bill be printed at this point in the RECORD.

SEC. 507. CONTINENTAL SHELF AREAS

(a) IN GENERAL.—Subchapter I of chapter 1 (relating to natural resources) is amended by adding after part IV (added by section 505 of this Act) the following new part:

"PART V—CONTINENTAL SHELF AREAS

"Sec. 638. Continental shelf areas.

"SEC. 638. CONTINENTAL SHELF AREAS.

"For purposes of applying the provisions of this chapter (including sections 861(a)(3) and 862(a)(3) in the case of the performance of personal services) with respect to mines, oil and gas wells, and other natural deposits—

"(1) the term 'United States' when used in a geographical sense includes the seabed and subsoil of those submarine areas which are adjacent to the territorial waters of the United States and over which the United States has exclusive rights, in accordance with international law, with respect to the exploration and exploitation of natural resources; and

"(2) the terms 'foreign country' and 'possession of the United States' when used in a geographical sense include the seabed and subsoil of those submarine areas which are adjacent to the territorial waters of the foreign country or such possession and over which the foreign country (or the United States in case of such possession) has exclusive rights, in accordance with international law, with respect to the exploration and exploitation of natural resources, but this paragraph shall apply in the case of a foreign country only if it exercises, directly or indirectly, taxing jurisdiction with respect to such exploration or exploitation.

No foreign country shall, by reason of the application of this section, be treated as a country contiguous to the United States."

(b) SOURCE OF INCOME FOR WITHHOLDING OF TAX.—Section 1441 (relating to withholding of tax on non-resident aliens) is amended by adding at the end thereof the following new subsection:

"(e) CONTINENTAL SHELF AREAS.—

"For sources of income derived from, or for services performed with respect to, the exploration or exploitation of natural resources on submarine areas adjacent to the territorial waters of the United States, see section 638."

(c) CLERICAL AMENDMENT.—The table of parts for subchapter I is amended by adding at the end thereof the following new item:

"Part V. Continental shelf areas."

Mr. LONG. Mr. President, I yield myself such time as I might require to answer the question.

Mr. President, the Senator can rest assured that the Finance Committee has no intention whatever of usurping the functions of the Senate Foreign Relations Committee in this matter.

If the Senator will look at lines 12 through 16 on page 349 of the committee substitute, he will see that in modifying the term "United States" it says:

For purposes of applying the provisions of of this chapter (including sections 861(a)(3), and 862(a)(3) in the case of the performance of personal services) with respect to mines, oil and gas wells, and other natural deposits—

So the application of this provision is limited to chapter 1 of the Internal Revenue Code. It is also limited in that it has application only in the case of natural resources.

It is not intended to affect any other questions which may arise with regard to the Continental Shelf. We are not trying to regulate these activities or get involved in foreign affairs.

All we want to do is clarify the status of the Continental Shelf for income tax purposes in this context. And that is what we are seeking to do—to provide the proper tax treatment for income from natural resource activity on the Continental Shelf.

Mr. METCALF. I am in complete accord that they should be taxed.

Mr. LONG. Mr. President, I yield to the Senator from Rhode Island.

Mr. PELL. Mr. President, I ask the Senator from Louisiana if it would not be correct that the very wording here, where the bill says "submarine areas which are adjacent to the territorial waters of the United States and over which the United States has exclusive rights"—it does not say sovereignty, but it says "exclusive rights, in accordance with international law" underline the point that has just been made in the colloquy between the Senator from Montana and the Senator from Louisiana to the effect that this bill is not a step forward in extending the exercise of national sovereignty?

Mr. LONG. We do not get into the subject of national sovereignty. I have thought about the item. However, all we seek to do is collect the income tax due from U.S. firms who earn income on the Continental Shelf, just as we are collecting income taxes from people who make it within the 3-mile limit.

They owe income taxes to the Federal Government. We do not prejudice what any foreign government can do.

Mr. PELL. Mr. President, what is meant by the phrase:

No foreign country shall, by reason of the application of this section, be treated as a country contiguous to the United States.

Does that mean that resources from

the continental shelves of Mexico and Canada will not be included?

Mr. LONG. We just do not want islands in that area to be regarded as continguous for purposes of income tax.

The matter was very carefully considered by the Treasury. That is what the Treasury thinks ought to be done for tax purposes.

There are certain provisions in the law that apply where a nation is contiguous to the United States. And we do not want to get involved in that.

That is why the language is there.

Mr. PELL. It is a self-denying ordinance.

Mr. LONG. The Senator is correct.

Mr. METCALF. Mr. President, the only point is that this definition only has application for tax purposes.

Mr. LONG. The Senator is correct. There is nothing more.

Mr. President, I yield such time as he may require to the majority leader.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. MANSFIELD. Mr. President, at this time it would be appropriate to refer to those whose devotion and dedication made possible a tax relief-tax reform bill this year. To the committee, to its members and staff, to the staff of the joint committee and most of all to the able and distinguished chairman, the Senator from Louisiana (Mr. LONG), and the able and distinguished ranking member—the Senator from Delaware (Mr. WILLIAMS)—we owe our deepest gratitude. Their effort has produced the most singularly outstanding achievement of this session and perhaps of the entire 91st Congress. During the past 2 weeks or so, we in the Senate who are not members of the committee experienced only a little of what was necessary to pass a proposal of this magnitude. In all of my years, in fact, I have never witnessed any committee devote itself more diligently to a task, working from early in the morning until late in the evening, not just for a matter of days but for nearly 4 solid months.

Frankly, I do not know how to express in words my gratitude, the gratitude of the Senate and of the Nation for the service that has been so magnificently performed.

Perhaps no Member will agree that the measure in its present form provides the reform and relief that will achieve absolute equity in our tax structure. No proposal could. In my opinion, however, it goes a long way in that direction and certainly much further than ever before. I am confident as well that when the conferees return with their recommendations it will be an even better proposal.

But the remarkable story is how this measure was achieved.

Last July when the question of extending the surtax was before the Senate, Chairman LONG and the members of the Finance Committee agreed that they would report the tax reform bill in 3 months. I do not believe that even they realized at the time just how much work would be involved in meeting that timetable. But rather than extend the period to accommodate the workload, they intensified their efforts to meet the schedule. In setting such a timetable for his committee, Chairman LONG is to be particularly lauded for his efforts, for his commitment, for his cooperation and performance.

In like manner, the ranking minority member, Senator WILLIAMS of Delaware—who has for years championed the cause of tax reform—as well as all members of the Finance Committee who hammered out a full and distinct set of proposals in a relatively short period, deserve the praise and respect of the entire Senate and of the country.

The expeditious attitude of the Finance Committee set the example for the entire Senate. The bill was scheduled for floor action at the beginning of Thanksgiving week. Voting began the very first day and I must say that from then on the cooperation and consideration exhibited by all Members on both sides of the aisle was of the highest order. Speaking for the joint leadership, we are most grateful. This experience has established beyond question that the Senate can be most efficient when it devotes its full energies to a task. It has taken less than 3 weeks—just 13 working days—to do the job. There are 11 days left to pass at the least five appropriation bills and a foreign aid bill and a comparability pay bill.

Finally, I should say that the achievements of the 91st Congress shall be many, but none can surpass those which will flow from the enactment of the tax reform-tax relief act. It should be highlighted that this bill is one that originated solely within the Halls of Congress. The initiative as well as the follow-through was in the Congress. This act will highlight again that our actions in the Congress are far more significant than anyone's words.

To the chairman of the committee, the Senator from Louisiana (Mr. LONG), to the Senator from Delaware (Mr. WILLIAMS), to the members of the committee, and to the entire Senate I extend my deepest gratitude; and I express the hope that this bill will be reported back to us so that we can consider it once again before we adjourn sine die the first session of the 90th Congress.

Mr. LONG. I thank the Senator for his kind remarks. I thank every Member of this body and the members of the Finance Committee in particular for the very generous cooperation they gave to the chairman.

In some instances, the chairman decided that we would never conclude the hearings unless we strictly limited Senators in their questioning. It was very considerate of the members of the committee to go along with that mandate, without which we never could have concluded these 7,000 pages of hearings on the bill.

But, more than any Senator, I believe the staffs of the Finance Committee, headed by Tom Vail, and the Joint Committee on Internal Revenue Taxation headed by Larry Woodworth deserve all the praise we can heap upon them.

They have been working 20-hour days—and I do not think too much praise can be accorded to them—to work out the technical sections of this 585-page bill. They have worked around the clock in many instances, on Sundays and holidays as well as the ordinary workdays. I do not think there are more overworked people anywhere in Government than these two staffs, and they deserve all the praise the Senate can accord them. I do not think there are many people in America who are as competent to work on the bill as those we had working for us.

I would also like to make special and fond mention of Harry Littell of the Legislative Council's office. Words cannot begin to adequately praise Harry for the superb craftsmanship of his efforts on this massive task and for his devotion to the job. Without the extremely long and difficult hours put in by Harry, we would not have this bill before us. Without his efforts and skill we would not have a bill that is in such excellent technical shape. We cannot begin to praise Harry enough.

Mr. MANSFIELD. Mr. President, what the distinguished Senator has said is not only well merited, but also very much deserved. The staff members have worked long. They have a good deal of work ahead of them. I think that out of the efforts of the committees and their very capable staffs, the tax reform-tax relief bill this year will be one of the hallmarks, the benchmarks, the landmarks of this Congress.

Mr. LONG. The RECORD also should reflect that many dedicated employees of the Treasury Department volunteered to work with our staffs on this bill.

I yield to the Senator from Massachusetts such time as he requires.

Mr. KENNEDY. Mr. President, in the exchange which has just taken place, the distinguished majority leader has paid a great and well-deserved tribute to the distinguished chairman of the Committee on Finance and to the members of the committee. I warmly associate myself with his remarks, because I feel that this praise and this acclamation is well due.

In addition, as we go into the final minutes before we vote, we ought to recognize the eminent role played by the distinguished majority leader in our efforts to achieve meaningful tax reform. Indeed, I believe that it was the Senator from Montana who articulated most clearly the relationship between the extension of the surcharge and the inequities which existed in our present tax system. It was he who emphasized to us that the surcharge was unfair, because it requires no contribution from those who escape their taxes. It was he who demanded that the surcharge should be coupled with tax reform. Only in this way, he realized, could we bring maximum pressure to bear on tax reform. Indeed, in main part, it is because of the majority leader's strong and dedicated commitment to tax reform, and his leadership in working with the distinguished chairman of the Committee on Finance and the members of the committee that we find ourselves in the successful posture we are in today.

There were those who said we need not act hastily on the question of tax reform. There were those who said the matter ought to be studied. The administration told before the Ways and Means Committee last spring that we should

wait until November for yet another review of tax reform proposals.

Throughout this year, the position taken by the majority leader on tax reform was hard and difficult and courageous. He performed a great service not only to the Senate, but also to all our citizens. I am pleased, therefore, to rise at this time to join in acclaiming the members of the Finance Committee and the majority leader for their magnificent effort.

Mr. MUSKIE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. MUSKIE. Mr. President, I should like to join in this well deserved tribute to the distinguished Senator from Montana, the majority leader (Mr. MANSFIELD). I know of his singleminded commitment to the objective of tax reform which he expressed first in the Democratic Policy Committee early in the summer. He sensed the interest of the country in the objective of tax reform. He understood, from his many years in the Senate, that unless such a commitment were made by the leadership, tax reform might well fall through the cracks as we considered the tax questions raised by the surcharge. He has stuck to his commitments steadfastly.

He was criticized considerably for making that commitment in July and August. Doubts were raised later as to whether or not, because of the sheer immensity of the task, that commitment could be made. It was with the cooperation of the distinguished chairman of the committee, the Senator from Louisiana (Mr. LONG), that it was possible for the majority leader to make that commitment.

It seems to me most appropriate, as the distinguished Senator from Massachusetts has pointed out, that at this point, prior to final vote on this tax package, the Senate and the country be reminded of the leadership role played by the distinguished Senator from Montana.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. LONG. I yield to the Senator from Florida such time as he desires.

Mr. HOLLAND. I thank the Senator.

In the first place, I want to compliment in the highest possible terms the chairman of the Committee on Finance and the ranking minority member of that committee; and the members of the committee generally also are entitled to their share of congratulations. I have noted particularly the fidelity with which the chairman and the ranking minority member have stuck by the committee bill. I think that is the finest evidence of real leadership, and I compliment them for doing that.

The second thing I would like to say, Mr. President, is that I have frequently found occasion in the past to express regret about the complex which seems to seize upon the Senate when we consider an important and involved tax measure. It is the type of measure in which most consideration should be given to the committee recomemndations, particularly in a matter of this kind, in which after 3 months of hearings, a 585-page bill, which is offered as a substitute for the House bill or to replace the House bill, is the fruit of all that work.

I do not know whether it is because we in the Senate are somewhat frustrated because under the Constitution we are banned from initiating legislation in this field, or what the reason may be; but I think that the most unsound thing we do in the Senate is in attempting to write on the floor a tax bill, no matter how complex or involved the matter may be, and that is exactly what we have done in connection with this bill.

I regret that we show that attribute almost yearly; and I must express regret again this time, because I think it is unsound to follow that practice. It is not a compliment to the committee or its fine leadership or its fine work. To the contrary, it seems to be borne in the idea that individual Senators, on the floor, in their judgment, many times most impulsively, have sounder views on the complex matter of Federal taxation than does the committee after its months of study, hearings, and testimony. I cannot join in that kind of approach to the passage of an involved tax bill and that is one of the reasons I shall vote against the bill.

The principal reason, though, why I shall vote against the bill is that it attempts to undo one of the real things that had been attempted to be done by his bill, and that was to fight inflation. The fight against inflation will be a particularly tough and important one in the next 2 years, 1970 and 1971.

The bill which is now ready for adoption, and it will be passed so far as the Senate is concerned by its vote, shows this kind of net result in revenue in 1970 and 1971. I am using the composite table prepared by the staff of the Committee on Finance.

In the year 1970, this particular bill, which is now before us and about to be voted on, has a net reduction from the committee bill of about $3.0526 billion. If that is an attack on inflation, if that is an effort to regularize our fiscal practices, this Senator cannot see it. For the year 1971, from this same table, it appears that the amendments we have agreed to on the floor of the Senate will cut the revenue provided by the committee bill by $5.049 billion. In other words, there would be a net reduction in revenue in those 2 critical years, and they are the 2 critical years in the fight against inflation.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. HOLLAND. Mr. President, will the Senator yield to me for 3 additional minutes.

Mr. LONG. Mr. President, I yield to the Senator from Florida 3 additional minutes.

The PRESIDING OFFICER. The Senator from Florida is recognized for 3 additional minutes.

Mr. HOLLAND. The net result in those critical years is better than $8 billion. That is moving exactly in the wrong direction rather than in the right direction. That is the principal reason I shall vote against the bill.

There is one ray of hope in this matter. I have found it possible at least three times before, and maybe more, in voting against the complex bills in this field which have been rewritten by the Senate on the floor to vote for a much better bill which came back from conference; and I do hope in this instance we will have that kind of record made again by the conferees of the two Houses.

In my mind it would be not only unfortunate but most misleading to the public and defeat the objectives of all concerned in trying to bring about this legislation, to come back with this bill in its present form, with a net reduction in revenue as against the committee bill, of over $8 billion in the 2 critical years.

Mr. President, having made those brief remarks and again expressing my compliments to the distinguished Senator from Louisiana, the chairman of the committee, and the Senator from Delaware, I wish to inform the Senate I shall vote against the bill and hope that when they take it to conference we will get back a vastly improved bill.

Mr. ALLOTT. Mr. President, I also join in complimenting the members of the Committee on Finance, the chairman, the ranking minority member, and also all the other members who just as diligently through all the many days and weeks of hearings attended to their business in attempting to fulfill the mandate of the Senate, a mandate which I think was foolish and which I think should never have been given. According to the statement of the majority leader at the time of the passage of the surtax bill, it was a mandate of the Democratic policy committee. I think it was a shortsighted and foolish mandate which we will all live to regret in this country.

Mr. President, for the past 2 weeks or more the Senate has been operating in a circus-like atmosphere. The political Christmas tree known as the Tax Reform Act of 1969 has not only been decorated, it has been gaudily overdressed with flashy and topheavy economic ornaments which threaten to short circuit every light, and may well end up burning down the house.

In the Senate's unprecedented spending spree, it has ignored the cruelest tax of all, inflation. Commonsense and reason has been cast into the fire of political advantage. Champagne has been dished out when the budget can scarcely afford 7-Up.

There is scarcely a citizen of this Nation who has not felt the effects of continued deficit spending by the Federal Government. For the 8 years prior to President Nixon's inauguration America suffered from the combination of the policies of those in Congress who cannot bear to see the budget balanced and administrations which did not have the will to face the economic realities of life.

Now we have an administration which has pledged itself to fiscal sanity. We have an administration which has told its individual departments: "Keep the spending and the hiring down."

The policies of this administration are just beginning to work, but every bit of good which has been accomplished through squeezing and belt tightening and economic restraint will be undone if the Senate version of the tax reform bill becomes law.

While some good things have been accomplished in the bill, the fact remains

that the U.S. Treasury would end up with a short fall in revenue for the calender years 1969–72 of $27 billion—$26.284 billion, to be exact—if the bill in the form I find it today is enacted. In addition, in the calender year of 1973 alone the effect of the Mansfield-Byrd amendment for social security would be an added social security tax bill of $6.7 billion for middle-income taxpayers.

Because I cannot in conscience contribute to the destruction of fiscal responsibility, which the American people demand and which this administration stands for, I find it necessary to announce that I shall vote against the final passage of the bill, a self-created economic monster. If it passes, and if the Senate-House conference does not restore sanity to this legislation, I shall vote against the conference report.

However, I have a very good feeling that the bill which comes from the conference is not going to be identifiable with the bill which passes the Senate this afternoon. I also want to make it perfectly clear that I will be among those Senators who have announced they will vote to sustain a veto by the President. In fact, on behalf of the taxpayers of this country, I urgently recommend to the President that he exercise his veto responsibility, as he has indicated he will, if the bill contains anywhere near the degree of fiscal irresponsibility it now contains, because the vast majority of citizens are in accord with his aim and goal to curb inflation.

Since politically the present bill is supposed to please about everybody, I suppose that taking the position I have enunciated carries with it certain risks. Then so be it. I cannot and will not vote for a measure which could well bring about a situation which in turn would precipitate an economic collapse in this country.

Yesterday afternoon the distinguished Senator from Nebraska offered an amendment in which was incorporated the concept of an administrative budget. I hope we get off this unitized budget kick we have been on for the last 2 years. It does not mean a thing. It is misleading to the people of the country. We will never understand where we are until we get back to the concept of an administrative budget. How in the world can we claim that we have a surplus in this country when we are counting as a surplus the dollars which are paid into trust funds such as social security, highway funds, and other such earmarked accounts?

I have termed this bill the Lawyers and Accountants Civil Relief Act of 1969.

I predict, and believe, that we will have created, if the bill as it now stands is enacted into law, a heyday which will keep or accountants and lawyers busy not only for the space of yeras but for many years to come. I do not begrudge them their fees, but I am concerned about those middle-income taxpayers who are going to have this additional expense.

There is this to say about the bill, many of us have advocated, and sought, relief in the past for the average citizen. I am talking about those in the lower income and lower median income brackets. This bill does not now do this. It has been rendered completely out of balance by floor amendments. Educational investment credits have been added. This is one of the more meritorious floor amendments. It is a benefit which I have previously supported. In another climate, in another situation, this benefit has been completely logical, because it would give assistance to these low- and middle-income taxpayers and would have helped them to educate their children. I have supported it.

I also advocated at times an increase in the personal exemption, but that was not done at a time when we had taken 5 million people from the taxrolls and had decreased the taxes of some 7 million others.

So it is not that these things are bad, but rather that as amendments to the tax reform bill which the committee brought out, taken together, they are unacceptable for anyone who gives consideration to fiscal responsibility in this country.

I believe that the bill will be a better bill when it comes back from conference. I hope it will not look like the bill which will probably pass this afternoon.

Mr. President, let me say this in conclusion: There is no tax which is as cruel as inflation. It is said over and over. There are many Senators who are wealthy, but they will take care of themselves in an inflationary period, but the man who cannot properly take care of himself is the poor fellow working for perhaps $3,000, or perhaps even $8,000 a year to support his family, or the man and woman who have finished the productive years of their lives and are dependent upon social security, a pension, or fixed incomes. How can we say that we are being honest with them if we do not exert our last and best efforts to maintain the stability of the dollar by holding down inflation as the President has asked?

Senators telling constituents that we are giving them more and saying, "Look at what we did for you," is like Little Jack Horner who sat in the corner saying "What a great boy am I" when he pulled out a plum. We cannot tell them things like that and at the same time pursue a policy which destroys every hour of every day, the very thing we are giving them, with the other hand.

Therefore, Mr. President, I shall vote against the bill and pray that when we see the bill come back from conference, it will be a much better bill as far as the best interests of our country and its citizens are concerned.

Mr. President, I ask unanimous consent that a chart which has been prepared by the Treasury Department showing the revenue loss of the bill, which is illustrative of the remarks I have previously made, be printed in the RECORD.

There being no objection, the tabulation was ordered to be printed in the RECORD, as follows:

REVENUE EFFECT OF SENATE AMENDMENTS TO H.R. 13270

[In millions of dollars]

	Calendar years						
	1969	1970	1971	1972	1973	1974	Longrun
Total, as approved by Senate Finance Committee	+900	+6,458	+301	−3,298	−3,373	−3,438	−2,318
Floor amendments:							
Accumulation trusts		−5	−15				
Medical expenses, aged		−225	−225	−225	−225	−225	−225
Real estate			−10	−20	−30	−45	−90
Transportation expenses, disabled		−90	−90	−90	−90	−90	−90
Alternative tax		−50	−65	−80	−80	−80	−80
Foundations		−20	−20	−20	−20	−25	−25
Minimum tax		−20	−20	−20	−20	−20	−20
Education expenses, credit				−1,800	−1,800	−1,800	−1,800
Depletion		−5	−5	−5	−5	−5	−5
Investment credit:							
Small business exemption	−520	−720	−720	−720	−720	−720	−720
Depressed areas exception	−10	−70	−70	−70	−70	−70	−70
Foster children		−75	−75	−75	−75	−75	−75
Tax relief (Gore)		−2,250	−3,740	+85	+85	+85	+85
Pensions			−5	−10	−15	−20	−55
Citrus groves		+5	+10	+10	+10	+10	+10
Subtotal, floor amendments	−530	−3,525	−5,050	−3,040	−3,055	−3,080	−3,160
Social security:							
Payments		−5,700	−6,400	−6,400	−6,400	−6,400	−6,400
Taxes					+6,700	+6,700	+6,700
Grand totals, floor amendments	−530	−9,225	−11,450	−9,440	−2,755	−2,780	−2,860
Total Senate bill, currently	+370	−2,767	−11,149	−12,738	−6,128	−6,218	−5,178

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

Note: Net revenue loss 1969–74 $38,630,000,000, net revenue loss 1969–72 $26,284,000,000.

Mr. GRIFFIN. Mr. President, I wish very much that it were possible for me to join in the expressions of praise by the distinguished majority leader on the work of the Senate in connection with this bill.

Regretfully, as one Member of this body, I have very little reason to be proud of its collective performance in connection with this product of its deliberations. It is now a hodgepodge of political "goodies" which no longer deserves the title of tax reform.

But, Mr. President, I do join the distinguished majority leader and the distinguished majority whip in their high praise of the chairman of the Finance Committee, the ranking minority member, and all other members of the Finance Committee who worked so hard on this bill. I think it is obvious, in most cases, that by and large, the committee

tried to achieve responsible and meaningful tax reform in their deliberations as evidenced by the bill that they reported.

In particular, I want to refer to and commend the great Senator from Delaware (Mr. WILLIAMS).

The other day, I had reason to have printed in the CONGRESSIONAL RECORD an article about the fact that the distinguished Senator from Delaware has announced his retirement, an announcement which I think everyone in this body hopes he will reconsider and change his mind.

The article referred to the Senator from Delaware as being a giant in the Senate.

Mr. President, the Senator from Delaware (Mr. WILLIAMS) is not only a giant in the Senate today but, in the opinion of this Senator, his performance in connection with the pending bill, as in connection with so many other bills, will demonstrate that he is a giant in the history of the Senate.

Time will surely make it clear that he was not only a friend of the taxpayer but that he was also a friend of the consumer as he fought for sound fiscal principles.

Mr. President, many of the amendments which were adopted and added to the pending measure to make it a "Christmas tree" are amendments of great merit.

So far as I personally am concerned, for many years I have advocated and have introduced bills to provide tax credits for expenses in connection with higher education.

I found it very difficult and distasteful to vote against that amendment when it was offered to the bill, but I felt that the Senate must not abandon fiscal responsibility.

We have to face reality, and this is not the time when we can add to our revenue losses.

For our Nation, like a fat man, to continue eating candy and double helpings of ice cream, would be the height of irresponsibility.

Senior citizens need and deserve an increase in social security benefits. In my view, a 15-percent increase in benefits is not too great, although I believe that a 10-percent increase now, coupled with an automatic escalator provision, based on the cost of living, would be a better deal in the long run for those who rely on social security.

We do a disservice to our senior citizens by tacking social security legislation onto a tax package which is certain to push the cost of living up at an even faster pace.

As it stands, this package contains too little tax reform, too much tax relief and a mighty big boost in prices for everyone.

Mr. President, I have the utmost confidence in the good judgment and commonsense of the American people. I believe that too many politicians do not give them enough credit.

The housewife, the businessman, the worker, are all deeply concerned about galloping inflation. I think they know and understand that Government spending, based upon borrowing, is largely responsible for the plight of our Nation today.

Mr. President, I have little doubt that the bill before us will be passed by the Senate, but, in good conscience, I cannot vote for it. I want the Senator from Delaware to know that he does not stand alone and that the President does not stand alone. Both of them are right, and I am confident the people know they are right.

I shall cast my vote against the bill.

The PRESIDING OFFICER. Who yields time?

Mr. WILLIAMS of Delaware. Mr. President, I yield 1 minute to the Senator from New York (Mr. JAVITS).

Mr. JAVITS. Mr. President, I can state my position on this bill very simply and very directly. I have searched my conscience. If I voted "no" I would do so in the hope that the bill would be carried to conference in spite of my vote.

It is easy to vote either way, because none of us want the bill as it is, neither those who will vote "yes" nor those who will vote "no."

Because I believe in doing something rather than doing nothing, I shall vote "yes," but I shall feel free to debate and to reject the conference report. I want this bill to go to conference, so I must be honest with myself and vote for it.

I take this action with considerable reluctance, because I am deeply troubled by certain provisions in the Senate bill. I have grave reservations about these provisions in this bill, which I opposed when they were offered as amendments. Yet, there is much which is good and worthwhile in it, and I am prepared, at least, to send it to conference and to keep an open mind until the conference report is received.

I have long sought meaningful tax reform, introducing bills to achieve that objective not only in this Congress, but in previous Congresses. However, this bill has been transformed into a tax rate-cutting bill, as well as a tax reform bill, and this poses considerable problems in these inflationary times. I am deeply troubled, in particular, by the Gore amendment, which increases the personal exemption; this would seriously impede our efforts successfully to battle inflation in the present and next fiscal year. I opposed the Gore amendment for that reason. In addition, I am concerned about the amendment which gives tax credits for education which must be costly to Federal aid to education. And by the Cotton amendment, which gives the President unlimited authority to impose import restrictions. The Cotton amendment is particularly unfortunate, since its subject is totally unrelated to the tax bill to which it was added, and it signals to the world that the United States may be entering a protectionist era. Should it survive the conference I would consider seriously opposing the conference report on that ground.

It must be emphasized that this bill contains many valuable reforms, reforms which many of us have sought for years: Improvement in the oil depletion allowance, a fairer tightening of the real estate tax shelter, and the low-income allowance, to mention but a few. In addition, this bill also contains a very important antiinflationary provision—that is, the 6-month extension of the income tax surcharge—at a reduced 5-percent rate, as requested by the administration.

In some areas the Senate bill is a great improvement over the House-passed measure. Changes made in the Finance Committee and on the floor of the Senate in the past 2 weeks have brought about a bill which contains equitable tax reform in the area of foundations, charitable contributions and real estate. The bill, as amended in the Senate, also contains valuable incentives for low- and moderate-income housing and a deduction for the transportation expenses of the handicapped—a provision which I have been seeking for many, many years.

A provision of this bill would also increase social security payments by 15 percent. I supported this provision, and, while this increase has been cited as having an inflationary impact, I am not persuaded that its inclusion in this bill is a reason for rejecting it. These increased benefits are financed from the social security trust fund—outside of general revenues—and the House of Representatives is now considering an increase of this amount in a separate bill. An increase of benefits for those over 65 cannot be viewed in the same light as other provisions in this bill which would have a negative revenue effect. Rather, it represents a correction of inequities. Like those disadvantaged in need of the immediate establishment of a humane and efficient system of family assistance, social security beneficiaries need this increase in benefits if they are to stay above the line of dependency and poverty.

I am reluctant to see these very positive features of the Senate bill now go down the drain. I do not want to see all these many months of creative and committed work on tax reform wasted. I am particularly reluctant to vote against this bill when to vote for it would be a vote to send it to a Senate-House conference which will have the opportunity to alter or eliminate the more unfortunate features of the bill and to limit its inflationary impact.

On balance, I still believe that it is possible to salvage an equitable and fiscally responsible bill, in which tax reform will predominate over tax-rate cutting and inflationary impact. For that reason I will vote for this bill. It is my intention to carefully examine the work of the conference, to evaluate its report independently, to make a fresh judgment at that point on the virtues of the tax reform bill, and to cast my final vote on the conference report accordingly. Only then can a definite judgment be made on the measure. For now, the momentous work done on the measure should not be aborted.

Mr. President, in conclusion, I want to note that the Senator from Delaware is a really great Senator. I only regret that he cannot live eternally. He has performed a great duty for the U.S. Senate.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. JAVITS. May I have 30 seconds?

Mr. WILLIAMS of Delaware. Mr. President, I yield whatever time the Senator needs.

Mr. JAVITS. He has exposed all aspects of this bill. As a Senator repre-

senting a State with 18 million people, I thank him and I ask him to feel that, no matter what else he may have done in his life, this is an historic and a great example of the capacity, the patriotism, and the devotion which he has shown.

I would also like to pay tribute to Senator LONG, Senator TALMADGE, Senator GORE, and other Senators who have fought so hard and so valiantly in respect of the bill. I know they will forgive me if I pick JOHN WILLIAMS, who sits in front of me, as my favorite.

Mr. TALMADGE. Mr. President, I yield 4 minutes to the Senator from Indiana (Mr. HARTKE).

Mr. HARTKE. Mr. President, I intend to vote for the bill. I think it is a good bill. It is far from perfect, but it is far better than it would have been without some of the changes that have been made in the Finance Committee and on the floor of the Senate.

I would like to make a brief statement about the amendment that I offered yesterday, and two of the amendments that I did not offer, but plan to pursue in the future at an appropriate time.

First, the amendment that I offered last night as an amendment to Senator MILLER'S amendment would have raised almost $1 billion. Senator MILLER'S amendment is good in that it raised the rate of the minimum tax from 5 to 10 percent. On the other hand, it raises the question of the possible creation of a tax shelter for some taxpayers. This is because Senator MILLER'S amendment allows a deduction from the preferred items of the amount of taxes on ordinary income. It is therefore conceivable that a taxpayer with large, ordinary income, and also a goodly amount of preferred income, could use the taxes paid on the ordinary income to escape paying any taxes at all on the preferred income. Of course, there is some justice to Senator MILLER'S claim that a taxpayer who was paid a large amount of taxes should be treated differently from the taxpayer who has paid little or no taxes. Recognizing this principle, my amendment would have allowed a deduction of one-half of taxes paid. I believe that this would achieve equity while at the same time foreclosing any possible loophole. The different revenue estimates justify this assertion.

The Senate Finance minimum tax provision would have generated $700 million in additional revenue. Senator MILLER'S proposal which was finally adopted, by his estimations, generated $740 million. My proposal would have generated slightly less than $1 billion.

Mr. President, I ask unanimous consent that a letter from the Joint Committee on Internal Revenue Taxation setting forth reevnue estimates of my proposal be inserted at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, D.C., December 11, 1969.

Hon. VANCE HARTKE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HARTKE: This is in reference to your request for an estimate of the effect on income tax liability of a provision to impose a 10 percent tax on the preference items in the Senate Finance Committee version of the tax on preference items after deduction of one-half of Federal income tax otherwise payable and $30,000.

Time did not permit of a computer run for this estimate; we estimate, without benefit of a computer run, that this proposal would result in an increase over present law of approximately $440 million in individual income tax liability and $550 million in corporate income tax liability.

Sincerely yours,
LAURENCE N. WOODWORTH.

Mr. HARTKE. Mr. President, I would now like to discuss two amendments that I did not offer. I did not offer these amendments because the Senate has been overburdened with amendments to the tax reform bill, and because my amendments raised profound and fundamental questions. While I believe these proposals have merit, it may be that some modifications or changes are desirable. My first amendment, No. 369, would repeal some of the more outstanding preferences in our tax code. Beginning in 1985, the following tax preferences would no longer be allowed:

First. Intangible drilling and development costs in the case of oil and gas wells would have to be capitalized and could not be taken as a deduction in the year that they were paid or incurred.

Second. Percentage depletion on natural resources would be repealed, and only cost depletion would be used.

Third. The capital gain provision of the tax laws would be treated as ordinary income.

Fourth. The special treatment of stock options would be repealed and all income arising from stock options would be taxed as any other type of income.

Fifth. Interest received from State and local bonds issued after December 31, 1984 would be taxed.

Sixth. New residential rental housing and property constructed after July 25, 1969, could only be depreciated by a method which did not exceed the amount available under the 150 percent declining balance method.

Seventh. Personal property subject to a net lease could only be depreciated on methods which are not faster than the 150 percent declining balance method.

Eighth. Any deduction for a charitable contribution of appreciated property would have to be reduced by the amount of gain which would have been realized if the property had been sold at its fair market value.

Ninth. Provisions of the tax law permitting financial institutions to deduct reserves for losses on loans would be repealed.

Tenth. The amount of any excess investment interest for a taxable year could not be deducted.

This amendment in no way implies hostility or objection to the social and economic goals to be achieved by the various named preferences. A provision in the tax code is a preference to the extent that it allows any taxpayer to accumulate wealth or enjoy personal consumtion without paying the full tax. A preference, then, means deviation from the norm, and the proponents of a preference should have the burden of proof as to the use of the tax code for such a purpose and the measure of its success. My amendment would place the burden of proof on those enjoying special tax treatment, and not make tax reform conditioned upon public outrage.

No one has a permanent right to the U.S. Treasury. Nothing in this life is permanent, and the ordinary taxpayer must make his plans with the realization that his tax burden can change from time to time. It is only fair that those who enjoy preferences face the same uncertainty. For as John Steinbeck said, "in the long run, we are all dead."

My second amendment, No. 385, would create a Senate Tax Reform Commission, composed of 12 members selected for their professional qualifications, excellence, experience in finance public finance, taxation, or related fields. They would be selected by various Members of the Senate. In the drafting of this amendment, I tried to achieve as much independence for this Tax Reform Commission as possible. Once the members of the commission are selected by the Members of the Senate, they should be entirely on their own to suggest desirable changes in our tax code.

It is my hope that this 2-year commission would create an expertise and fund of knowledge that the Members of the Senate could draw from. The debate of the last 2 weeks shows rather convincingly that there are many ideas for beneficial change in our tax code, but little concrete knowledge.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. TALMADGE. Does the Senator desire additional time?

Mr. HARTKE. Yes, 1 minute.

Mr. TALMADGE. I yield 1 minute to the Senator from Indiana.

Mr. HARTKE. This commission, then, would consider the various tax reform proposals and more importantly try to determine the various proposals' economic and social consequences. Tax reform is insufficient in itself if it does not include careful evaluations of the economic and social change. Also, this commission in evaluating a certain area would develop various alternative approaches. In this way, the Senate could select from a series of possible changes, and not be faced with the rather sterile rejection or approval of one proposal. This Commission would also consider desired changes in the tax code to enhance productivity, strengthen our economy, and the achievement of social goals. Finally, this commission would study the relationship between Federal, State, and local, and property taxation. The present U.S. taxation system is a crazy-quilt of different systems, often working against each other.

A columnist recently suggested that taxes are too complex to be handled by Congress. He suggested turning the entire function over to the executive branch. I consider this a most unwise proposal. Taxes are becoming increasingly technical and complex, but every administration is subject to the same pressures that are more conspicuously revealed in Congress. The administration, however, has the expertise and the technical staff so that their decisions seem neater. If Congress is to meet its increas-

ing responsibility in the field of taxation, it must create the necessary machinery.

Mr. WILLIAMS of Delaware. Mr. President, I yield 5 minutes to the Senator from Pennsylvania (Mr. SCOTT).

Mr. SCOTT. Mr. President, I wish, first, to commend the two principal staff aides and their assistants who have worked so well and diligently on this bill in helping solve numerous difficult problems which have faced us. I am referring to Tom Vail, of the Finance Committee, and Larry Woodworth, of the Joint Committee on Internal Revenue Taxation. I also express our appreciation and thanks to the Treasury experts and advisers.

I think all of us would agree that there are few committees whose work is so conscientiously performed as that of the Finance Committee, and there can never be too many tributes to the ranking minority member, Senator WILLIAMS of Delaware, whose consicence and conscientiousness are a byword, and to the work which was done by all the members of the committee on both sides of the aisle, by the very distinguished chairman, who has patiently given consideration to individual concerns and problems of each Senator and has aided them, and to the Senators on his side of the aisle, and to our members on this side of the aisle on the Finance Committee, including the Senator from Utah (Mr. BENNETT), the Senator from Nebraska (Mr. CURTIS), the Senator from Iowa (Mr. MILLER), the Senator from Idaho (Mr. JORDAN), the Senator from Arizona (Mr. FANNIN), and the Senator from Wyoming (Mr. HANSEN).

For all of the work done and the contributions made, we are all appreciative.

At the same time, as many of them have pointed out and as other Senators have pointed out, this bill is, by the largest understatement of the year, far from perfect.

It has much in it which is designed to meet the true needs of tax reform. It has much added to it which operates to increase the burden on the Treasury, and to reduce the revenue to a point where normal caution would, it seems to me, have dictated otherwise.

I am reassured that the social security increases will be taken care of in another bill if removed from this one. They should be treated in a separate bill. I favor the increases in social security. I do not know of a matter which has aroused more interest in Pennsylvania, as a matter of fact, than the plight of the social security beneficiaries who have been too long denied the very reasonable amounts which they surely need.

There are many reasons why the allowance for dependents should be increased from $600. It has not been increased since 1948. I believe that at least some modest increase is desirable. I would like to see one that does not result in the removal or deprivation to the taxpayer of the proposed increases in the standard deduction allowances.

An amendment which I supported, the Percy amendment, would have preserved, for the most part, this important feature in the Senate bill as it came to us. I am not sure what the conferees will do, but I have a suspicion that the conferees are more than likely to come up with something similar to the Percy amendment, which was defeated.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. SCOTT. I ask for 3 additional minutes.

Mr. WILLIAMS of Delaware. I yield the Senator 3 minutes.

Mr. SCOTT. Or which is more likely to resemble the Percy amendment than either the House bill, the Senate bill, or the Gore amendment.

I agree with the Senator from New York when he says he reserves the right to either support or oppose the conference report if it does not remove some of the unwisdom which has now become embedded in the bill. Each of us approaches his final decision in full awareness of the fact that, in seeking to do good for some, we have not done well by all; and therefore, we ask ourselves, "Shall I vote for the bill, or against it?"

My reasoning follows that of others who say that if we throw overboard all the hard work that has gone into this bill for many weeks, we may not have tax reform at all.

On the other hand, if the bill comes back to us in anything like the shape it is in now, perhaps we ought not to have a tax bill at all, or perhaps the President will veto the whole thing; and I would suspect that a veto, under those circumstances, would not be overridden.

Therefore, it is my hope that the conference will result in a bill which represents the distilled wisdom of the conferees, and which can be found acceptable to both parties. Because I want to see tax reform and tax relief, and because I want to see tax reform and tax relief, and because I favor many of the features of the bill, I shall vote for it.

Finally, Mr. President, just a word to express the great regret that all of us feel that the distinguished Senator from Delaware has announced that he will not be a candidate to succeed himself.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. SCOTT. Will the Senator from Delaware yield me 1 additional minute to further extend my praises of him?

Mr. WILLIAMS of Delaware. I yield the Senator 2 minutes.

Mr. SCOTT. There is a rule in Delaware that the distinguished senior Senator from Delaware can be reelected for as long as he wishes, and they wish he would wish for longer than he wishes for. He is the only American Senator who has, by custom and tradition, the same privilege which is extended under the Constitution of Canada to Canadian Senators, who serve for life. The Senator from Delaware could indeed serve for life if he so desired. It is our loss that he has reached another conclusion, and we will miss, indeed irreplaceably, the great, courageous, and dedicated service which he has performed.

The PRESIDING OFFICER. Who yields time?

Mr. TALMADGE. Mr. President, I yield 1 minute to the Senator from Texas.

Mr. TOWER. Mr. President, I think much of what has been done here was an exercise in futitity, because I think a great portion of it will be stricken out by the conference commitee; and if it is not, there is great probability that the bill will be vetoed.

It is, in many respects, a bad bill. I think the bill is too punitive of some elements in our society which have provided the capital flow which has been the dynamic behind the great economic growth of the United States of America.

I think there are other provisions, designed to help people, which will have the ultimate effect of doing them grave injury, through the debasement and destruction of the buying power of their money.

Therefore, I intend to vote against the bill. I join my colleagues in commending my distinguished friend from Delaware, an able and tremendously patriotic Senator. In spite of my battles with him over the depletion allowance, I wish him well, and wish he were not leaving.

The PRESIDING OFFICER. Who yields time?

Mr. TALMADGE. Mr. President, I yield myself 2 minutes.

In my judgment, much of the harsh criticism this bill has received is premature. I think most of us recognize that there are provisions in the bill which perhaps should not be in it. On the other hand, there are many that should be there. In the time I have been a Member of the Senate, it has been my experience that bills of this magnitude usually come back from conference in far better shape than when they left the Senate. In my judgment, that will be true this time. After a conference between the House and the Senate, this bill will be put into shape, where it will be less inflationary in the years 1971 and 1972, and the relative inflow and outflow of funds will be substantially the same.

I pay tribute to the distinguished chairman and the ranking minority member of our committee, who have worked so diligently, as have all the members of the Committee on Finance, in perfecting this measure. As the distinguished majority leader has stated, it required almost 4 months' work. We heard witnesses day after day, and week after week, and we sat in executive sessions for the same period of time. We had outstanding attendance of the members of our committee, both at the hearings and at the executive sessions.

Lastly, I pay tribute to the excellent staff that provided us so much outstanding assistance.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. TALMADGE. I yield myself 1 additional minute.

In my judgment, Dr. Larry Woodward, the chief of staff of the Joint Committee on Internal Revenue, and Tom Vail, the chief counsel for the Senate Committee on Finance, did one of the most outstanding jobs I have ever experienced in my more than 20 years in government. They are knowledgeable, dedicated, and candid. When you ask them a question, you get a responsible, forthright, honest answer. The Senate owes them a great debt of gratitude, and I cannot pay them tribute in terms too warm.

Mr. President, I yield the floor.

Mr. MILLER. Mr. President, will the Senator yield me 2 minutes?

Mr. TALMADGE. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 3 minutes.

Mr. TALMADGE. How much time does the Senator from Delaware have remaining?

The PRESIDING OFFICER. Three minutes.

Mr. TALMADGE. I yield 2 minutes to the Senator from Iowa.

Mr. MILLER. Mr. President, to put in perspective what we are doing with this bill, the Committee on Finance reported out a bill which would have resulted in a surplus of $6.5 billion for 1970. Now that we have the amendments put on it, it will result in a deficit of $2.7 billion.

For 1971, the Finance Committee bill would have just about broken even, with a surplus of $3 million. Under the bill as now amended, we would have a deficit of $11 billion.

For 1972, the Finance Committee bill would have had a deficit of a little over $3 billion; and under the bill as amended, there will be a deficit of $12 billion.

If we really want to do a job in increasing inflation and high interest rates, the bill presently before the Senate is the way to do it.

Mr. President, I ask unanimous consent that the lead editorial in the New York Times entitled "Inflationary Blackmail" be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

INFLATIONARY BLACKMAIL

The Senate's decision to incorporate a 15 per cent increase in Social Security benefits and a $100 monthly minimum into its version of the tax bill is a disgraceful exercise in political blackmail. It is, unfortunately, thoroughly in keeping with the irresponsibility that has marked every step of the Senate's effort to distort what began as a tax reform bill into an engine of accelerated inflation.

We have no quarrel with the notion that Social Security benefits need improvement to offset the cost-of-living increases that have cut the value of present pension payments since the last 13 per cent raise in benefits went into effect in February 1968. And certainly there is room for debate as to whether that improvement should be the 10 per cent recommended by President Nixon or the 15 per cent the Democrats favor.

But tacking the higher benefits onto the tax bill is a transparently cynical device to deter President Nixon from vetoing a bill that is turning into a Christmas tree loaded with inflationary candles. Few Congressional actions are more popular than putting more money in the pockets of the elderly, and the imperturbable Senate majority feels rubber dollars are as good as ones that have genuine purchasing power. On that basis, it apparently feels the President will have no option except to sign the omnibus tax measure, however uneconomic it becomes.

It is the President's obligation to insist that increased Social Security benefits be considered on their merits in a separate measure. The actual increase in the Federal consumer price index since the last benefit rise comes to 9 per cent. The Nixon proposal of a 10 per cent across-the-board increase in benefits not only covers that rise but also provides an escalator to keep pace with future increases in living costs.

The question that Congress ought to weigh is whether the present period of rampant inflation is the right one in which to lift the benefit level on a more fundamental basis.. We have no doubt that a strong argument can be made for such action once the price level returns to some semblance of stability, but it certainly should not be a matter of shotgun determination now.

That reserve applies even more strongly to the steep increase the Senate has voted in the benefit floor. This newspaper has long contended that the present $55 minimum is scandalously low. Yet a precipitate jump to $100 sets a wretched example for the exercise of restraint in wage-price decisions in the private economy.

It will require political courage for Mr. Nixon to stand up against these giveaways and defend both the nation's fiscal soundness and its ability to meet the social needs that cry out for expanded Federal aid. The President can and must demonstrate that courage by making it plain now that he will veto any tax bill that spurs inflation, even one packed with goodies for Social Security pensioners.

Mr. SCOTT. Mr. President, will the distinguished Senator yield?

Mr. MILLER. Mr. President, there is not much time remaining. I would like to complete my statement.

I supported the Williams motion to recommit. I regret very much that it was defeated. I intend to vote for the bill only for the purpose of getting it to conference with the clear understanding and the hope that the conference committee will come back with a bill which will be fiscally sound, one that I can support.

If they do not do so, I will not be able to vote for the conference report. And I am quite sure that the President will veto it.

Mr. WILLIAMS of Delaware. Mr. President, I yield 1 minute to the Senator from Wyoming.

The PRESIDING OFFICER. The Senator from Wyoming is recognized for 1 minute.

Mr. HANSEN. Mr. President, I shall vote against the bill. In so doing, I want it to be understood that I have nothing but the greatest respect for the members of the Finance Committee. It has been my privilege and pleasure to serve with them since early September.

I pay my respects also to the staff which has been most helpful to me despite the fact that I am the most junior member of that committee. Their impartial, ever-obvious willingness to serve all of us fairly and patiently attests to their commitment to duty.

Mr. President, I take this opportunity to say a word about the distinguished Senator from Delaware.

Impelled not by political motivation, but only by what he believes is best for our country, JOHN WILLIAMS often stands alone in taking the honest, responsible position.

He pleads unpopular causes.

The very nature of representative government gives encouragement to those who would engage in political demagoguery, and I think that is what has characterized the actions of many on this matter for the last several days.

I leave to history, as all of us must, the rendering of final judgment and decision upon the wisdom of the distinguished Senator from Delaware. Insulated from the heat of present emotions, given the advantage of looking back upon events still before us, I predict history will make an objective evaluation of this man that will fully confirm the great regard in which he is held by all of us.

Mr. WILLIAMS of Delaware. Mr. President, I join the chairman of the committee and others in paying my respects to the staff of the Joint Committee on Taxation.

I also pay my respects to the chairman of the committee for the excellent job that has been done in trying to get a bill before the Senate. I agree completely that we could not have had a more competent staff. We could not have done our job without them. Larry Woodworth and Dennis Bedell are two of the most competent staff members that I have ever worked with.

As to the complimentary remarks concerning me, I thank all Senators.

I was sitting here thinking what consternation there would be if I were to say that I had changed my mind, but I will not so they are safe.

Much has been said concerning the $6.4 billion additional revenue raised by tax reform in this bill. That $6 billion is not all tax reform. I think we should point out the breakdown. The $6.4 billion is arrived at in this manner; $4.2 billion is represented by the extension of the surcharge another 6 months and extending the excise taxes. The repeal of the investment credit accounts for $2.5 billion additional revenue in the bill as reported by the committee, and the tax reform accounts for $1.4 billion.

When we add that up we have $8.1 billion, and the tax relief measures in the Finance Committee bill, as reported, totalled $1.7 billion.

That brings us back to the net gain under the committee bill of $6.4 billion. I repeat, the $6.4 billion surplus for 1970 represented in the committee bill does not altogether consist of reform. It is the revenue derived from the extension of the surtax, the extension of the excise taxes, and the repeal of the investment tax credit. Furthermore, the $1.4 billion from tax reform that was in the bill, as it came from the committee, has been whittled down on the floor of the Senate by $500 million. That only leaves $900 million of actual tax reform in the bill. The $2.5 billion to be gained from the repeal of the investment credit has been whittled down on the floor by $800 million. That leaves only $1.7 billion.

The PRESIDING OFFICER. All time of the Senator has expired.

Mr. BYRD of West Virginia. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. PEARSON. Mr. President, I shall vote against H.R. 13270, the Tax Reform Act of 1969. The original purpose of this bill was to remove from our tax structure certain inequities which have accumulated during the past 56 years. The act purported to provide fairness to those who are able to pay, to remove from the tax roles millions of citizens who fall into the very low income or poverty levels, and to do these things in a fiscally responsible way, having due regard for the goals of the Nation and the dangers of inflation.

The measure now before the Senate fails to achieve these purposes.

Inequities have been added to inequities.

Many of the very low income citizens continue on the tax roles.

The revenue lost to the Federal Treasury by virtue of amendments honestly conceived and properly proposed offers the prospect of a huge budget deficit.

I did not find it an easy matter to vote against an amendment to raise the standard deduction.

Nor was it a simple decision to vote "no" regarding a 15-percent increase in social security benefits.

Particularly, it was a hard matter to vote against the amendment granting tax credits for expenses of the higher education of our young people. As a matter of fact, I have previously introduced legislation to grant such tax credits as a way to help families bear the burden of ever-increasing costs of college educations for their children.

I did vote in favor of the amendment providing the retention of the 7-percent investment credit on investments of up to $20,000 per year, primarily to aid small businessmen and farmers.

I also voted in favor of the amendment adding a new section to the bill providing that the 3-percent floor on medical expenses and the 1-percent floor on medicine would not apply to individuals who are 65 years of age or older.

But aside from the effect of the several individual amendments, the total effect of Senate floor action on this bill would mean that the Federal Government must borrow money to finance the tax benefits added, and that it must do so at the very same time we are increasing taxes by the continuation of the surcharge.

Moreover, Mr. President, these revenue losses to the Federal Treasury increase the supply of money and thereby fire the flames of inflation precisely at the time when this administration, by resorting to some very difficult measures in cutting Federal spending and halting inflation, has reduced inflationary pressures.

President Nixon has announced his intentions to veto this tax bill if it comes to his desk in the form in which the Senate is attempting to pass it. He has given us his reasons for feeling that this would be necessary. I agree with those reasons—they are exactly the same ones which compel me to vote against final passage.

This bill, before us now, is a fiscally irresponsible bill which gives tax cuts at a time when tax cuts feed the fires of inflation as they already threaten to engulf the economy of this Nation.

Fiscal responsibility is not a matter of being all head and no heart; it is a matter of social responsibility, too.

The country's troubles multiply when legislators do not add and subtract properly.

It is no kindness to the electorate to legislate without regard to the connection between spending and taxing. Inflation eats into every paycheck, and undermines the Nation's ability to put its troubled house in order.

Mr. President, one is compelled to express appreciation for the work of the Senate Finance Committee, and to recognize that they worked under a time limitation, as did the Senate itself as we near the end of the first session of the 91st Congress. Many factors worked against a more orderly and deeper study of tax reform. Yet. to recite these serves no purpose.

The bill before us simply fails to provide tax reform which is urgently required and sought by all.

If this bill passes the Senate today, and if the conference report comes back to this body reporting a fiscally responsible bill, I shall, at that time, vote in favor of the acceptance of that conference report.

Mr. HART. Mr. President, two of the facts of life of this body are that a Senator cannot vote "maybe" and that often the final vote does not present a clear-cut choice between "yea" and "nay".

The Tax Reform Act of 1969 is a case in point.

When discussion of tax reform started last spring, I listed certain goals which I thought the bill should attempt to meet.

There were: First, meaningful tax relief for low- and moderate-income families; second, no extension of the surtax without meaningful tax relief, and maybe not even then; and third, a balance or near balance between revenue lost through tax relief and revenue gained through tax reform.

The bill we vote on today does provide the first item, or at least directs more tax relief to those income groups than the House- or Senate Finance Committee-approved bills.

Of course, the bill also contains extension of the surtax—reduced to 5 percent for an additional 6 months. When I tied surtax extension to tax reform last spring, I had two thoughts in mind.

First, separation of the surtax question from tax reform might have weakened the push for the latter. By keeping the two together, we have at least accomplished a step toward putting more equity into our tax system.

Second, I was not persuaded that the surtax had been or would be effective in slowing the climb in prices. I am still not persuaded, but on balance the long-range pluses from the tax relief provisions outweigh the short-range minuses resulting from a 6-month extension of the surtax.

The gap between the revenue which will be lost and the revenue which will be gained in the Senate bill is a more difficult problem with which to deal.

Without getting into specific figures, it is clear that as now presented, the Senate bill will cost the U.S. Treasury more than the House bill. And it goes without saying that with increasing demands on the Federal dollar, such a decrease cannot be accepted lightly.

Certainly we could have closed or partially closed numerous loopholes untouched or only slightly touched by this bill, and I voted for a number of such amendments.

And certainly we have cut back on loophole closing recommended by the Senate Finance Committee or approved by the House, and I have voted for several such amendments. The problem, of course, is that many such provisions do serve a useful social benefit.

Because some tax benefits are good for society, such as those which might help small businesses to compete better with conglomerates, it becomes difficult to close them all.

A better approach, it seems to me, might be to enact a stiffer minimum tax for persons taking undue advantage of loopholes and limiting the way they can make deductions. This stiffer approach would not necessarily seriously affect useful tax benefits but everyone would pay more for the privilege of using the loopholes. That is why I cosponsored an amendment to set a graduated minimum tax. Unfortunately, that amendment was defeated.

At any rate, I am faced with a "yea" and a "nay" vote on the Tax Reform Act of 1969. Mindful of the revenue lost which would result if the Senate bill became law without change, I will vote yes with the hope that the conferees will do what they can to correct the revenue shortfall.

Mr. DOLE. Mr. President, the passage of my amendment deleting intangible drilling and development costs as a preference item under H.R. 13270 was a victory for the independent oil producers and the economies of our oil- and gas-producing States.

That amendment deleting intangible drilling and development costs for taxpayers who gross $3 million or less annually was necessary to encourage greater investment in the exploration and development of our oil and gas resources by the independent producer. Industry spokesmen indicate the producer of not more than 3,000 barrels a day will receive the greatest benefit from this legislation, thus covering approximately 90 percent of our Kansas oil producers.

Witnesses before the Finance Committee indicated that more than 85 percent of the Nation's efforts to search for oil reserves is conducted by these independent producers. Government and industry report that the lack of incentives, not lack of prospects, has been the principal reason for the sharp reduction in exploration drilling during the past 12 years.

Reports from independent oil producer spokesmen indicate Kansas is an area of great potential. In particular, northeastern Kansas is demonstrating the largest leasing and drilling campaign seen in Kansas for many years. That activity along with heavy leasing in northwestern and western Kansas indicates the potential for profitable oil production. This legislation should provide the necessary economic incentives to increase that exploration and development.

Further, assistance was provided by rewriting the section which included depletion as a preference item and subjected it to a 5-percent tax. Under the amendment accepted by the Senate, the depletion allowance would be set off against intangible drilling and development costs, and the only tax paid would be on the excess of depletion.

Without this amendment and because the Senate later approved a 10-percent tax on preference items, the amendment is, in effect, worth twice as much to those taxpayers who gross $3 million or less annually.

During Senate debate, Senator LONG, chairman of the Finance Committee,

made a very good point—that the oil industry would have paid $650 million in additional taxes under the House-passed bill and that the section dealing with intangibles alone would have constituted a burden of $250 million in additional taxes.

In Kansas, where oil and natural gas production means one-half billion dollars to the economy, the small independent producers and the supply, equipment and services firms servicing the oil and gas industry depend directly on the vitality of that industry. The 27,800 Kansans employed in oil and gas production in 1968 and the 100,000 persons in the families of those employees are affected by this tax legislation. But more than that, a combination of these tax incentives will give new vigor to the economy of Kansas and other oil and gas producing states, and all consumers will benefit by increased oil and gas supplies.

Mr. BYRD of Virginia. Mr. President, I strongly favor an audit fee for private foundations, as provided in the present legislation.

The foundations operate wtih tax-free funds. The Treasury Department should police these funds to be certain they are used for public purposes. The audit fee would pay for this.

In this legislation for the first time we are attempting to distinguish between operating foundations and to set them aside from private foundations in general, which act only as conduits to pass income onto others. In the bill, the House committee, the House itself, and the Senate Finance Committee clearly recognizd the differences between an operating and a grant-making foundation, and for the first time we have provided language defining an operating foundation.

By operating foundations, I refer to those foundations which expend their own resources, not derived from tax income, entirely for educational and museum purposes. I have in mind, for example, two operating foundations in the State of Virginia—Colonial Williamsburg and the Mariner's Museum at Newport News—which are engaged solely in educational endeavors completely analogous to tax-exempt museums operating in the same field across the Nation.

The Ribicoff amendment, which I supported, provides for an audit fee equal to one-fifth of 1 percent of the assets in 1970, one-tenth of 1 percent in 1971, and thereafter. That amendment further provides for an annual report to the Joint Committee on Internal Revenue Taxation by the Treasury in regard to the costs of enforcement. The Treasury shall recommend the rate of the audit fee to cover the costs.

Therefore, I say we should point out in the record that we are dealing with an unknown and that we do not have enough information to determine just what the audit fee should be. In view of this, we should request the Treasury in its annual report, as required under the Ribicoff amendment, to look specifically at the distinction to be made between operating foundations and private foundations in general.

In closing, let me reemphasize I am advocating a reasonable fee, not an exemption, for operating foundations. Therefore, what I am saying is let us go ahead for now, but be certain that Treasury recognizes this problem, and the distinction between operating foundations and private foundations in general. Treasury should concentrate on this in developing its report to the Joint Committee on Internal Revenue Taxation.

The PRESIDING OFFICER. All time having expired, the question is, Shall the bill pass? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MATHIAS (when his name was called). On this vote I have a live pair with the Senator from Arizona (Mr. GOLDWATER). If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." I therefore withhold my vote.

Mr. STEVENS (after having voted in the affirmative). On this vote I have a live pair with the Senator from Louisiana (Mr. ELLENDER). If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." I therefore withdraw my vote.

Mr. SAXBE (after having voted in the negative). On this vote, I have a live pair with the Senator from Missouri (Mr. SYMINGTON). If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." I therefore withdraw my vote.

The bill clerk concluded the call of the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Missouri (Mr. SYMINGTON), and the Senator from Maryland (Mr. TYDINGS) are necessarily absent.

I further announce that the Senator from Louisiana (Mr. ELLENDER) is absent on official business.

I further announce that, if present and voting, the Senator from New Mexico (Mr. ANDERSON) and the Senator from Maryland (Mr. TYDINGS) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Arizona (Mr. GOLDWATER) is absent on official business, and his pair has been previously announced. The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

The Senator from Ohio (Mr. SAXBE) and the Senator from Alaska (Mr. STEVENS) have previously announced their respective pairs.

The result was announced—yeas 69, nays 22, as follows:

[No. 223 Leg.]

YEAS—69

Aiken	Dodd	Jackson
Allen	Dominick	Javits
Baker	Eagleton	Jordan, N.C.
Bayh	Eastland	Kennedy
Bellmon	Ervin	Long
Bible	Fong	Magnuson
Boggs	Fulbright	Mansfield
Burdick	Gore	McCarthy
Byrd, Va.	Gravel	McClellan
Byrd, W. Va.	Harris	McGee
Cannon	Hart	McGovern
Case	Hartke	McIntyre
Church	Hatfield	Metcalf
Cook	Hollings	Miller
Cooper	Hughes	Mondale
Cranston	Inouye	Montoya
Moss	Proxmire	Spong
Muskie	Randolph	Stennis
Nelson	Ribicoff	Talmadge
Packwood	Schweiker	Williams, N.J.
Pastore	Scott	Yarborough
Pell	Smith, Ill.	Young, N. Dak.
Prouty	Sparkman	Young, Ohio

NAYS—22

Allott	Griffin	Percy
Bennett	Gurney	Russell
Brooke	Hansen	Smith, Maine
Cotton	Holland	Thurmond
Curtis	Hruska	Tower
Dole	Jordan, Idaho	Williams, Del.
Fannin	Murphy	
Goodell	Pearson	

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY RECORDED—3

Mathias, for.
Stevens, for.
Saxbe, against.

NOT VOTING—6

Anderson	Goldwater	Symington
Ellender	Mundt	Tydings

So the bill (H.R. 13270) was passed.

Mr. LONG. I move to reconsider the vote by which the bill was passed.

Mr. MANSFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LONG. Mr. President, I move that the Senate insist upon its amendment in the nature of a substitute for the House passed version of H.R. 13270 and request a conference with the House of Representatives on the disagreeing votes of the two Houses thereon, and that the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. LONG, Mr. ANDERSON, Mr. GORE, Mr. TALMADGE, Mr. WILLIAMS of Delaware, Mr. BENNETT, and Mr. CURTIS conferees on the part of the Senate.

Mr. LONG. Mr. President, I ask unanimous consent that the amendment of the Senate to the bill (H.R. 13270) be printed; and that in the engrossment of the amendment of the Senate to the bill the Secretary of the Senate be authorized to make appropriate technical, clerical, and conforming changes and corrections, including the placement of new provisions added to the bill by floor amendments, corrections in section, subsection, and so forth, designations, and cross references thereto, of the bill and of the sections of the Internal Revenue Code, and corrections in the table of contents of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, no one in the Senate respects the tradition of the Senate more than I. I have served on conference committees when we knew there would be disagreement. It is the duty of the conferees to work out an agreement between the House and the Senate versions of the bill. Nevertheless, it is the tradition of the Senate that they put on the conference committees those Members they feel can reasonably support the Senate position.

I felt so strongly I could not support this bill in its present form, and it was with great regret I had to vote against it after having worked on it so hard for the past several months.

I cannot in good conscience serve as a conferee and pretend to support the position of the Senate on something which I think is so radically wrong and irresponsible. I opposed all of the major amendments by the Senate, and it would not be fair to serve as a conferee.

I ask to be excused as a conferee.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD of West Virginia, Mr. President, may we have order? Would the Chair direct Senators to take our seats?

The PRESIDING OFFICER. The Senate will be in order.

The Senator from Montana was recognized.

Mr. LONG addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana has the floor.

Mr. MANSFIELD. I yield.

Mr. LONG. Mr. President, I would hope the Senator from Delaware would relent in his decision about this matter, but if he insists on it I will have to ask unanimous consent that the Senator from Iowa (Mr. MILLER) be added as a conferee.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Iowa is added as a conferee.

Mr. DOLE. Mr. President, I understand the conferees have been named by the Senate.

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. I understand the conferees do not now include the name of the Senator from Delaware. Is that correct?

The PRESIDING OFFICER. The Senator is correct. The Senator from Delaware withdrew.

Mr. DOLE. Mr. President, could the Senator from Delaware be reinstated at his request?

The PRESIDING OFFICER. Not without unanimous consent.

Mr. MANSFIELD. Would the Senator like him to be reinstated?

Mr. DOLE. Yes.

Mr. MANSFIELD. I would like to see him reinstated. Would he approve?

Mr. DOLE. I hope he will reconsider. I think it would be a great tragedy if he were not a conferee. Every Member on this side of the aisle shares that view.

The PRESIDING OFFICER. I think it would be inappropriate unless the Senator from Delaware were present.

Mr. MANSFIELD. The Presiding Officer is correct.

(EXCERPTS ONLY)

91ST CONGRESS
1ST SESSION

H. R. 13270

IN THE SENATE OF THE UNITED STATES

DECEMBER 11, 1969

Senate passed substitute version ordered to be printed

(All after the enacting clause of the House passed bill was stricken out and the language below in italics was inserted in lieu thereof.)

AN ACT

To reform the income tax laws.

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "Tax Reform Act of 1969".

(b) TABLE OF CONTENTS.—

(c) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

TITLE I—TAX EXEMPT ORGANIZATIONS

Subtitle A—Private Foundations

* * * * *

* * * * *

"SEC. 508. SPECIAL RULES WITH RESPECT TO SECTION 501(c)(3) ORGANIZATIONS.

"(a) NEW ORGANIZATIONS MUST NOTIFY SECRETARY THAT THEY ARE APPLYING FOR RECOGNITION OF SECTION 501(c)(3) STATUS.—Except as provided in subsection (c), an organization organized after October 9, 1969, shall not be treated as an organization described in section 501(c)(3)—

"(1) unless it has given notice to the Secretary or his delegate, in such manner as the Secretary or his delegate may by regulations prescribe, that it is applying for recognition of such status, or

"(2) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary or his delegate by regulations for giving notice under this subsection.

For purposes of paragraph (2), the time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

"(b) PRESUMPTION THAT ORGANIZATIONS ARE PRIVATE FOUNDATIONS.—Except as provided in subsection (c), any organization (including an organization in existence on October 9, 1969) which is described in section 501(c)(3) and which does not notify the Secretary or his delegate, at such time and in such manner as the Secretary or his delegate may by regulations prescribe, that it is not a private foundation shall be presumed to be a private foundation. The time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

"(c) EXCEPTIONS.—

"(1) MANDATORY EXCEPTIONS.—Subsections (a) and (b) shall not apply to—

"(A) churches, their integrated auxiliaries, and conventions or associations of churches, or

"(B) any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than $5,000.

"(2) EXCEPTIONS BY REGULATIONS.—The Secretary or his delegate may by regulations exempt (to the extent and subject to such conditions as may be prescribed in such regulations) from the provisions of subsection (a) or (b) or both—

"(A) educational organizations which normally maintain a regular faculty and curriculum and normally have a regularly enrolled body of pupils or students in attendance at the place where their educational activities are regularly carried on; ***and***

"(B) any other class of organizations with respect to which the Secretary or his delegate determines that full compliance with the provisions of subsections (a) and (b) is not necessary to the efficient administration of the provisions of this title relating to private foundations.

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Subtitle C—Moving Expenses

SEC. 221. MOVING EXPENSES.

(a) DEDUCTION FOR MOVING EXPENSES.—Section 217 (relating to moving expenses) is amended to read as follows:

"*SEC. 217. MOVING EXPENSES.*

"*(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction moving expenses paid or incurred during the taxable year in connection with the commencement of work by the taxpayer as an employee or as a self-employed individual at a new principal place of work.*

"*(b) DEFINITION OF MOVING EXPENSES.—*

"*(1) IN GENERAL.—For purposes of this section,*

the term 'moving expenses' means only the reasonable expenses—

"(A) of moving household goods and personal effects from the former residence to the new residence,

"(B) of traveling (including meals and lodging) from the former residence to the new place of residence,

"(C) of traveling (including meals and lodging), after obtaining employment, from the former residence to the general location of the new principal place of work and return, for the principal purpose of searching for a new residence,

"(D) of meals and lodging while occupying temporary quarters in the general location of the new principal place of work during any period of 30 consecutive days after obtaining employment, or

"(E) constituting qualified residence sale, purchase, or lease expenses.

"(2) QUALIFIED RESIDENCE SALE, ETC., EXPENSES.—For purposes of paragraph (1)(E), the term 'qualified residence sale, purchase, or lease expenses' means only reasonable expenses incident to—

"(A) the sale or exchange by the taxpayer or his spouse of the taxpayer's former residence (not

including expenses for work performed on such residence in order to assist in its sale) which (but for this subsection and subsection (e)) would be taken into account in determining the amount realized on the sale or exchange,

"(B) the purchase by the taxpayer or his spouse of a new residence in the general location of the new principal place of work which (but for this subsection and subsection (e)) would be taken into account in determining—

"(i) the adjusted basis of the new residence, or

"(ii) the cost of a loan (but not including any amounts which represent payments or prepayments of interest),

"(C) the settlement of an unexpired lease held by the taxpayer or his spouse on property used by the taxpayer as his former residence, or

"(D) the acquisition of a lease by the taxpayer or his spouse on property used by the taxpayer as his new residence in the general location of the new principal place of work (not including amounts which are payments or prepayments of rent).

"(3) LIMITATIONS.—

"(A) DOLLAR LIMITS.—The aggregate amount

allowable as a deduction under subsection (a) in connection with a commencement of work which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1) shall not exceed $1,000. The aggregate amount allowable as a deduction under subsection (a) which is attributable to qualified residence sale, purchase, or lease expenses shall not exceed $2,500, reduced by the aggregate amount so allowable which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1).

"(B) HUSBAND AND WIFE.—If a husband and wife both commence work at a new principal place of work within the same general location, subparagraph (A) shall be applied as if there was only one commencement of work. In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting '$500' for '$1,000', and by substituting '$1,250' for '$2,500'.

"(C) INDIVIDUALS OTHER THAN TAXPAYER.—In the case of any individual other than the taxpayer, expenses referred to in subparagraphs (A) through (D) of paragraph (1) shall be taken into account only if such individual has both the former residence and the new residence as his prin-

cipal place of abode and is a member of the taxpayer's household.

"(c) CONDITIONS FOR ALLOWANCE.—No deduction shall be allowed under this section unless—

"(1) the taxpayer's new principal place of work—

"(A) is at least 20 miles farther from his former residence than was his former principal place of work, or

"(B) if he had no former principal place of work, is at least 20 miles from his former residence, and

"(2) either—

"(A) during the 12-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee, in such general location, during at least 39 weeks, or

"(B) during the 24-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee or performs services as a self-employed individual on a full-time basis, in such general location, during at least 78 weeks, of which not less than 39 weeks are during the 12-month period referred to in subparagraph (A).

For purposes of paragraph (1), the distance between two points shall be the shortest of the more commonly traveled routes between such two points.

"(d) RULES FOR APPLICATION OF SUBSECTION (c)(2).—

"(1) The condition of subsection (c)(2) shall not apply if the taxpayer is unable to satisfy such condition by reason of—

"(A) death or disability, or

"(B) involuntary separation (other than for willful misconduct) from the service of, or transfer for the benefit of, an employer after obtaining full-time employment in which the taxpayer could reasonably have been expected to satisfy such condition.

"(2) If a taxpayer has not satisfied the condition of subsection (c)(2) before the time prescribed by law (including extensions thereof) for filing the return for the taxable year during which he paid or incurred moving expenses which would otherwise be deductible under this section, but may still satisfy such condition, then such expenses may (at the election of the taxpayer) be deducted for such taxable year notwithstanding subsection (c)(2).

"(3) If—

"(A) for any taxable year moving expenses have been deducted in accordance with the rule provided in paragraph (2), and

"(B) the condition of subsection (c)(2) cannot be satisfied at the close of a subsequent taxable year,

then an amount equal to the expenses which were so deducted shall be included in gross income for the first such subsequent taxable year.

"(e) DENIAL OF DOUBLE BENEFIT.—The amount realized on the sale of the residence described in subparagraph (A) of subsection (b)(2) shall not be decreased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a), and the basis of a residence described in subparagraph (B) of subsection (b)(2) shall not be increased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a). This subsection shall not apply to any expenses with respect to which an amount is included in gross income under subsection (d)(3).

"(f) RULES FOR SELF-EMPLOYED INDIVIDUALS.—

"(1) DEFINITION.—For purposes of this section, the term 'self-employed individual' means an individual who performs personal services—

"(A) as the owner of the entire interest in an unincorporated trade or business, or

"(B) as a partner in a partnership carrying on a trade or business,

"(2) RULE FOR APPLICATION OF SUBSECTIONS (b)(1) (C) AND (D).—For purposes of subparagraphs (C) and (D) of subsection (b)(1), an individual who commences work at a new principal place of work as a self-employed individual shall be treated as having obtained employment when he has made substantial arrangements to commence such work.

"(g) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(b) INCLUSION IN GROSS INCOME OF MOVING EXPENSE REIMBURSEMENTS.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding after section 81 the following new section:

"SEC. 82. REIMBURSEMENT FOR EXPENSES OF MOVING.

"There shall be included in gross income (as compensation for services) any amount received or accrued, directly or indirectly, by an individual as a payment for or reimbursement of expenses of moving from one residence to another residence which is attributable to employment or self-employment."

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 82. Reimbursement of moving expenses."

(2) Section 1001 (relating to determination of amount and recognition of gain or loss) is amended by adding after subsection (e) (as added by section 516(a) of this Act) the following new subsection:

"(f) CROSS REFERENCE.—

"For treatment of certain expenses incident to the sale of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e)."

(3) Section 1016(c) is amended to read as follows:

"(c) CROSS REFERENCES.—

"(1) For treatment of certain expenses incident to the purchase of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e).

"(2) For treatment of separate mineral interests as one property, see section 614."

(d) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969, except that section 217 of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not apply to any item to the extent that the taxpayer received or accrued reimbursement or other expense allowance for such item in a taxable year beginning on or before December 31, 1969, which was not included in his gross income.

used by the taxpayer which the Secretary or his delegate has determined results in a reasonable allowance under section 167(a), and which is not—

"(A) a declining balance method,

"(B) the sum of the years-digits method, or

"(C) any other method allowable solely by reason of the application of subsection (b)(4) or (j)(1)(C) of section 167,

then the adjustment to earnings and profits for depreciation for such year shall be determined under the method so used (in lieu of under the straight line method).

"(3) CERTAIN FOREIGN CORPORATIONS.—The provisions of paragraph (1) shall not apply in computing the earnings and profits of a foreign corporation for any taxable year for which less than 20 percent of the gross income from all sources of such corporation is derived from sources within the United States."

(b) CONFORMING AMENDMENTS.—

(1) Section 964(a) (relating to earnings and profits of a foreign corporation) is amended by striking out "For purposes of this subpart," and inserting in lieu thereof "Except as provided in section 312(m)(3), for purposes of this subpart".

(2) Section 1248(c)(1) (relating to general rule for determination of the earnings and profits of a foreign

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TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

* * * * *

Subtitle D—Subchapter S Corporations

SEC. 531. QUALIFIED PENSION, ETC., PLANS OF SMALL BUSINESS CORPORATIONS.

(a) IN GENERAL.—Subchapter S of chapter 1 (relating to election of certain small business corporations as to taxable status) is amended by adding at the end thereof the following new section:

"SEC. 1379. CERTAIN QUALIFIED PENSION, ETC., PLANS.

*"(a) ADDITIONAL REQUIREMENT FOR QUALIFICATION OF STOCK BONUS OR PROFIT-SHARING PLANS.—A trust forming part of a stock bonus or profit-sharing plan which provides contributions or benefits for employees some or all of whom are shareholder-employees shall not constitute a qualified trust under section 401 (relating to qualified pension, profit-sharing, and stock bonus plans) unless the plan of which such trust is a part provides that forfeitures attributable to contributions deductible under section 404(a)(3) for any taxable year (beginning after December 31, 1970) of the employer with respect to which it is an electing small business corporation may not inure to the benefit of any individual who is a shareholder-employee for such taxable year. A plan shall be considered as satisfying the requirement of this subsection for the period beginning with the first day of a taxable year and ending with the 15th day of the third month following the close of such

taxable year, if all the provisions of the plan which are necessary to satisfy this requirement are in effect by the end of such period and have been made effective for all purposes with respect to the whole of such period.

"(b) TAXABILITY OF SHAREHOLDER-EMPLOYEE BENEFICIARIES.—

"(1) INCLUSION OF EXCESS CONTRIBUTIONS IN GROSS INCOME.—Notwithstanding the provisions of section 402 (relating to taxability of beneficiary of employees' trust), section 403 (relating to taxation of employee annuities), or section 405(d) (relating to taxability of beneficiaries under qualified bond purchase plans), an individual who is a shareholder-employee of an electing small business corporation shall include in gross income, for his taxable year in which or with which the taxable year of the corporation ends, the excess of the amount of contributions paid on his behalf which is deductible under section 404(a) (1), (2), or (3) by the corporation for its its taxable year over the lesser of—

"(A) 10 percent of the compensation received or accrued by him from such corporation during its taxable year, or

"(B) $2,500.

"(2) TREATMENT OF AMOUNTS INCLUDED IN

GROSS INCOME.—Any amount included in the gross income of a shareholder-employee under paragraph (1) shall be treated as consideration for the contract contributed by the shareholder-employee for purposes of section 72 (relating to annuities).

"(3) DEDUCTION FOR AMOUNTS NOT RECEIVED AS BENEFITS.—If—

"(A) amounts are included in the gross income of an individual under paragraph (1), and

"(B) the rights of such individual (or his beneficiaries) under the plan terminate before payments under the plan which are excluded from gross income equal the amounts included in gross income under paragraph (1),

then there shall be allowed as a deduction, for the taxable year in which such rights terminate, an amount equal to the excess of the amounts included in gross income under paragraph (1) over such payments.

"(c) CARRYOVER OF AMOUNTS DEDUCTIBLE.—No amount deductible shall be carried forward under the second sentence of section 404(a)(3)(A) (relating to limits on deductible contributions under stock bonus and profit-sharing trusts) to a taxable year of a corporation with respect to which it is not an electing small business corporation from a taxable year (beginning after December 31, 1970) with

respect to which it is an electing small business corporation.

"(d) SHAREHOLDER-EMPLOYEE.—For purposes of this section, the term 'shareholder-employee' means an employee or officer of an electing small business corporation who owns (or is considered as owning within the meaning of section 318(a)(1)), on any day during the taxable year of such corporation, 10 percent or more of the outstanding stock of the corporation."

(b) CONFORMING AMENDMENT.—Section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (8) the following new paragraph:

"(9) PENSION, ETC., PLANS OF ELECTING SMALL BUSINESS CORPORATIONS.—The deduction allowed by section 1379(b)(3)."

(c) CLERICAL AMENDMENT.—The table of sections for subchapter S of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1379. Certain qualified pensions, etc., plans."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years of electing small business corporations beginning after December 31, 1970.

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TITLE IX—MISCELLANEOUS PROVISIONS

Subtitle A—Miscellaneous Income Tax Provisions

* * * * *

* * * * *

SEC. 914. DEDUCTIONS FOR MEDICAL CARE, MEDICINE, AND DRUGS FOR INDIVIDUALS WHO HAVE ATTAINED THE AGE OF 65.

(a) IN GENERAL.—

(1) Section 213(a) (relating to allowance of deduction for medical, dental, etc., expenses) is amended to read as follows:

"(a) ALLOWANCE OF DEDUCTION.—There shall be allowed as a deduction the following amounts, not compensated for by insurance or otherwise:

"(1) If neither the taxpayer nor his spouse has attained the age of 65 before the close of the taxable year—

"(A) the amount of the expenses paid during the taxable year for medical care of any dependent (as defined in section 152) who—

"(i) is the mother or father of the taxpayer or of his spouse, and

"(ii) has attained the age of 65 before the close of the taxable year;

"(B) the amount by which the amount of expenses paid during the taxable year (reduced by

any amount deductible under subparagraph (C)) for medical care of the taxpayer, his spouse, and dependents (other than any dependent described in subparagraph (A)) exceeds 3 per centum of the adjusted gross income; and

"(C) an amount (not in excess of $150) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents (other than any dependent described in subparagraph (A)).

"(2) If either the taxpayer or his spouse has attained the age of 65 before the close of the taxable year—

"(A) the amount of the expenses paid during the taxable year for medical care of the taxpayer, his spouse, and any dependent described in paragraph (1)(A);

"(B) the amount by which the amount of expenses paid during the taxable year (reduced by any amount deductible under subparagraph (C)) for medical care of dependents (other than any dependent described in paragraph (1)(A)) exceeds 3 percent of the adjusted gross income; and

"(C) an amount (not in excess of $150) equal to one-half of the expenses paid during the taxable year for insurance which constitutes medical care of dependents (other than any dependent described in paragraph (1)(A))."

(2) Section 213(b) (relating to limitation with respect to medicine and drugs) is amended by adding at the end thereof the following new sentence: "The preceding sentence shall not apply to amounts paid for the care of—

"(1) the taxpayer and his spouse, if either of them has attained the age of 65 before the close of the taxable year, or

"(2) any dependent described in subsection (a)(1)(A)."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 1969.

* * * * *

Subtitle C—Miscellaneous Administrative Provisions

* * * * *

SEC. 944. REPORTING OF MEDICAL PAYMENTS.

(a) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning trans-

actions with other persons) is amended by adding after section 6050 (as added by section 121(e)) the following new section:

"SEC. 6050A. RETURNS REGARDING PAYMENTS TO SUPPLIERS OF MEDICAL AND HEALTH CARE SERVICES AND GOODS.

"(a) REQUIREMENT OF REPORTING.—Every person who during any calendar year—

"(1) makes any payment to a supplier of medical and health care services or goods for medical and health care services or goods rendered, furnished, or dispensed to an individual by such supplier or by another such supplier, or

"(2) makes any payment to any person in reimbursement for amounts paid or payable to a supplier of medical and health care services or goods for medical and health care services or goods rendered, furnished, or dispensed to an individual by such supplier or by another such supplier,

shall, if the aggregate amount of the payments described in paragraph (1) or (2) made during the calendar year to, or in reimbursement of amounts paid or payable to, such supplier is $600 or more, make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the total amount of the payments described

in paragraph (1) made to such supplier during the calendar year, and the total amount of the payments described in paragraph (2) made during the calendar year in reimbursement for amounts paid or payable to such supplier, and the name and address of such supplier.

"(b) EXCEPTIONS.—Subsection (a) shall not apply to—

"(1) any payment by an individual for medical and health care services or goods rendered, furnished, or dispensed to himself or any other individual (other than any such payment made in the course of a trade or business),

"(2) any payment of wages (as defined in section 3401(a)) with respect to which a statement is made under section 6051,

"(3) any payment to an organization—

"(A) which is described in section 501(c)(3) and is exempt from taxation under section 501(a), or

"(B) which is an agency or instrumentality of the United States or of any State or political subdivision thereof,

"(4) any payment for goods or services dispensed or supplied by a noninstitutional pharmacy,

"(5) any payment to an individual by his attorney or agent made with respect to medical and health care

services or goods rendered, furnished, or dispensed to such individual or any other individual, or

"(6) any payment made by any person with respect to which a return is made by any other person.

In the case of any payment in settlement of a claim which includes reimbursement for amounts paid or payable to a supplier of medical and health care services or goods, subsection (a)(2) shall apply to such payment only to the extent that such amounts paid or payable have been separately identified to the person making such payment.

"(c) TREATMENT OF CERTAIN DEDUCTIBLE AMOUNTS.—For purposes of subsection (a)(2), if—

"(1) a single payment is made to any person in reimbursement for amounts paid or payable to two or more suppliers of medical and health care services or goods,

"(2) such payment is less than the amounts paid or payable to such suppliers by such person, and

"(3) such payment does not separately state the amount paid in reimbursement of the amount paid or payable to each such supplier,

such payment shall be treated, under regulations prescribed by the Secretary or his delegate, as made proportionately in reimbursement for the amount paid or payable to each such supplier.

"(d) RETURNS BY GOVERNMENT OFFICERS.—Any return required under subsection (a) with respect to payments made by the United States, any State or political subdivision thereof, or any agency or instrumentality of the foregoing, shall be made by the officers or employees having information as to such payments.

"(e) DEFINITIONS.—For purposes of this section.—

"(1) MEDICAL AND HEALTH CARE SERVICES AND GOODS.—The term 'medical and health care services or goods' means—

"(A) services and goods described in paragraphs (1) through (9) of section 1861(s) of the Social Security Act, or in paragraphs (1) through (15) of section 1905(a) of such Act,

"(B) dentist's services and dental prosthetic devices, and

"(C) such other services and goods (similar or related to the services and goods described in subparagraphs (A) and (B)) as the Secretary or his delegate may prescribe by regulations.

"(2) SUPPLIER OF MEDICAL AND HEALTH CARE SERVICES OR GOODS.—The term 'supplier of medical and health care services or goods' means any person who—

"(A) renders or furnishes to individuals any

medical and health care services described in paragraph (1), or

"(B) furnishes, dispenses, sells, or leases to individuals any medical and health care goods described in paragraph (1).

"(f) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every person making a return under subsection (a) shall furnish to each person whose name is set forth in such return a written statement showing—

"(1) the name and address of the person making such return, and

"(2) the total amount of payments described in subsection (a)(1) to the person as shown on such return, and the total amount of payments described in subsection (a)(2) in reimbursement of amounts paid or payable to the person as shown on such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a) was made.

"(g) RETENTION OF RECORDS.—Every person making a return under subsection (a) shall—

"(1) retain the records and other documents relating to the payments with respect to which such return is

made for such time as the Secretary or his delegate prescribes by regulations, and

"(2) make such records and documents available to the Secretary or his delegate whenever in the judgment of the Secretary or his delegate such records and documents are necessary to the determination of the tax imposed on any person under subtitle A."

(b) CLERICAL AND CONFORMING AMENDMENTS.—

(1) The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by adding at the end thereof the following new item:

"Sec. 6050A. Returns regarding payments to suppliers of medical and health care services and goods."

(2) Section 6041(a) (relating to information at source) is amended by striking out "or 6049(a)(1)" and inserting in lieu thereof "6049(a)(1), or 6050A (a)".

(3) Section 6652(a) (relating to failure to file certain information returns) is amended—

(A) by striking out "or" at the end of paragraph (2);

(B) by inserting "or" at the end of paragraph (3);

(C) by inserting after paragraph (3) the following new paragraph:

"(4) to make a return required by section 6050A(a) (relating to reporting payments made to suppliers of medical and health care services and goods) with respect to payments to, and in reimbursement of amounts paid or payable to, a supplier of medical and health care services and goods,"; and

(D) by striking out "(2) or (3)" and inserting in lieu thereof "(2), (3), or (4)".

(4) Section 6678 (relating to failure to furnish certain statements) is amended—

(A) by inserting "6050A(f)," before "or 6052 (b)"; and

(B) by inserting "6050A(a)," before "or 6052 (a)".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by subsections (a) and (b) shall apply with respect to payments made on or after January 1, 1970.

(2) CALENDAR YEAR 1969.—Section 6050A of the Internal Revenue Code of 1954 (as added by subsection (a)) shall apply to payments made during the calendar year 1969 under titles V, XVIII, and XIX of the Social Security Act.

(3) TIME FOR RETURNS.—In the case of payments

made during calendar year 1969 to which such section 6050A applies, the time for filing returns required under subsection (a) of such section and for furnishing statements under subsection (f) of such section shall be the last day of the fourth month which begins after the date of the enactment of this Act.

(4) EXISTING AUTHORITY.—The amendments made by this section shall not be construed to affect the authority of the Secretary of the Treasury or his delegate under section 6041 of the Internal Revenue Code of 1954 with respect to payments to suppliers of medical and health care services or goods made during any period before the provisions of section 6050A of such Code (as added by subsection (a)) become applicable to such payments under paragraphs (1) and (2) of this subsection.

(d) AMENDMENT TO SOCIAL SECURITY ACT.—

(1) KEEPING OF RECORDS REGARDING MEDICARE AND MEDICAID PAYMENTS.—Title XI of the Social Security Act is amended by adding after section 1121 the following new section:

"RECORDS WITH RESPECT TO MEDICAL AND HEALTH CARE ITEMS AND SERVICES

"SEC. 1122. (a) It shall be the duty of the Secretary

to compile, keep, and maintain, such records as may be necessary accurately to indicate—

"(1) the identity (by name, address, medical or health care specialty, and such other identifying criteria as may be appropriate) of each person who, during the calendar year, furnishes medical or health care items or services to any individual and the number of individuals to whom such items or services were furnished by such person during such year, if all or any part of the cost or charge attributable to the provision of such items or services is payable under a program established by title XVIII or under any program or project under or established pursuant to this title, title V, or title XIX; and

"(2) with respect to each person referred to in paragraph (1), the aggregate of the amounts of the costs or charges attributable, under each program or project referred to in such paragraph, to medical or health care items or services furnished, during the calendar year, by such person to individuals under such programs and projects (including, in the aggregate amount of costs or charges so attributable, the amounts paid to individuals by reason or on account of the furnishing by such person of such items or services to such individuals).

"(b)(1) In order to carry out the provisions of subsection (a), the Secretary shall require persons, agencies, or

agents (including carriers and intermediaries utilized under title XVIII and fiscal agents and insurers utilized under any program established under or pursuant to title V or XIX) administering, or assisting in the administration of, any program or project referred to in subsection (a)(1) to collect, and submit to the Secretary at such time or times as the Secretary may require, such data and information as the Secretary may deem necessary or appropriate. Such persons, agents, carriers, intermediaries, fiscal agents, and insurers shall utilize, in supplying the data and information provided for in the preceding sentence, the identifying numbers required under paragraph (2) as the basic means of identifying persons referred to in subsection (a)(1).

"(2) The Secretary shall require, for purposes of identifying the persons referred to in subsection (a)(1), the employment of the identifying numbers utilized on returns required with respect to payments to such persons pursuant to section 6050A of the Internal Revenue Code of 1954.

"(c)(1) The Secretary shall submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives with respect to each calendar year, beginning with the calendar year ending December 31, 1969, a report indicating the name, address, and medical or health care specialty of each person who, during such year, furnished medical or health care items or services

to individuals the costs of or charges for which give rise to payments under one or more of the programs or projects referred to in subsection (a)(1) of $25,000 or more. Such report shall indicate the amount of payments under each of such programs or projects attributable to such items or services furnished during such year by each such person and the number of individuals to whom such items or services were furnished by such person during such year.

"(2) Such report for the calendar year ending December 31, 1969, shall be submitted not later than June 30, 1970, and such report for each succeeding calendar year shall be submitted not later than June 30 of the following calendar year."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall be effective with respect to calendar years beginning after December 31, 1968.

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SEC. 946. DECLARATIONS OF ESTIMATED TAX BY FARMERS.

(a) RETURN AS DECLARATION OR AMENDMENT.—Section 6015(f) (relating to return considered as declaration or amendment) is amended by striking out "February 15" and inserting in lieu thereof "March 15".

(b) EFFECTIVE DATE.—The amendment made by sub-

section (a) shall apply with respect to taxable years beginning after December 31, 1968.

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TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

SHORT TITLE

SEC. 1001. This title may be cited as the "Social Security Amendments of 1969".

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 1002. (a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$30.36	$85.90 or less	----------	$141	$100.00	$150.00
$30.37	30.92	87.20	$142	146	100.30	150.50
30.93	31.36	88.40	147	150	101.70	152.60
31.37	32.00	89.50	151	155	103.00	154.50
32.01	32.60	90.80	156	160	104.50	156.80
32.61	33.20	92.00	161	164	105.80	158.70
33.21	33.88	93.20	165	169	107.20	160.80
33.89	34.50	94.40	170	174	108.60	162.90
34.51	35.00	95.60	175	178	110.00	165.00
35.01	35.80	96.80	179	183	111.40	167.10
35.81	36.40	98.00	184	188	112.70	169.10
36.41	37.08	99.30	189	193	114.20	171.30
37.09	37.60	100.50	194	197	115.60	173.40
37.61	38.20	101.60	198	202	116.90	175.40
38.21	39.12	102.90	203	207	118.40	177.60
39.13	39.68	104.10	208	211	119.80	179.70
39.69	40.33	105.20	212	216	121.00	181.50
40.34	41.12	106.50	217	221	122.50	183.80
41.13	41.76	107.70	222	225	123.90	185.90
41.77	42.44	108.90	226	230	125.30	188.00
42.45	43.20	110.10	231	235	126.70	190.10
43.21	43.76	111.40	236	239	128.20	192.30
43.77	44.44	112.60	240	244	129.50	194.20
44.45	44.88	113.70	245	249	130.80	196.20
44.89	45.60	115.00	250	253	132.30	198.40
		116.20	254	258	133.70	200.60
		117.30	259	263	134.90	202.40
		118.60	264	267	136.40	204.60
		119.80	268	272	137.80	206.70
		121.00	273	277	139.20	208.80
		122.20	278	281	140.60	210.90
		123.40	282	286	142.00	213.00
		124.70	287	291	143.50	215.20
		125.80	292	295	144.70	217.00
		127.10	296	300	146.20	219.30
		128.30	301	305	147.60	221.40
		129.40	306	309	148.90	223.40
		130.70	310	314	150.40	225.60
		131.90	315	319	151.70	227.60
		133.00	320	323	153.00	229.50
		134.30	324	328	154.50	231.80
		135.50	329	333	155.90	233.90
		136.80	334	337	157.40	236.10
		137.90	338	342	158.60	237.90
		139.10	343	347	160.00	240.00
		140.40	348	351	161.50	242.30
		141.50	352	356	162.80	244.20
		142.80	357	361	164.30	246.50
		144.00	362	365	165.60	248.40
		145.10	366	370	166.90	250.40
		146.40	371	375	168.40	252.60
		147.60	376	379	169.80	254.70
		148.90	380	384	171.30	257.00
		150.00	385	389	172.50	258.80
		151.20	390	393	173.90	260.90
		152.50	394	398	175.40	263.10
		153.60	399	403	176.70	265.10
		154.90	404	407	178.20	267.30
		156.00	408	412	179.40	269.10
		157.10	413	417	180.70	271.10
		158.20	418	421	182.00	273.00
		159.40	422	426	183.40	275.10
		160.50	427	431	184.60	276.90
		161.60	432	436	185.90	278.80
		162.80	437	440	187.30	280.90
		163.90	441	445	188.50	282.70
		165.00	446	450	189.80	284.70
		166.20	451	454	191.20	286.80
		167.30	455	459	192.40	288.60
		168.40	460	464	193.70	290.60
		169.50	465	468	195.00	292.50
		170.70	469	473	196.40	294.60
		171.80	474	478	197.60	296.40
		172.90	479	482	198.90	298.40
		174.10	483	487	200.30	300.50
		175.20	488	492	201.50	302.30
		176.30	493	496	202.80	304.20
		177.50	497	501	204.20	306.30
		178.60	502	506	205.40	308.10

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$179.70	$507	$510	$206.70	$378.40
		180.80	511	515	208.00	380.40
		182.00	516	520	209.30	382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	405.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60
		201.00	589	591	231.20	410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00
		207.00	610	612	238.10	419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40
		213.00	631	634	245.00	428.00
		214.00	635	637	246.10	429.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40".

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment

income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to January 1970, for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph

(1) had not been applicable to such total of benefits for January 1970, or".

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969".

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

"Primary Insurance Amount Under 1967 Act

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance

benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215 (a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 1003. (a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46," and by striking out "$20" and inserting in lieu thereof "$23".

(2) Section 227(b) of such Act is amended by striking out in the second sentence "$40" and inserting in lieu thereof "$46".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "23".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and in inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

MAXIMUM AMOUNT OF A WIFE'S OF HUSBAND'S INSURANCE BENEFITS

SEC. 1004. (a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

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

(b) Section 202(c)(3) of such Act is amended to read as follows:

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

(c) Sections 202(e)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 1005. (a) Section 201(b)(1) of the Social Security Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201(b)(2) of such Act is amended by—

(1) striking out "and" at the end of clause (B);

(2) striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1,

1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

INCREASE IN WAGE BASE

SEC. 1006. (a) Notwithstanding any other provision of law, beginning with years beginning after December 31, 1972, the earnings counted for benefit and tax purposes under titles II and XVIII of the Social Security Act and appropriate sections of the Internal Revenue Code shall be increased from $7,800 to $12,000.

(b) The Secretary of Health, Education, and Welfare is directed to modify the table in section 215(a) of the Social Security Act to include benefits, consistent with the formula underlying the benefits in section 215(a), for average monthly wages greater than $650 but less than or equal to $1,000.

DISREGARDING OASDI BENEFIT INCREASES TO THE EXTENT ATTRIBUTABLE TO RETROACTIVE EFFECTIVE DATES

SEC. 1007. Notwithstanding any other provision of law, there shall be excluded in determining the income of any individual or family for purposes of title I, IV, X, XIV, or XVI of the Social Security Act (in addition to any other amounts so excluded or disregarded) any amount paid to such individual in any month under title II of such Act (or

under the Railroad Retirement Act of 1937 by reason of the first proviso in section 3(e) thereof), otherwise than as the regular monthly payment due such individual for the preceding month, to the extent that such payment is attributable to an increase under this title or a subsequent Act (resulting from the enactment of a retroactive general increase in primary insurance amounts under such title II) in the amount of the monthly benefits payable under the old-age, survivors, and disability insurance system for one or more months before the month in which such payment is received.

DISREGARDING OF INCOME IN DETERMINING NEED FOR PUBLIC ASSISTANCE

SEC. 1008. (a) In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement that—

(1) in determining need of any adult individual for such aid or assistance, the State agency administering or supervising the administration of such plan shall disregard $7.50 per month of income of such individual, and

(2)(A) each individual receiving such aid or assistance for any month shall realize an increase in the amount of his benefit in the form of money payments of

$7.50 per month, whether such increase is brought about by reason of the application of clause (1) or otherwise, and

(B) in the administration of any such plan, there shall be used for the purpose of providing the increased benefits required by subclause (A), an amount equal to any savings realized in the provision of such benefits by reason of the enactment, in this title, of any provision increasing the amount of monthly benefits payable to individuals under title II of the Social Security Act.

(b) If, as a result of the application of the requirements imposed in clauses (1) and (2) of subsection (a), any State incurs, in the operation of its State plan (referred to in subsection (a)) for any calendar quarter, expense in excess of the amount of expense it would have incurred if such requirements had not been applied, then, it shall be entitled to be paid, out of any money appropriated by the Federal Government to assist the State in carrying out such plan, an additional amount equal to the amount of such excess.

(c) Any additional amount to which a State is entitled under subsection (b) with respect to a State plan (referred to in subsection (a)) shall be made in accordance with the same methods, and otherwise in like manner, as are the pay-

ments which such State is entitled to receive with respect to such plan under other provisions of Federal law.

TITLE XI—AMENDMENTS TO THE SOCIAL SECURITY ACT

SHORT TITLE

SEC. 1101. This title may be cited as the "Social Security Retirement Age Amendments of 1969".

ACTUARILY REDUCED BENEFITS

SEC. 1102. (a) (1) Section 202(a)(2) of the Social Security Act is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(2) Section 202(b)(1) of such Act is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(3) Section 202(c) (1) and (2) of such Act is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(4)(A) Section 202(f)(1)(B), (2), (5), and (6) is amended by striking out "62" wherever it appears therein and inserting in lieu thereof "60".

(B) Section 202(f)(1)(C) of such Act is amended by striking out "or was entitled" and inserting in lieu thereof "or was entitled, after attainment of age 62,".

(5)(A) Section 202(h)(1)(A) of such Act is

amended by striking out "62" and inserting in lieu thereof "60".

(B) Section 202(h)(2)(A) of such Act is amended by inserting "subsection (q) and" after "Except as provided in".

(C) Section 202(h)(2)(B) of such Act is amended by inserting "subsection (q) and" after "except as provided in".

(D) Section 202(h)(2)(C) of such Act is amended by—

(i) striking out "shall be equal" and inserting in lieu thereof "shall, except as provided in subsection (q), be equal"; and

(ii) inserting "and section 202(q)" after "section 203(a)".

(b)(1) The first sentence of section 202(q)(1) of such Act is amended (A) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, widower's, or parent's", and (B) by striking out, in subparagraph (A) thereof, "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(2)(A) Section 202(q)(3)(A) of such Act is amended (i) by striking out "husband's, widow's, or widow-

er's" each place it appears therein and inserting in lieu thereof "husband's, widow's, widower's, or parent's", (ii) by striking out "age 62" and inserting in lieu thereof "age 60", and (iii) by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, or parent's".

(B) Section 202(q)(3)(B) of such Act is amended by striking out "or husband's" each place it appears therein and inserting in lieu thereof ", husband's, widow's, widower's, or parent's".

(C) Section 202(q)(3)(C) is amended by striking out "or widower's" each place it appears therein and inserting in lieu thereof "widower's, or parent's".

(D) Section 202(q)(3)(D) of such Act is amended by striking out "or widower's" and inserting in lieu thereof "widower's, or parent's".

(E) Section 202(q)(3)(E) of such Act is amended (i) by striking out "(or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be) entitled to a widow's or widower's insurance benefit to which such individual was first entitled for a month before she or he" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit to which such individual was first entitled for a month before such individ-

ual", (ii) by striking out "the amount by which such widow's or widower's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", (iii) by striking out "over such widow's or widower's insurance benefit" and inserting in lieu thereof "over such widow's, widower's, or parent's insurance benefit", and (iv) by striking out "attained retirement age" each place it appears therein and inserting in lieu thereof "attained age 60 (in the case of a widow or widower) or attained retirement age (in the case of a parent)".

(F) Section 202(q)(3)(F) of such Act is amended (i) by striking out "(or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1) in the case of a widower, be) entitled to a widow's or widower's insurance benefit to which such individual was first entitled for a month before she or he" and inserting in lieu thereof "(or would, but for subsection (e)(1), (f)(1), or (h)(1), be) entitled to a widow's, widower's, or parent's insurance benefit for which such individual was first entitled for a month before such individual", (ii) by striking out "the amount by which such widow's or widower's insurance benefit" and inserting in lieu thereof "the amount by which such widow's, widower's, or parent's insurance benefit", (iii) by striking out "over

such widow's insurance benefit" and inserting in lieu thereof "over such widow's, widower's, or parent's insurance benefit", (iv) by striking out "62" and inserting in lieu thereof "60", and (v) by striking out "attained retirement age" each place it appears therein and inserting in lieu thereof "attained age 60 (in the case of a widow or widower) or attained retirement age (in the case of a parent)".

(G) Section 202(q)(3)(G) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(3) Section 202(q)(5)(B) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(4) Section 202(q)(6) of such Act is amended (i) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, widower's, or parent's", and (ii) by striking out, in clause (III), "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(5) Section 202(q)(7) of such Act is amended—

(A) by striking out "husband's, widow's, or widower's" and inserting in lieu thereof "husband's, widow's, widower's, or parent's"; and

(B) by striking out, in subparagraph (E), "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(6) Section 202(q)(9) of such Act is amended by striking out "widow's or widower's" and inserting in lieu thereof "widow's, widower's, or parent's".

(c)(1) The heading to section 202(r) of such Act is amended by striking out "Wife's or Husband's" and inserting in lieu thereof "Wife's, Husband's, Widow's, Widower's, or Parent's".

(2)(A) Section 202(r)(1) of such Act is amended (i) by striking out "wife's or husband's" the first place it appears therein and inserting in lieu thereof "wife's, husband's, widow's, widower's, or parent's", and (ii) by inserting immediately before the period at the end thereof the following: ", or for widow's, widower's, or parent's insurance benefits but only if such first month occurred before such individual attained age 62".

(B) Section 202(r)(2) of such Act is amended by striking out "wife's or husband's" and inserting in lieu thereof "wife's, husband's, widow's, widower's, or parent's".

(d) Section 214(a)(1) of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new subparagraphs (A) and (B):

"(A) in the case of a woman who has died, the

year in which she died or (if earlier) the year in which she attained age 62,

"(B) in the case of a woman who has not died, the year in which she attained (or would attain) age 62,".

(e)(1) Section 215(b)(3) of such Act is amended by striking out subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting the following new paragraphs (A) and (B):

"(A) in the case of a woman who has died, the year in which she died, or, if it occurred earlier but after 1960, the year in which she attained age 62,

"(B) in the case of a woman who has not died, the year occurring after 1960 in which she attained (or would attain) age 62,".

(2) Section 215(f)(5) of such Act is amended (A) by inserting after "attained age 65," the following: "or in the case of a woman who became entitled to such benefits and died before the month in which she attained age 62,"; (B) by striking out "his" each place it appears therein and inserting in lieu thereof "his or her"; and (C) by striking out "he" each place after the first place it appears therein and inserting in lieu thereof "he or she".

(f)(1) Section 216(b)(3)(A) of such Act is amend-

ed by striking out "62" and inserting in lieu thereof "60".

(2) Section 216(c)(6)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(3) Section 216(f)(3)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(4) Section 216(g)(6)(A) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

(g)(1) Section 202(q)(5)(A) of such Act is amended by striking out "No wife's insurance benefit" and inserting in lieu thereof "No wife's insurance benefit to which a wife is entitled".

(2) Section 202(q)(5)(C) of such Act is amended by striking out "woman" and inserting in lieu thereof "wife".

(3) Section 202(q)(6)(A)(i)(II) of such Act is amended (A) by striking out "wife's insurance benefit" and inserting in lieu thereof "wife's insurance benefit to which a wife is entitled", and (B) by striking out "or" at the end and inserting in lieu thereof the following: "or in the case of a wife's insurance benefit to which a divorced wife is entitled, with the first day of the first month for which such individual is entitled to such benefit, or".

(4) Section 202(q)(7)(B) of such Act is amended by striking out "wife's insurance benefits" and inserting in lieu thereof "wife's insurance benefits to which a wife is entitled".

(h) Section 224(a) of such Act is amended by striking out "62" and inserting in lieu thereof "60".

EFFECTIVE DATE

SEC. 1103. The amendments made by section 1102 of this title shall apply with respect to monthly benefits under title II of the Social Security Act for months after the month in which the President issues a proclamation that he has determined that it is desirable to expand consumer purchasing power by making additional persons eligible to receive social security benefits.

AMENDMENT OF CIVIL SERVICE RETIREMENT ACT

SEC. 1104. Section 8332(j) of title 5 of the United States Code is amended by striking "individual, widow," in the first sentence and substituting in lieu thereof "individual is at least 62 years of age, or if his widow"

* * * * *

* * * * *

Passed the Senate December 11, 1969.

Attest: FRANCIS R. VALEO,

Secretary.

91ST CONGRESS
1ST SESSION

H. R. 13270

AN ACT

To reform the income tax laws.

DECEMBER 11, 1969
Senate passed substitute version ordered to be printed

* * * * *

The message also announced that the Senate had passed with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 13270. An act to reform the income tax laws.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 13270) entitled "An act to reform the income tax laws, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. LONG, Mr. ANDERSON, Mr. GORE, Mr. TALMADGE, Mr. BENNETT, Mr. CURTIS and Mr. MILLER to be the conferees on the part of the Senate.

* * * * *

APPOINTMENT OF CONFEREES ON H.R. 13270, TAX REFORM ACT OF 1969

Mr. MILLS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 13270) to reform the income tax laws, the so-called Tax Reform Act of 1969, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference requested by the Senate.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

Mr. VANIK. Mr. Speaker, reserving the right to object, and I do not object at this time, I would like to reserve the right to offer a preferential motion in which I would urge that the conferees or the managers on the part of the House be instructed with respect to increasing exemptions and insisting on the House provisions on the oil and gas depletion allowances.

Mr. Speaker, will such a preferential motion be in order?

The SPEAKER pro tempore. It will be if the unanimous-consent request on the conference is agreed to.

Mr. VANIK. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

Mr. MADDEN. Mr. Speaker, reserving the right to object. I might for the information of the gentleman from Ohio and the House membership state that by reason of the broadcast of the President last Monday night, telling maybe millions of people that he was going to veto the 15-percent raise in social security if it came before him and also that he was going to veto the $200 tax exemption raise I called a special meeting of the Democratic Steering Committee today. I received expressions of so much consternation and complaint by the Members on this side of the aisle and a great deal of criticism of the broadcast especially where the President referred to a veto these bread and butter issues, we Democratic Members became alarmed. Approximately 25,500,000 recipients of social security over the Nation also became alarmed at that threat, and millions upon millions of wage earners and salary earners who are paying big taxes, were also shocked. As chairman of the Democratic Steering Committee and because of the pressure of the Members on this side I called a special meeting of the committee this afternoon during which this veto matter was taken up.

Mr. Speaker, I will read the resolution that was adopted—almost unanimously with the exception of one vote:

Resolved, That the House Democratic Steering Committee hereby endorses and recommends enactment of proposed legislation providing for a $200 increase in the personal income tax execption, to the House Tax Reform Bill and a 15 percent increase in Social Security Insurance System benefits effective as of January 1, 1970.

RAY J. MADDEN,
Chairman,
House Democratic Steering Committee.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

* * * * *

Along with my colleagues, I have a great stake in the adoption of a fair and equitable tax bill. It would be my hope that it might not have to be done again next year—or in the next session—or in the next Congress.

If we can truly make this a tax reform bill—if we can truly provide a more equitable tax on those who have had unfair preference—if we can truly provide tax relief to those most deserving—our work may prevent the taxpayers' revolt which former Secretary of the Treasury Joe Barr said would soon occur.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. VANIK. I am happy to yield to my distinguished chairman.

Mr. MILLS. I would much prefer, of course, at all times not to go to a conference under instructions, but if I were going to this conference under instructions from my colleagues in the House there are many, many items I would have included in such a motion which the gentleman does not include in his motion. I believe that the instructions of my colleagues in the House should be to the conferees—at least to me as a conferee—that I fight as hard in the conference to preserve what the House passed as I, along with my colleagues on the committee, fought to develop the bill initially in the committee and to pass it in the House.

I think my friend from Ohio has been on the Ways and Means Committee long enough to know that I do not like to labor in futility—work and work as hard as we did—and then in conference capitulate. I do not like to ask the Members of the House to go up the hill with us and take all of the heat we have taken with respect to the provisions in this bill and then ask my colleagues to march down the hill. I have never done that to you and I do not intend to do it now.

And, Mr. Speaker, if the gentleman will yield further—

Mr. VANIK. I am happy to yield further to my distinguished chairman.

Mr. MILLS. When I go to a conference I consider myself pledged when I get to conference to uphold the position of the House, not my position, but the position of the House. The position of the House in this instance is the bill that the House passed by such an overwhelming vote. We set out as the gentleman knows to do something in each area that provided a tax shelter, and we did. Some of those areas have been amended in a way that I do not like. Some of them, I understand from talking to our people who have followed their actions over there, have been improved actually by the other body, because I understand in some areas they expressed interest in strengthening tax reform provisions and in the development of additional revenue. So, you can see that there were some good amendments adopted.

Now, we will analyze those amendments and those that we believe are destructive of the bill, we will fight. I think I can assure the gentleman that is the feeling of all of those who will be conferees—I have worked with too many of them too long not to feel that all of us will be in there fighting as hard as we can fight to retain in the conference report as much of the House bill as anyone can. Furthermore, the House will have an opportunity to see the conference report and, since the conference has been asked for by them, the report will be considered first here and if it does not meet with the approval of our colleagues, we can recommit it to the conference.

So, I would like that degree of flexibility which I think we need more in this conference than any other conference I can remember ever having attended.

I would hope that my good friend, in light of this and the statement I have made and knowing of the work we did in the committee, and my intention to uphold that work, would withdraw his motion to instruct the conferees.

Mr. VANIK. Would the gentleman indicate whether or not we can expect tax relief by way of increased exemptions, because that matter was not considered in our committee?

Mr. MILLS. We did not take that topic up in the Committee on Ways and Means, as the gentleman knows. We preferred in the committee by a vote—I have forgotten what the vote was—to do it by rate reductions. The Senate on the other hand has preferred to do it by an increase in personal exemption.

I have as much interest in increased exemptions as anyone in this House. It is a question of timing with me. I do not want us to do something that will permit the President to possibly say that a Democratic-controlled Congress has made it impossible for him in the year 1970 to do anything to stop inflation. However, if we do something that will put his budget out of balance for fiscal year 1970, I daresay that would be the charge he would make. I do not want us to get into that position. I think my friend from Ohio would agree with me that any tax reductions that we finally agree to in the conference should be tax reductions that do not affect the fiscal year 1970 and, perhaps, do not affect even calendar year 1970.

There is one that is frozen insofar as 1970 is concerned that we cannot do anything about and that is the minimum standard deduction. Their change is nearly the same as ours. So there will be this change in 1970, in any event which will have an effect on revenues in the calendar year 1970.

Mr. VANIK. Am I correct in understanding the distinguished chairman and believing that it is your intention to provide some system of relief by way of increased exemptions?

Mr. MILLS. Oh, yes. We have that definitely in mind.

Mr. VANIK. Am I correct in my further understanding that the distinguished gentleman from Arkansas will insist upon the House provision which dealt with oil depletion?

Mr. MILLS. I will insist on not just that. Why does the gentleman not ask me about all of them?

Mr. VANIK. How about all of them?

Mr. MILLS. As far as I am concerned, I am going to insist on all of them, if I can get them all.

Mr. MADDEN. Mr. Speaker, will the gentleman yield?

Mr. VANIK. I yield to the gentleman from Indiana.

Mr. MADDEN. Mr. Speaker, I want to commend the chairman of the Committee on Ways and Means for the work that he and his committee have done this year on bringing up tax reform. I want to correct the gentleman on a statement that he has just made.

The gentleman said that he did not want to have the President feel that a Democratic-controlled Congress resort to politics and jeopardize his legislative program. It has been my observation, and the observation of most Members on this side of the House, that when most Democratic platform issues are debated the Republican leadership and a few of the southern Democrats get together, that they can outvote us by about 15 to 20 votes, so this session is not in reality a Democratic-controlled Congress.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. VANIK. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Speaker, I wonder if the gentleman from Arkansas could tell us or give us any idea on whether he will be able to wring these concesions out of the other body by New Year's Day?

Mr. MILLS. Mr. Speaker, would the gentleman yield?

Mr. VANIK. I yield to the distinguished chairman, from Arkansas.

Mr. MILLS. Mr. Speaker, I appreciate the gentleman yielding to me.

I want to keep all my colleagues advised, as we go along on this matter. It is my understanding that we will begin our conference with the Senate on this matter at 10 o'clock next Monday morning.

I had hoped that we could begin our conference in the morning, and that we could work Saturday, but I can understand the reluctance of any Member of the other body—after having labored with this bill as long as they have—wanting to ge a little bit of rest from the tax bill, at least over the weekend.

So, Mr. Speaker, I agreed to resist my own feelings and lay them aside, and accommodate the Senate Members on timing. So we will go to conference at 10 o'clock on Monday morning. That means that we may be able to have a conference report before Christmas, but it is going to be quite difficult for us to reach agreement on a conference report, to have the report filed, and to have an opportunity for the House to vote on it before Christmas.

I think my friend, the gentleman from Iowa, knows that it takes some little time for our technicians to prepare the conference report after the decisions are all completed.

Mr. GROSS. Mr. Speaker, would the gentleman yield further?

Mr. VANIK. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Speaker, one Member of the other body has described it as a Christmas tree. I just wondered if that was an accurate description.

Mr. MILLS. If the gentleman will yield further, Mr. Speaker, if it is a Christmas tree it should be all right for it to remain

so through the Christmas season, even if we have to remove the trimmings after Christmas. That is a common practice, I understand.

But we intend to do some removing of these trimmings even before Christmas.

Mr. GROSS. Mr. Speaker, I thank the gentleman from Ohio for yielding.

Mr. VANIK. Mr. Speaker, I want to thank my distinguished chairman. The conferees and managers on the part of the House have our best wishes, and I ask that they speak for the average taxpayers of America who need to get some relief out of this tax program which will be before the conference.

Mr. Speaker, I withdraw my motion.

The SPEAKER. The gentleman from Ohio withdraws his preferential motion.

The Chair appoints the following conferees: Messrs. MILLS, BOGGS, WATTS, ULLMAN, BYRNES of Wisconsin, UTT, and BETTS.

(EXCERPTS ONLY)

[Pursuant to the order of the House on Dec. 19, 1969 the following conference report was filed on Des. 21, 1969]

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 91-782

TAX REFORM ACT OF 1969

DECEMBER 21, 1969.—Ordered to be printed

Mr. Mills, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 13270]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SECTION 1. SHORT TITLE, ETC.

(*a*) *SHORT TITLE.—This Act may be cited as the "Tax Reform Act of 1969".*

(*b*) *TABLE OF CONTENTS.—*

38-875 O

(c) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

TITLE I—TAX EXEMPT ORGANIZATIONS

Subtitle A—Private Foundations

SEC. 101. PRIVATE FOUNDATIONS.

(a) IN GENERAL.—Subchapter F of chapter 1 (relating to exempt organizations) is amended by redesignating parts II, III, and IV as parts III, IV, and V, respectively, and by inserting after part I the following new part:

"PART II—PRIVATE FOUNDATIONS

* * * * *

"SEC. 508. SPECIAL RULES WITH RESPECT TO SECTION 501(c)(3) ORGANIZATIONS.

"(a) NEW ORGANIZATIONS MUST NOTIFY SECRETARY THAT THEY ARE APPLYING FOR RECOGNITION OF SECTION 501(c)(3) STATUS.—Except as provided in subsection (c), an organization organized after October 9, 1969, shall not be treated as an organization described in section 501(c)(3)—

"(1) unless it has given notice to the Secretary or his delegate, in such manner as the Secretary or his delegate may by regulations prescribe, that it is applying for recognition of such status, or

"(2) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary or his delegate by regulations for giving notice under this subsection.

For purposes of paragraph (2), the time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

"(b) PRESUMPTION THAT ORGANIZATIONS ARE PRIVATE FOUNDATIONS.—Except as provided in subsection (c), any organization (including an organization in existence on October 9, 1969) which is described in section 501(c)(3) and which does not notify the Secretary or his delegate, at such time and in such manner as the Secretary or his delegate may by regulations prescribe, that it is not a private foundation shall be presumed to be a private foundation. The time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

"(c) EXCEPTIONS.—

"(1) MANDATORY EXCEPTIONS.—Subsections (a) and (b) shall not apply to—

"(A) churches, their integrated auxiliaries, and conventions or associations of churches, or

"(B) any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than $5,000.

"(2) EXCEPTIONS BY REGULATIONS.—The Secretary or his delegate may by regulations exempt (to the extent and subject to such conditions as may be prescribed in such regulations) from the provisions of subsection (a) or (b) or both—

"(A) educational organizations which normally maintain a regular faculty and curriculum and normally have a regularly enrolled body of pupils or students in attendance at the place where their educational activities are regularly carried on; and

"(B) any other class of organizations with respect to which the Secretary or his delegate determines that full compliance with the provisions of subsections (a) and (b) is not necessary to the efficient administration of the provisions of this title relating to private foundations.

"(d) DISALLOWANCE OF CERTAIN CHARITABLE, ETC., DEDUCTIONS.—

"(1) GIFT OR BEQUEST TO ORGANIZATIONS SUBJECT TO SECTION 507(c) TAX.—No gift or bequest made to an organization upon which the tax provided by section 507(c) has been imposed shall be

allowed as a deduction under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such gift or bequest is made—

"(A) by any person after notification is made under section 507(a), or

"(B) by a substantial contributor (as defined in section 507(d)(2)) in his taxable year which includes the first day on which action is taken by such organization which culminates in the imposition of tax under section 507(c) and any subsequent taxable year.

"(2) GIFT OR BEQUEST TO TAXABLE PRIVATE FOUNDATION, SECTION 4947 TRUST, ETC.—No gift or bequest made to an organization shall be allowed as a deduction under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such gift or bequest is made—

"(A) to a private foundation or a trust described in section 4947 in a taxable year for which it fails to meet the requirements of subsection (e) (determined without regard to subsection (e)(2)(B) and (C)), or

"(B) to any organization in a period for which it is not treated as an organization described in section 501(c)(3) by reason of subsection (a).

"(3) EXCEPTION.—Paragraph (1) shall not apply if the entire amount of the unpaid portion of the tax imposed by section 507(c) is abated by the Secretary or his delegate under section 507(g).

"(e) GOVERNING INSTRUMENTS.—

"(1) GENERAL RULE.—A private foundation shall not be exempt from taxation under section 501(a) unless its governing instrument includes provisions the effects of which are—

"(A) to require its income for each taxable year to be distributed at such time and in such manner as not to subject the foundation to tax under section 4942, and

"(B) to prohibit the foundation from engaging in any act of self-dealing (as defined in section 4941(d)), from retaining any excess business holdings (as defined in section 4943(c)), from making any investments in such manner as to subject the foundation to tax under section 4944, and from making any taxable expenditures (as defined in section 4945(d)).

"(2) SPECIAL RULES FOR EXISTING PRIVATE FOUNDATIONS.—In the case of any organization organized before January 1, 1970, paragraph (1) shall not apply—

"(A) to any taxable year beginning before January 1, 1972,

"(B) to any period after December 31, 1971, during the pendency of any judicial proceeding begun before January 1, 1972, by the private foundation which is necessary to reform, or to excuse such foundation from compliance with, its governing instrument or any other instrument in order to meet the requirements of paragraph (1), and

"(C) to any period after the termination of any judicial proceeding described in subparagraph (B) during which its governing instrument or any other instrument does not permit it to meet the requirements of paragraph (1).

* * * * *

TITLE II—INDIVIDUAL DEDUCTIONS

* * * * *

Subtitle D—Moving Expenses

SEC. 231. MOVING EXPENSES.

(a) DEDUCTION FOR MOVING EXPENSES.—Section 217 (relating to moving expenses) is amended to read as follows:

"SEC. 217. MOVING EXPENSES.

"(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction moving expenses paid or incurred during the taxable year in connection with the commencement of work by the taxpayer as an employee or as a self-employed individual at a new principal place of work.

"(b) DEFINITION OF MOVING EXPENSES.—

"(1) IN GENERAL.—For purposes of this section, the term 'moving expenses' means only the reasonable expenses—

"(A) of moving household goods and personal effects from the former residence to the new residence,

"(B) of traveling (including meals and lodging) from the former residence to the new place of residence,

"(C) of traveling (including meals and lodging), after obtaining employment, from the former residence to the general location of the new principal place of work and return, for the principal purpose of searching for a new residence,

"(D) of meals and lodging while occupying temporary quarters in the general location of the new principal place of work during any period of 30 consecutive days after obtaining employment, or

"(E) constituting qualified residence sale, purchase, or lease expenses.

"(2) QUALIFIED RESIDENCE SALE, ETC., EXPENSES.—For purposes of paragraph (1)(E), the term 'qualified residence sale, purchase, or lease expenses' means only reasonable expenses incident to—

"(A) the sale or exchange by the taxpayer or his spouse of the taxpayer's former residence (not including expenses for work performed on such residence in order to assist in its sale) which (but for this subsection and subsection (e)) would be taken into account in determining the amount realized on the sale or exchange,

"(B) the purchase by the taxpayer or his spouse of a new residence in the general location of the new principal place of work which (but for this subsection and subsection (e)) would be taken into account in determining—

"(i) the adjusted basis of the new residence, or

"(ii) the cost of a loan (but not including any amounts which represent payments or prepayments of interest),

"(C) the settlement of an unexpired lease held by the taxpayer or his spouse on property used by the taxpayer as his former residence, or

"(D) the acquisition of a lease by the taxpayer or his spouse on property used by the taxpayer as his new residence in the general location of the new principal place of work (not including amounts which are payments or prepayments of rent).

"(3) LIMITATIONS.—

"(A) DOLLAR LIMITS.—The aggregate amount allowable as a deduction under subsection (a) in connection with a commencement of work which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1) shall not exceed $1,000. The aggregate amount allowable as a deduction under subsection (a) which is attributable to qualified residence sale, purchase, or lease expenses shall not exceed $2,500, reduced by the aggregate amount so allowable which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1).

"(B) HUSBAND AND WIFE.—If a husband and wife both commence work at a new principal place of work within the same general location, subparagraph (A) shall be applied as if there was only one commencement of work. In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting '$500' for '$1,000', and by substituting '$1,250' for '$2,500'.

"(C) INDIVIDUALS OTHER THAN TAXPAYER.—In the case of any individual other than the taxpayer, expenses referred to in subparagraphs (A) through (D) of paragraph (1) shall be taken into account only if such individual has both the former residence and the new residence as his principal place of abode and is a member of the taxpayer's household.

"(c) CONDITIONS FOR ALLOWANCE.—No deduction shall be allowed under this section unless—

"(1) the taxpayer's new principal place of work—

"(A) is at least 50 miles farther from his former residence than was his former principal place of work, or

"(B) if he had no former principal place of work, is at least 50 miles from his former residence, and

"(2) either—

"(A) during the 12-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee, in such general location, during at least 39 weeks, or

"(B) during the 24-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee or performs services as a self-employed individual on a full-time basis, in such general location, during at least 78 weeks, of which not less than 39 weeks are during the 12-month period referred to in subparagraph (A).

For purposes of paragraph (1), the distance between two points shall be the shortest of the more commonly traveled routes between such two points.

"(d) RULES FOR APPLICATION OF SUBSECTION (c)(2).—

"(1) The condition of subsection (c)(2) shall not apply if the taxpayer is unable to satisfy such condition by reason of—

"(A) death or disability, or

"(B) involuntary separation (other than for willful misconduct) from the service of, or transfer for the benefit of, an employer after obtaining full-time employment in which the taxpayer could reasonably have been expected to satisfy such condition.

"(2) If a taxpayer has not satisfied the condition of subsection (c)(2) before the time prescribed by law (including extensions thereof) for filing the return for the taxable year during which he paid or incurred moving expenses which would otherwise be deductible under this section, but may still satisfy such condition, then such expenses may (at the election of the taxpayer) be deducted for such taxable year notwithstanding subsection (c)(2).

"(3) If—

"(A) for any taxable year moving expenses have been deducted in accordance with the rule provided in paragraph (2), and

"(B) the condition of subsection (c)(2) cannot be satisfied at the close of a subsequent taxable year,

then an amount equal to the expenses which were so deducted shall be included in gross income for the first such subsequent taxable year.

"(e) DENIAL OF DOUBLE BENEFIT.—The amount realized on the sale of the residence described in subparagraph (A) of subsection (b)(2) shall not be decreased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a), and the basis of a residence described in subparagraph (B) of subsection (b)(2) shall not be increased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a). This subsection shall not apply to any expenses with respect to which an amount is included in gross income under subsection (d)(3).

"(f) RULES FOR SELF-EMPLOYED INDIVIDUALS.—

"(1) DEFINITION.—For purposes of this section, the term 'self-employed individual' means an individual who performs personal services—

"(A) as the owner of the entire interest in an unincorporated trade or business, or

"(B) as a partner in a partnership carrying on a trade or business.

"(2) RULE FOR APPLICATION OF SUBSECTIONS (b)(1) (c) AND (D).—For purposes of subparagraphs (C) and (D) of subsection (b)(1), an individual who commences work at a new principal place of work as a self-employed individual shall be treated as having obtained employment when he has made substantial arrangements to commence such work.

"(g) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(b) INCLUSION IN GROSS INCOME OF MOVING EXPENSE REIMBURSEMENTS.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding after section 81 the following new section:

"SEC. 82. REIMBURSEMENT FOR EXPENSES OF MOVING.

"There shall be included in gross income (as compensation for services) any amount received or accrued, directly or indirectly, by an individual as a payment for or reimbursement of expenses of moving from one residence to another residence which is attributable to employment or self-employment."

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 82. Reimbursement of moving expenses."

(2) *Section 1001 (relating to determination of amount and recognition of gain or loss) is amended by adding after subsection (e) (as added by section 516(a) of this Act) the following new subsection:*

"(f) CROSS REFERENCE.—

"For treatment of certain expenses incident to the sale of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e)."

(3) *Section 1016(c) is amended to read as follows:*

"(c) CROSS REFERENCES.—

"(1) For treatment of certain expenses incident to the purchase of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e).

"(2) For treatment of separate mineral interests as one property, see section 614."

(d) EFFECTIVE DATES.—*The amendments made by this section shall apply to taxable years beginning after December 31, 1969, except that—*

(1) *section 217 of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not apply to any item to the extent that the taxpayer received or accrued reimbursement or other expense allowance for such item in a taxable year beginning on or before December 31, 1969, which was not included in his gross income; and*

(2) *the amendments made by this section shall not apply (at the election of the taxpayer made at such time and manner as the Secretary of the Treasury or his delegate prescribes) with respect to moving expenses paid or incurred before July 1, 1970, in connection with the commencement of work by the taxpayer as an employee at a new principal place of work of which the taxpayer had been notified by his employer on or before December 19, 1969.*

* * * * *

TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

* * * * *

Subtitle B—Capital Gains and Losses

* * * * *

SEC. 515. TOTAL DISTRIBUTIONS FROM QUALIFIED PENSION, ETC., PLANS.

(a) LIMITATION ON CAPITAL GAINS TREATMENT.—

(1) EMPLOYEES' TRUST.—Section 402(a) (relating to taxability of beneficiary of exempt trust) is amended by adding at the end thereof the following new paragraph:

"(5) LIMITATION ON CAPITAL GAINS TREATMENT.—The first sentence of paragraph (2) shall apply to a distribution paid after December 31, 1969, only to the extent that it does not exceed the sum of—

"(A) the benefits accrued by the employee on behalf of whom it is paid during plan years beginning before January 1, 1970, and

"(B) the portion of the benefits accrued by such employee during plan years beginning after December 31, 1969, which the distributee establishes does not consist of the employee's allocable share of employer contributions to the trust by which such distribution is paid.

The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph."

(2) EMPLOYEE ANNUITIES.—Section 403(a)(2) (relating to capital gains treatment for certain distributions under a qualified annuity plan) is amended by adding at the end thereof the following new subparagraph:

"(C) LIMITATION ON CAPITAL GAINS TREATMENT.—Subparagraph (A) shall apply to a payment paid after December 31, 1969, only to the extent it does not exceed the sum of—

"(i) the benefits accrued by the employee on behalf of whom it is paid during plan years beginning before January 1, 1970, and

"(ii) the portion of the benefits accrued by such employee during plan years beginning after December 31, 1969, which the payee establishes does not consist of the employee's

allocable share of employer contributions under the plan under which the annuity contract is purchased.

The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this subparagraph."

(b) LIMITATION ON TAX.—Section 72(n) (relating to treatment of certain distributions with respect to contributions by self-employed individuals) is amended—

(1) by striking out so much thereof as precedes paragraph (2) and inserting in lieu thereof the following:

"(n) TREATMENT OF TOTAL DISTRIBUTIONS.—

"(1) APPLICATION OF SUBSECTION.—

"(A) GENERAL RULE.—This subsection shall apply to amounts—

"(i) distributed to a distributee, in the case of an employees' trust described in section 401(a) which is exempt from tax under section 501(a), or

"(ii) paid to a payee, in the case of an annuity plan described in section 403(a),

if the total distributions or amounts payable to the distributee or payee with respect to an employee (including an individual who is an employee within the meaning of section 401(c)(1)) are paid to the distributee or payee within one taxable year of the distributee or payee, but only to the extent that section 402(a)(2) or 403(a)(2)(A) does not apply to such amounts.

"(B) DISTRIBUTIONS TO WHICH APPLICABLE.—This subsection shall apply only to distributions or amounts paid—

"(i) on account of the employee's death,

"(ii) with respect to an individual who is an employee without regard to section 401(c)(1), on account of his separation from the service,

"(iii) with respect to an employee within the meaning of section 401(c)(1), after he has attained the age of 59½ years, or

"(iv) with respect to an employee within the meaning of section 401(c)(1), after he has become disabled (within the meaning of subsection (m)(7)).

"(C) MINIMUM PERIOD OF SERVICE.—This subsection shall apply to amounts distributed or paid to an employee from or under a plan only if he has been a participant in the plan for 5 or more taxable years prior to the taxable year in which such amounts are distributed or paid.

"(D) AMOUNTS SUBJECT TO PENALTY.—This subsection shall not apply to amounts described in clauses (ii) and (iii) of subparagraph (A) of subsection (m)(5) (but, in the case of amounts described in clause (ii) of such subparagraph, only to the extent that subsection (m)(5) applies to such amounts).'; and

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

"(4) SPECIAL RULE FOR EMPLOYEES WITHOUT REGARD TO SECTION 401(c)(1).—In the case of amounts to which this subsection applies which are distributed or paid with respect to an individual who is an employee without regard to section 401(c)(1), paragraph (2) shall be applied with the following modifications:

"(A) '7 times' shall be substituted for '5 times', and '14¾ percent' shall be substituted for '20 percent'.

"(B) *Any amount which is received during the taxable year by the employee as compensation (other than as deferred compensation within the meaning of section 404) for personal services performed for the employer in respect of whom the amounts distributed or paid are received shall not be taken into account.*

"(C) *No portion of the total distributions or amounts payable (of which the amounts distributed or paid are a part) to which section 402(a)(2) or 403(a)(2)(A) applies shall be taken into account.*

Subparagraph (B) shall not apply if the employee has not attained the age of 59½ years, unless he has died or become disabled (within the meaning of subsection (m)(7))."

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) *Section 405(e) (relating to capital gains treatment not to apply to bonds distributed by trusts) is amended—*

(A) *by striking out "CAPITAL GAINS TREATMENT" in the heading and inserting in lieu thereof "CAPITAL GAINS TREATMENT AND LIMITATION OF TAX";*

(B) *by striking out "Section 402(a)(2)" and inserting in lieu thereof "Section 72(n) and section 402(a)(2)"; and*

(C) *by striking out "section" and inserting in lieu thereof "sections".*

(2) *Section 406(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of capital gain provisions) is amended—*

(A) *by striking out "PROVISIONS." in the heading and inserting in lieu thereof "PROVISIONS AND LIMITATION OF TAX."; and*

(B) *by striking out "section 402(a)(2)" and inserting in lieu thereof "section 72(n), section 402(a)(2),".*

(3) *Section 407(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of capital gain provisions) is amended—*

(A) *by striking out "PROVISIONS." in the heading and inserting in lieu thereof "PROVISIONS AND LIMITATION OF TAX."; and*

(B) *by striking out "section 402(a)(2)" and inserting in lieu thereof "section 72(n), section 402(a)(2),".*

(4) *Section 1304(b)(2) (relating to certain provisions inapplicable) is amended to read as follows:*

"(2) *section 72(n)(2) (relating to limitation of tax in case of total distribution),".*

(d) EFFECTIVE DATE.—*The amendments made by this section shall apply to taxable years ending after December 31, 1969.*

* * * * *

Subtitle D—Subchapter S Corporations

SEC. 531. QUALIFIED PENSION, ETC., PLANS OF SMALL BUSINESS CORPORATIONS.

(a) IN GENERAL.—Subchapter S of chapter 1 (relating to election of certain small business corporations as to taxable status) is amended by adding at the end thereof the following new section:

"SEC. 1379. CERTAIN QUALIFIED PENSION, ETC., PLANS.

"(a) ADDITIONAL REQUIREMENT FOR QUALIFICATION OF STOCK BONUS OR PROFIT-SHARING PLANS.—A trust forming part of a stock bonus or profit-sharing plan which provides contributions or benefits for employees some or all of whom are shareholder-employees shall not constitute a qualified trust under section 401 (relating to qualified pension, profit-sharing, and stock bonus plans) unless the plan of which such trust is a part provides that forfeitures attributable to contributions deductible under section 404(a)(3) for any taxable year (beginning after December 31, 1970) of the employer with respect to which it is an electing small business corporation may not inure to the benefit of any individual who is a shareholder-employee for such taxable year. A plan shall be considered as satisfying the requirement of this subsection for the period beginning with the first day of a taxable year and ending with the 15th day of the third month following the close of such taxable year, if all the provisions of the plan which are necessary to satisfy this requirement are in effect by the end of such period and have been made effective for all purposes with respect to the whole of such period.

"(b) TAXABILITY OF SHAREHOLDER-EMPLOYEE BENEFICIARIES.—

"(1) INCLUSION OF EXCESS CONTRIBUTIONS IN GROSS INCOME.—Notwithstanding the provisions of section 402 (relating to taxability of beneficiary of employees' trust), section 403 (relating to taxation of employee annuities), or section 405(d) (relating to taxability of beneficiaries under qualified bond purchase plans), an individual

who is a shareholder-employee of an electing small business corporation shall include in gross income, for his taxable year in which or with which the taxable year of the corporation ends, the excess of the amount of contributions paid on his behalf which is deductible under section 404(a) (1), (2), or (3) by the corporation for its taxable year over the lesser of—

"(A) 10 percent of the compensation received or accrued by him from such corporation during its taxable year, or

"(B) $2,500.

"(2) TREATMENT OF AMOUNTS INCLUDED IN GROSS INCOME.—Any amount included in the gross income of a shareholder-employee under paragraph (1) shall be treated as consideration for the contract contributed by the shareholder-employee for purposes of section 72 (relating to annuities).

"(3) DEDUCTION FOR AMOUNTS NOT RECEIVED AS BENEFITS.—If—

"(A) amounts are included in the gross income of an individual under paragraph (1), and

"(B) the rights of such individual (or his beneficiaries) under the plan terminate before payments under the plan which are excluded from gross income equal the amounts included in gross income under paragraph (1),

then there shall be allowed as a deduction, for the taxable year in which such rights terminate, an amount equal to the excess of the amounts included in gross income under paragraph (1) over such payments.

"(c) CARRYOVER OF AMOUNTS DEDUCTIBLE.—No amount deductible shall be carried forward under the second sentence of section 404(a)(3)(A) (relating to limits on deductible contributions under stock bonus and profit-sharing trusts) to a taxable year of a corporation with respect to which it is not an electing small business corporation from a taxable year (beginning after December 31, 1970) with respect to which it is an electing small business corporation.

"(d) SHAREHOLDER-EMPLOYEE.—For purposes of this section, the term 'shareholder-employee' means an employee or officer of an electing small business corporation who owns (or is considered as owning within the meaning of section 318(a)(1)), on any day during the taxable year of such corporation, more than 5 percent of the outstanding stock of the corporation."

(b) CONFORMING AMENDMENT.—Section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (8) the following new paragraph:

"(9) PENSION, ETC., PLANS OF ELECTING SMALL BUSINESS CORPORATIONS.—The deduction allowed by section 1379(b)(3)."

(c) CLERICAL AMENDMENT.—The table of sections for subchapter S of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1379. Certain qualified pensions, etc., plans."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years of electing small business corporations beginning after December 31, 1970.

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TITLE IX—MISCELLANEOUS PROVISIONS

* * * * *

Subtitle C—Miscellaneous Administrative Provisions

* * * * *

SEC. 944. DECLARATIONS OF ESTIMATED TAX BY FARMERS.

(a) RETURN AS DECLARATION OR AMENDMENT.—Section 6015(f) (relating to return considered as declaration or amendment) is amended by striking out "February 15" and inserting in lieu thereof "March 1".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1968.

* * * * *

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

SEC. 1001. SHORT TITLE.

This title may be cited as the "Social Security Amendments of 1969".

SEC. 1002. INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS.

(a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount under 1967 Act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$16.20	$55.40 or less	----------	$76	$64.00	$96.00
$16.21	16.84	56.50	$77	78	65.00	97.50
16.85	17.60	57.70	79	80	66.40	99.60
17.61	18.40	58.80	81	81	67.70	101.60
18.41	19.24	59.90	82	83	68.90	103.40
19.25	20.00	61.10	84	85	70.30	105.50
20.01	20.64	62.20	86	87	71.60	107.40
20.65	21.28	63.30	88	89	72.80	109.20
21.29	21.88	64.50	90	90	74.20	111.30
21.89	22.28	65.60	91	92	75.50	113.30
22.29	22.68	66.70	93	94	76.80	115.20
22.69	23.08	67.80	95	96	78.00	117.00
23.09	23.44	69.00	97	97	79.40	119.10
23.45	23.76	70.20	98	99	80.80	121.20
23.77	24.20	71.50	100	101	82.30	123.50
24.21	24.60	72.60	102	102	83.50	125.30
24.61	25.00	73.80	103	104	84.90	127.40
25.01	25.48	75.10	105	106	86.40	129.60
25.49	25.92	76.30	107	107	87.80	131.70
25.93	26.40	77.50	108	109	89.20	133.80
26.41	26.94	78.70	110	113	90.60	135.90
26.95	27.46	79.90	114	118	91.90	137.90
27.47	28.00	81.10	119	122	93.30	140.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$						
28.01	$28.68	$82.30	$123	$127	$94.70	$142.10
28.69	29.25	85.60	128	132	96.20	144.30
29.26	29.68	84.70	133	136	97.50	146.30
29.69	30.36	85.90	137	141	98.80	148.20
30.37	30.92	87.20	142	146	100.30	150.50
30.93	31.36	88.40	147	150	101.70	152.60
31.37	32.00	89.50	151	155	103.00	154.50
32.01	32.60	90.80	156	160	104.50	156.80
32.61	33.20	92.00	161	164	105.80	158.70
33.21	33.88	93.20	165	169	107.20	160.80
33.89	34.50	94.40	170	174	108.60	162.90
34.51	35.00	95.60	175	178	110.00	165.00
35.01	35.80	96.80	179	183	111.40	167.10
35.81	36.40	98.00	184	188	112.70	169.10
36.41	37.08	99.30	189	193	114.20	171.30
37.09	37.60	100.50	194	197	115.60	173.40
37.61	38.20	101.60	198	202	116.90	175.40
38.21	39.12	102.90	203	207	118.40	177.60
39.13	39.68	104.10	208	211	119.80	179.70
39.69	40.33	105.20	212	216	121.00	181.50
40.34	41.12	106.50	217	221	122.50	183.80
41.13	41.76	107.70	222	225	123.90	185.90
41.77	42.44	108.90	226	230	125.30	188.00
42.45	43.20	110.10	231	235	126.70	190.10
43.21	43.76	111.40	236	239	128.20	192.30
43.77	44.44	112.60	240	244	129.50	195.20
44.45	44.88	113.70	245	249	130.80	199.20
44.89	45.60	115.00	250	253	132.30	202.40
		116.20	254	258	133.70	206.40
		117.30	259	263	134.90	210.40
		118.60	264	267	136.40	213.60
		119.80	268	272	137.80	217.60
		121.00	273	277	139.20	221.60
		122.20	278	281	140.60	224.80
		123.40	282	286	142.00	228.80
		124.70	287	291	143.50	232.80
		125.80	292	295	144.70	236.00
		127.10	296	300	146.20	240.00
		128.30	301	305	147.60	244.00
		129.40	306	309	148.90	247.20
		130.70	310	314	150.40	251.20
		131.90	315	319	151.70	255.20
		133.00	320	323	153.00	258.40
		134.30	324	328	154.50	262.40
		135.50	329	333	155.90	266.40
		136.80	334	337	157.40	269.60
		137.90	338	342	158.60	273.60
		139.10	343	347	160.00	277.60
		140.40	348	351	161.50	280.80
		141.50	352	356	162.80	284.80
		142.80	357	361	164.30	288.80
		144.00	362	365	165.60	292.00
		145.10	366	370	166.90	296.00
		146.40	371	375	168.40	300.00
		147.60	376	379	169.80	303.20
		148.90	380	384	171.30	307.20
		150.00	385	389	172.50	311.20
		151.20	390	393	173.90	314.40
		152.50	394	398	175.40	318.40
		153.60	399	403	176.70	322.40
		154.90	404	407	178.20	325.60
		156.00	408	413	179.40	329.60
		157.10	414	417	180.70	333.60
		158.20	418	421	182.00	336.80

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I		II	III		IV	V
(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount under 1967 Act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$159.40	$422	$426	$183.40	$340.80
		160.50	427	431	184.60	344.80
		161.60	432	436	185.90	348.80
		162.80	437	440	187.30	350.40
		163.90	441	445	188.50	352.40
		165.00	446	450	189.80	354.40
		166.20	451	454	191.20	356.00
		167.30	455	459	192.40	358.00
		168.40	460	464	193.70	360.00
		169.50	465	468	195.00	361.60
		170.70	469	473	196.40	363.60
		171.80	474	478	197.60	365.60
		172.90	479	482	198.90	367.20
		174.10	483	487	200.30	369.20
		175.20	488	492	201.50	371.20
		176.30	493	496	202.80	372.80
		177.50	497	501	204.20	374.80
		178.60	502	506	205.40	376.80
		179.70	507	510	206.70	378.40
		180.80	511	515	208.00	380.40
		182.00	516	520	209.30	382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	405.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60
		201.00	589	591	231.20	410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00
		207.00	610	612	238.10	419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40
		213.00	631	634	245.00	428.00
		214.00	635	637	246.10	429.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40".

(b)(1) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of the Social Security Amendments of 1969 (and prior to January 1, 1970), for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or".

(2) Notwithstanding any other provision of law, when two or more persons are entitled to monthly insurance benefits under title II of the Social Security Act for any month after 1969 on the basis of the wages and self-employment income of an insured individual (and at least one of such persons was so entitled for a month before January 1971 on the basis of an application filed before 1971), the total of the benefits to which such persons are entitled under such title for such month (after the application of sections 203(a) and 202(q) of such Act) shall be not less than the total of the monthly insurance benefits to which such persons would be entitled under such title for such month (after the application of such sections 203(a) and 202(q)) without regard to the amendment made by subsection (a) of this section.

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969".

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

"Primary Insurance Amount Under 1967 Act

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month."

(e) *The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.*

(f) *If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215 (a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.*

SEC. 1003. INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER.

(a)(1) *Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".*

(2) *Section 227(b) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".*

(b)(1) *Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".*

(2) *Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".*

(3) *Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".*

(4) *Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".*

(5) *Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".*

(c) *The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.*

SEC. 1004. MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFIT.

(a) *Section 202(b)(2) of the Social Security Act is amended to read as follows:*

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

(b) *Section 202(c)(3) of such Act is amended to read as follows:*

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

(c) *Sections 202(e)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased*

individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

SEC. 1005. ALLOCATION TO DISABILITY INSURANCE TRUST FUND.

(a) Section 201(b)(1) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201(b)(2) of such Act is amended —

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

SEC. 1006. DISREGARDING OF RETROACTICE PAYMENT OF OASDI BENEFIT INCREASE.

Notwithstanding the provisions of sections 2(a)(10), 402(a)(7), 1002(a)(8), 1402(a)(8), and 1602(a) (13) and (14) of the Social Security Act, each State, in determining need for aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV, of such Act, shall disregard (and the plan shall be deemed to require the State to disregard), in addition to any other amounts which the State is required or permitted to disregard in determining such need, any amount paid to an individual under title II of such Act (or under the Railroad Retirement Act of 1937 by reason of the first proviso in section 3(e) thereof), in any month after December 1969, to the extent that (1) such payment is attributable to the increase in monthly benefits under the old-age, survivors, and disability insurance system for January or February 1970 resulting from the enactment of this title, and (2) the amount of such increase is paid separately from the rest of the monthly benefit of such individual for January or February 1970.

SEC. 1007. DISREGARDING OF INCOME OF OASDI RECIPIENTS IN DETERMINING NEED FOR PUBLIC ASSISTANCE.

In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual receiving aid or assistance for any month after March 1970 and before July 1970 who also receives in such month a monthly insurance benefit under title II of such Act which is increased as a result of the enactment of the other provisions of this title, the sum of the aid or assistance received by him for such month, plus the monthly insurance benefit received by him in such month (not including any part of such benefit which is disregarded under section 1006), shall exceed the sum of the aid or assistance which would

have been received by him for such month under such plan as in effect for March 1970, plus the monthly insurance benefit which would have been received by him in such month without regard to the other provisions of this title, by an amount equal to $4 or (if less) to such increase in his monthly insurance benefit under such title II (whether such excess is brought about by disregarding a portion of such monthly insurance benefit or otherwise).

And the Senate agree to the same.

W. D. MILLS,
HALE BOGGS,
JOHN C. WATTS,
AL ULLMAN,
JOHN W. BYRNES,
JAMES B. UTT,
JACKSON E. BETTS,
Managers on the Part of the House.

RUSSELL B. LONG,
CLINTON P. ANDERSON,
ALBERT GORE,
HERMAN E. TALMADGE,
WALLACE F. BENNETT,
JACK MILLER,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws submit the following in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate struck out all of the House bill after the enacting clause and inserted a substitute amendment. The conference has agreed to a substitute for both the Senate amendment and the House bill. The following statement explains the principal differences between the effect of the House bill and the effect of the substitute agreed to in conference:

TITLE I—TAX EXEMPT ORGANIZATIONS [1]

SUBTITLE A—PRIVATE FOUNDATIONS

1. Excise tax based on investment income (sec. 4940 of the code)

The House bill imposes a tax of 7.5 percent on the net investment income of a private foundation for each taxable year.

The Senate amendment substitutes for the House provision an annual audit-fee tax of one-tenth of 1 percent (one-fifth of 1 percent for 1970) of the noncharitable assets of a private foundation, but in no event less than $100.

The conference substitute (sec. 101(b) of the substitute and sec. 4940 of the code) provides a tax of 4 percent of the net investment income of each foundation for the taxable year.

2. Prohibitions against self-dealing (sec. 4941 of the code)

Both the House bill and the Senate amendment impose taxes on the following acts of self-dealing:

(*a*) The sale, exchange, or leasing of properties between a private foundation and a disqualified person,

(*b*) The lending of money or other extension of credit between such persons,

(*c*) The furnishing of goods, services, or facilities between such persons,

(*d*) The payment of compensation by a private foundation to a disqualified person,

(*e*) The transfer to or use by, or for the benefit of, disqualified persons of the income or assets of a private foundation, and

(*f*) Agreement by a private foundation to make any payment of money or other property to a Government official (other than an agreement to employ such individual for certain periods after termination of Government service).

[1] All references to titles, subtitles, and sections of the bill, unless otherwise specified, will use the designation in the conference substitute.

The Senate amendment adds a seventh category to the term "self-dealing." It specifies that payment by a private foundation of any of the taxes imposed under the new provisions added by the bill upon any disqualified person constitutes self-dealing.

The conference substitute (sec. 101(b) of the substitute and sec. 4941(d)(1) of the code) omits this category in view of the fact that such payments are already considered to be self-dealing by paragraph (*e*) referred to above.

The conferees also agree with the statement appearing in the report of the Senate Committee on Finance to the effect that where stock is bought or sold by the foundation in order to manipulate the price of the stock for the benefit of a disqualified person (as referred to below), then the foundation's assets have been used for the "benefit of a disqualified person" within the meaning of paragraph (*e*) above.

The term "disqualified person", as it appears in both the House bill and the Senate amendment, includes a substantial contributor to the foundation. A substantial contributor under the House bill is anyone who (with his spouse) contributes more than $5,000 in any one year or who (with his spouse) contributes more than anyone else in any one year, even though less than $5,000.

The Senate amendment modifies the definition of substantial contributor to mean any person who contributes more than $5,000 to a private foundation if such amount is more than 2 percent of the contributions received by the foundation before the end of the year in which the foundation receives the contribution of the person.

The conference substitute (sec. 101(a) of the substitute and sec. 507(d)(2) of the code) follows the Senate amendment.

The Senate amendment also modifies the definition of a disqualified person in other respects. The House bill provides that a general partner of a substantial contributor is also to be treated as a disqualified person. The Senate substitute limits this to an owner of more than 20 percent of the profits interest of a partnership.

The conference subsitute (sec. 101(b) of the substitute and sec. 4946(a)(1) of the code) follows the Senate amendment.

The House bill provides that a disqualified person includes a member of the family (within the meaning of sec. 341(d) of the code) of a substantial contributor, foundation manager or certain other persons. Included in the definition in section 341(d) is a brother or sister (and any of their descendants) of any of the foregoing persons. The Senate amendment omit such brothers and sisters and their descendants from the definition of the term "family."

The conference substitute (sec. 101(b) of the substitute and sec. 4946(d) of the code) follows the Senate amendment.

Under both the House bill and the Senate amendment a violation of the self-dealing provision results in an annual tax on the self-dealer of 5 percent of the amount involved in the violation. If the self-dealing is not corrected within an appropriate length of time, then a tax of 200 percent of the amount involved is imposed on the self-dealer. If the foundation manager is knowingly involved in the self-dealing, a tax

of 2.5 percent initially is imposed upon him (subject to a maximum of $10,000). Where the foundation manager refuses to agree to the correction of the initial transaction, a tax of 50 percent of the amount involved is imposed (subject to a maximum of $10,000). In the case of repeated or willful violations, the tax imposed on the self-dealer or foundation managers may be doubled. (A third level of tax may also be assessed as described below in "Change of Status".)

The Senate amendment provides that the tax on the foundation manager who knowingly participates in the self-dealing is not to apply unless the violation is willful and is not due to reasonable cause. In addition, the amendment provides that the burden of proof that a violation by a foundation manager is "knowing" is to be upon the Government to the same extent as in civil fraud in present law.

The conference substitute (secs. 101(b) and (l) of the substitute and sec. 4941(a) of the code) follows the Senate amendment.

The Senate amendment provides that in the case of leases and loans outstanding on October 9, 1969, and also where under arrangements in existence prior to that date, goods and services or facilities were shared by a private foundation and a disqualified person, such transactions are not to constitute self-dealing if the foundation receives terms at least as favorable as terms offered to third parties in arm's-length transactions. Under the amendment these existing arrangements can continue for a period up to 10 years.

The conference substitute (sec. 101(l)(2) of the substitute) follows the Senate amendment but includes within the term "loan," reference to "extension of credit."

The Senate amendment provides that where a private foundation and disqualified person, together owned on October 9, 1969, more than 20 percent of the voting stock of a company, then the foundation may make fair-market-value sales of that stock or nonvoting stock to disqualified persons before January 1, 1975, so long as the sales do not bring the combined holdings of the voting stock below 20 percent. After that date, such sales may be made to disqualified persons only if the stock has to be disposed of in order to avoid violating the excess business holdings rules, described below.

The conference substitute (sec. 101 (l)(2) of the substitute) follows the Senate amendment.

The House bill and the Senate amendment both require as a condition of tax exemption that a foundation's governing instrument conform to the new provisions added by this bill (regarding the rules relating to self-dealing, distribution of income, excess business holdings, investments jeopardizing charitable purpose, and taxable expenditures). Both the House bill and the Senate amendment give existing organizations until 1972 to modify their governing instruments in the respects set out above (or longer if it is impossible to conform their governing instruments by that time.)

The House bill and Senate amendment also contain savings clauses permitting fair-price sales of existing holdings to disqualified persons under certain circumstances. The Senate amendment also provides that an organization's governing instrument need not prohibit activities which are permitted to it under the excess business holdings savings clauses.

The conference substitute (sec. 101 (l)(6) of the substitute) follows the Senate amendment and extends it to activities permitted under any other of the special savings clauses.

3. Taxes on failure to distribute income (sec. 4942 of the code)

Both the House bill and the Senate amendment provide for the imposition of taxes on a private foundation where it does not distribute currently an amount equal to all of its income, or if higher, an amount equal to a specified percentage of the value of its assets (other than those assets currently being used in the active conduct of the foundation's exempt activities).

Both the House bill and the Senate amendment provide that a tax of 15 percent of the undistributed amount is to be imposed where there has been a failure to distribute by the end of the taxable year after the income is earned (unless certain exceptions apply). If the distribution of the remaining amount is not made during the "correction period", a tax of 100 percent of the amount not distributed is then imposed.

The minimum amount which must be paid out, for years beginning in 1970, is the greater of the adjusted net income or 5 percent of the assets (the Secretary or his delegate is authorized in certain years to make changes in this percentage based upon changes in money rates and investment yields).

The Senate amendment changes this percentage to 6 percent.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(e) of the code) follows the Senate amendment.

Both the House bill and the Senate amendment do not apply the minimum investment return for the years 1970 and 1971.

In addition, the Senate amendment provides that the minimum investment return is not to be more than 3.5 percent in 1972, 4 percent in 1973, 4.5 percent in 1974, 5 percent in 1975, and 5.5 percent in 1976.

The conference substitute (sec. 101(l)(3) of the substitute) provides that the minimum investment return is not to be more than 4.5 percent in 1972, 5 percent in 1973, and 5.5 percent in 1974.

The Senate amendment allows foundations to make deficiency distributions (along the lines of deficiency dividend procedures presently allowable to personal holding companies) if failure to distribute is due to failure to properly value the assets and is not willful but is due to reasonable cause.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(a) of the code) follows the Senate amendment.

Under the House bill the tax on investment income and any tax on unrelated business income reduce the amount of the required current distribution only when the foundation's income exceeds the minimum percentage for that year.

The Senate amendment allows the audit-fee tax and any tax on unrelated business income as deductions in determining the amount of income which must be distributed currently.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(d) of the code) follows the Senate amendment.

The Senate amendment makes it clear that reasonable administrative expenses in operating a private foundation are also to be treated as qualifying distributions.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(g) of the code) follows the Senate amendment.

Loans to individuals which are related to the exempt purpose for which a private foundation was established (for example, student loans) have generally been considered as qualifying distributions at the time the loan was made. The Senate amendment also provides that when the loan is repaid (or when amounts are received from the sale of assets previously used for charitable purposes) these amounts should be treated as income, for purposes of the minimum distribution requirement, to the extent the private foundation had previously treated the amounts as expenditures which were qualifying distributions. (This rule also applies where an amount previously set aside and treated as a qualifying distribution at that time is no longer needed for the purpose for which it was set aside.)

The conference substitute (sec. 101(b) of the substitute and sec. 4942(f) of the code) follows the Senate amendment.

The House bill provides that where a private foundation spends more than the minimum required distributable amount in a given year, the excess expenditures over this amount are to be treated as qualifying expenditures in the next 5 years. The Senate amendment makes it clear that the distributions in years before the first taxable year beginning after December 31, 1969, are not to be taken into account for purposes of applying this 5-year carryover rule.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(i) of the code) follows the Senate amendment.

The Senate amendment provides that where written commitments have been made before October 9, 1969, by one private foundation to another private foundation, the grants made by December 31, 1974, under such commitments are to be treated as qualifying distributions if the foundation to which the distributions are made is not controlled by the granting foundation. For the grant to be so treated, however, it must be made for the charitable, educational, or other purpose consistent with the basis for the organization's exemption.

The conference substitute (sec. 101(l)(3) of the substitute) follows the Senate amendment but provides that the written commitment must have been made before May 27, 1969.

The Senate amendment provides that if a corporation redeems existing excess business holdings of a private foundation, such a redemption is not to be treated as essentially the equivalent of a dividend for purposes of determining the foundation's income that must be distributed.

The conference substitute (sec. 101(l)(3) of the substitute) follows the Senate amendment.

4. Taxes on excess business holdings (sec. 4943 of the code)

The House bill as a general rule limits to 20 percent the combined ownership of a corporation's voting stock which may be held by a foundation and all disqualified persons together. However, if someone else can be shown to have control of the business, the 20-percent limit is raised to 35 percent. Excess holdings acquired by gift or bequest in the future under the House bill generally must be disposed of within 5 years.

The House bill provides that the 20-percent limit referred to above (or the 35-percent limit if applicable) needs to be met with respect to

existing holdings only after the lapse of a 10-year period. The House bill also provides certain interim requirements of progressive partial divestiture at the end of 2 years and at the end of 5 years.

The Senate amendment provides that in the case of present holdings the combined holdings of a private foundation and all disqualified persons in any one business (if at present in excess of 50 percent) must generally be reduced to 50 percent by the end of the 10 years after the date of enactment of the bill. However, where the combined holdings now exceed 75 percent, an additional 5 years is allowed before the 50-percent limit must be reached. Present holdings in excess of 20 percent but less than 50 percent need not be decreased but also may not be increased.

The conference substitute (sec. 101(b) of the substitute and sec. 4943(c)(4) of the code) provides that where existing holdings are in excess of 50 percent but are not in excess of 75 percent, a 10-year period is to be available before the holdings must be reduced to 50 percent. If the holdings are more than 75 percent but not over 95 percent, the reduction to 50 percent need not occur for a 15-year period. If the foundation itself holds more than 95 percent of a corporation's stock, the reduction to 50 percent need not occur until the lapse of a 20-year period. The excess time provided above the 10 years in the second case is not to be available if a disqualified person having 15 percent or more of the stock of the corporation objects to this additional time for disposition of the excess holdings.

If at the end of the 10, 15, or 20-year period referred to above, the foundation and all disqualified persons together have holdings not in excess of 50 percent and the foundation has holdings of not more than 25 percent, then no further divestiture is required in order for the taxes on excess holdings not to apply. If the disqualified persons together hold no more than 2 percent of the stock, then the foundation is not subject to the 25-percent limit of the preceding sentence (however, the 50-percent total still applies to the combined holdings at the end of this first period); then the foundation is to have 15 additional years to bring its holdings of the stock in question down to 35 percent without imposition of any tax under this provision.

The House bill and the Senate amendment both permit fair price sales by a private foundation to disqualified persons in the case of existing excess business holdings without tax consequences.

Under the Senate amendment fair market value exchanges and other dispositions are also permitted under the same conditions as in the case of sales.

The conference substitute (sec. 101(l)(2) of the substitute) follows the Senate amendment.

5. Taxes on investments which jeopardize charitable purpose (sec. 4944 of the code)

At present a private foundation loses its tax exemption if its accumulated income is invested in such a manner as to jeopardize the carrying out of its charitable purposes. The House bill and the Senate amendment provide that unless this test is met with respect to all of its assets (not merely its accumulated income), a foundation will be subject to a special tax.

The House bill provides that where a foundation invests in a manner which would jeopardize the carrying out of its charitable purposes a tax is to be imposed equal to 100 percent of the investment.

The Senate amendment provides an initial tax on private foundations of 5 percent of the amount involved, and an initial tax on the foundation manager, where he knowingly jeopardizes the carrying out of the foundation's exempt purposes, of 5 percent (up to a maximum of $5,000 on the manager). The Senate amendment also modifies the second level tax where the jeopardy situation is not corrected by providing a 25-percent tax on the foundation and a 5-percent tax on the foundation manager who refuses to take action to correct the situation. (In the case of the foundation manager, this sanction may not exceed $10,000.)

The conference substitute (sec. 101(b) of the substitute and sec. 4944 of the code) follows the Senate amendment.

6. Taxes on taxable expenditures (sec. 4945 of the code)

Among the activities which under the House bill give rise to taxable expenditures are those to influence the outcome of any public election.

The Senate amendment modifies this to prohibit expenditures for the purpose of influencing the outcome of any specific public election.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(d) of the code) follows the Senate amendment.

Both the House bill and the Senate amendment provide for taxes on expenditures where the private foundations spend money on activities generally referred to as lobbying expenditures. The House bill prohibits expenditures on attempts to influence legislation through attempts to affect the opinion of the general public.

The Senate amendment taxes expenditures where attempts are made to influence legislation by attempting to cause members of the general public to propose, support, or oppose legislation.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(e) of the code) follows the House provision except that the managers on the part of the House desire to make it clear that in retaining this languge it is not intended to prevent the examination of broad social, economic, and similar problems of the type the Government could be expected to deal with ultimately, even though this would not permit lobbying on matters hich have been proposed for legislative action. In addition, the conferees are in accord with the Senate Finance Committee's report language regarding the application of this provision to noncommercial educational broadcasting.

The House bill attempts to influence legislation through private communications with persons who participate in the formation of legislation other than through making available the results of nonpartisan analysis or research (except that private foundations could communicate with respect to their own tax-exempt status, etc.).

The Senate amendment would tax attempts to influence legislation through communications with Government personnel who may participate in the formation of legislation except in the case of technical advice or assistance provided to a governmental body in response to a written request by such body or person. In addition, an exception is provided where the activity consists of making available nonpartisan analysis, study, or research and an exception is also provided for

communications with respect to the tax-exempt status, etc., of the foundation itself.

The House bill provides that where a foundation invests in a 4945(e) of the code) follows the Senate amendment except that in the case of technical advice or assistance provided to a governmental body in response to a written request by such body or member of such body, the substitute limits the request which can be made of this type to requests by the body itself or a subdivision such as a committee of such body and provides that the response can be given only to such body or subdivision.

The House bill provides for the imposition of taxes on expenditures for grants to organizations other than public charities unless the granting organization becomes responsible for how the money is spent and for providing information to the Secretary or his delegate regarding the expenditures.

Under the Senate amendment this expenditure responsibility does not make the granting foundation an insurer of the activity of the organization to which it makes a grant, if it uses reasonable efforts and establishes adequate procedures so that the funds will be used for public charitable purposes. In effect, this provides a "prudent man" standard in such cases and would permit, for example, without imposition of tax, situations where an organization to whom the grant is made supplies a certified audit as to the purpose of the expenditures.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(h) of the code) follows the Senate amendment.

The House bill provides that voter registration drives are to be permitted where: (1) the organization's principal activity is nonpartisan political activity; (2) the organization's nonpartisan political activities are carried on in five or more States; (3) substantially all of the support (other than gross investment income) normally comes from five or more independent exempt organizations or from the general public; and (4) no more than 25 percent of the support (other than gross investment income) may normally come from any one exempt organization.

The Senate amendment provides that voter registration drives are to be permitted where: (1) the organization's activities are nonpartisan; (2) the organization's activities are carried on in more than one State; (3) substantially all of the support (other than gross investment income) normally comes from three or more independent exempt organizations, government, or the general public; (4) no more than 40 percent of the support (other than gross investment income) may come from any one exempt organization in 5 consecutive years; and (5) voter registration drive contributions may not be subject to the condition that they be used in only one specific election period.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(f) of the code) provides that voter registration drives are to be permitted where: (1) the organization's principal activities are nonpartisan; (2) the organization's activities are carried on in five or more States; (3) not over 50 percent of the organization's support is derived from gross investment income; (4) no more than 25 percent of the

support (other than gross investment income) may come from any one exempt organization in 5 consecutive years; and (5) voter registration drive contributions may not be subject to the condition that they may be used in only one specific election period.

Under the House bill there is one level of taxation in the case of expenditures for activities representing taxable expenditures. A tax equal to 100 percent of the amount improperly spent is provided plus a tax on the foundation manager who knowingly makes the improper expenditure of 50 percent of that amount.

The Senate substitute provides an initial tax of 10 percent of the amount improperly spent (plus a tax of 2½ percent up to a maximum of $5,000 on the foundation manager who knowingly makes the improper expenditure). The second tax (100 percent) is to apply later only if the foundation fails to correct the earlier improper action to the extent possible. In addition, the second level (50 percent) tax on the manager (up to a maximum of $10,000) is to apply later only if he refuses to agree to the correction.

The conference substitute (sec. 101(b) of the substitute and secs. 4945(a), (b), and (c) of the code) follows the Senate amendment except that if full recovery of the expenditure is not possible, then (in order to avoid the second-level tax) the foundation must take such additional corrective action as may be prescribed by regulations.

7. Disclosure and publicity requirements (secs. 6033, 6034, 6056, 6104, 6652, 6685, and 7207 of the code)

The House bill provides that every exempt organization (whether or not a private foundation) must file an annual information return, except where the Secretary or his delegate determines that this is unnecessary for efficient tax administration.

The Senate amendment provides two exceptions from this provision. First it exempts churches and their integrated auxiliary organizations and associations or conventions of churches from the requirement of filing this annual information return (where the church or its auxiliary organization, etc., is engaged in an unrelated trade or business, however, it would still be required to file an unrelated business income tax return). The integrated auxiliary organizations to which this applies include the church's religious school, youth group, and men's and women's clubs.

The Senate amendment also exempts from the requirement for filing the annual information return any organization that normally has gross receipts of $5,000 or less where the organization is of a type not required to file an information return under present law. (As under the House bill, in addition to these two exempt categories the Secretary or his delegate can exempt other types of organizations from the filing requirement if he concludes that the information is not of significant value.)

The conference substitute (sec. 101(d) of the substitute and sec. 6033(a) of the code) follows the Senate amendment except that it also exempts from the filing requirement any religious order with respect to its exclusively religious activities (but not including any educational, charitable, or other exempt activities which would serve as a basis of exemption under section 501(c)(3) if an organization which is not a religious organization is required to report with respect to such activities).

The House bill requires that there be shown on each information return the names and addresses of all substantial contributors, directors, trustees, and other management officials, and of highly compensated employees. Compensation and other payments to managers and highly compensated employees also must be shown.

The Senate amendment differs from the House bill provision only in that it does not require the names and addresses of substantial contributors to be disclosed to the public in the case of exempt organizations other than private foundations. (Such organizations would, however, still be required to disclose these names to the Internal Revenue Service.)

The conference substitute (sec. 101(e) of the substitute and sec. 6104(b) of the code) follows the Senate amendment.

The Senate amendment provides that private foundations with at least $5,000 of assets at any time during the year are required to file an annual report providing information in addition to that previously described. The principal additional information consists of lists of assets showing book and market values, lists of grants (including amounts and purposes thereof), and grantees' names, as well as other information. In addition to this information being filed with the Service, a copy of this annual report must be made available to any citizen at the foundation's office for at least 180 days and the foundation must publicize its availability.

The conference substitute (secs. 101(d) and (e) of the substitute and secs. 6056, 6104, 6652, 6685, and 7207 of the code) follows the Senate amendment.

8. Termination of private foundation status and certain other rules with respect to sec. 501(c)(3) organizations (secs. 507 and 508 of the code)

The House bill provides that an organization which was a private foundation for its last taxable year ending before May 27, 1969, or becomes one subsequently may not change its status unless it repays to the Government the aggregate tax benefits (with interest) which have resulted from its tax-exempt status. (This tax may be abated, however, as described below.) The tax benefits to be repaid in these cases are the net increases in income, estate, and gift taxes which would have been imposed upon the organization and all substantial contributors if the organization had been liable for income taxes and if its contributors had not received deductions for contributions to the organization.

If a private foundation is required to pay this tax or volunteers to pay this tax in order to change its status, the Secretary or his delegate may then abate any part of the tax which has not been paid if the foundation (1) distributes all of its assets to organizations which had been public charities for 5 years or (2) itself operates for at least 5 years as a section 501(c)(3) organization which is not a private foundation.

The Senate amendment modifies this provision in several respects: (1) it provides that an existing private foundation need not go through the "change of status" process if it becomes a public charity by the end of its first taxable year beginning after December 31, 1969; (2) if the foundation intends to change its status by acting as a public charity for 5 years it must notify the Secretary or his delegate in

advance of its intention to do so as well as demonstrate at the end of the period that it has fully lived up to the appropriate requirements; (3) where the private foundation volunteers to change its status by acting in all respects as a public charity for at least 5 years, the foundation is to be classified as a public charity during the 5-year period (should the organization fail to act as a public charity during that period it would lose its status as of that date as a public charity but it would still be subject to the "change of status" rules during this period); (4) the tax on the change of status may be abated if the Secretary or his delegate is satisfied that corrective action to preserve the foundation's assets for charity has been taken by the State attorney general or other appropriate State official under the supervision of the appropriate courts.

The conference substitute (sec. 101(a) of the substitute and sec. 507 of the code) follows the Senate amendment.

The House bill provides that new exempt organizations (those coming into existence after May 26, 1969) must notify the Secretary or his delegate if they claim exempt status under section 501(c)(3). It also requires that they and existing organizations notify the Secretary or his delegate if they claim to be other than private foundations. In addition, the House bill provides that the Treasury Department may exempt from either or both of these notification requirements the following: churches (or conventions and associations of churches), schools and colleges, and any other class of organization where the Treasury determines that full compliance is not necessary for efficient administration.

The Senate amendment modifies the House bill in several respects. It provides that the organizations which must notify the Service as to their exempt status are those coming into existence after October 9, 1969, rather than after May 26, 1969; it provides that churches, their integrated auxiliaries and conventions or associations of churches are not in any event to be required to claim exempt status in order to be exempt from tax, nor are they to be required to file with the Secretary or his delegate in order to avoid classification as private foundations; and it exclude from these notice rules those educational or public charitable organizations whose gross receipts normally are $5,000 or less. In addition, the Senate amendment requires special information returns to be filed by exempt organizations upon their liquidation, dissolution, or substantial contraction.

The conference substitute (sec. 101(a) of the substitute and sec. 508 of the code) follows the Senate amendment.

9. Private foundation defined (sec. 509 of the code)

The House bill in general defines private foundations as organizations described in section 501(c)(3) of the code other than:

(1) Organizations contributions to which may be deducted to the extent of 30 percent (or 50 percent under the bill) of an individual's income;

(2) Broadly publicly supported organizations; and

(3) Organizations organized and operated exclusively for the benefit of one or more of the types of organizations described in (1) or (2) above which are controlled by one or more of these organizations or are operated in connection with one of them and are not controlled by disqualified persons; and

(4) Organizations organized and operated exclusively for testing for public safety.

The Senate amendment in general provides that an organization which would meet all of the tests of the third category described above except that it is operated in connection with more than one organization, nevertheless may qualify where all of the organizations it operates in connection with are educational organizations.

The conference substitute (sec. 101(a) of the substitute and sec. 509(a) of the code) follows the Senate amendment except that it provides that an organization which meets all of the tests of the third category described above except that it is operated in connection with two or more specific organizations may qualify where all of the specific organizations are the type of organizations described in (1) or (2) above.

The Senate amendment also provides that a foundation which is run in conjunction with an organization exempt under paragraphs (4), (5), or (6) of section 501(c) (such as a social welfare, labor, or agricultural organization, business league, or real estate board, etc.) which is publicly supported is to be treated as meeting the publicly supported tests for purposes of being a public charity rather than a private foundation.

The conference substitute (sec. 101(a) of the substitute and sec. 509(a) of the code) follows the Senate amendment.

10. Private operating foundation defined (sec. 4942(j) of the code)

The House bill provides that an operating foundation is a private foundation substantially all of whose income is spent directly for the active conduct of its activities representing the purpose or function for which it is organized and operated. The foundation must also meet one of two other tests. The first of these alternative tests requires that substantially more than half of the assets of the foundation must be devoted directly to the activities for which it is organized or to functionally related businesses. The second alternative covers cases where the organization normally receives substantially all of its support (other than gross investment income) from five or more exempt organizations or private individuals. In this case not more than 25 percent of the foundation's support (other that gross investment) may be received from any of these exempt organizations.

Under the Senate amendment, in addition to the categories that meet the private operating foundation definition under the House bill, another category also qualifies. The new category is a private foundation substantially all of whose income is spent directly for the active conduct of its activities representing the purpose or function for which it is organized and operated and where the organization's endowment based upon a rate of return of 80 percent of the minimum investment rate (for purposes of minimum distribution requirement) is no more than adequate to meet its current operating expenses.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(j)(3) of the code) follows the Senate amendment but modifies the rate of return referred to above to 66⅔ percent.

11. Hospitals (sec. 501 of the code)

The House bill provides that hospitals, if they meet all the other requirements of section 501(c)(3), are exempt under that provision, whether or not they provide charitable services on a no-cost or low-cost basis. The Senate amendment strikes out these provisions.

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The conference substitute (sec. 101(j) of the substitute and sec. 501(c)(3) of the code) follows the Senate amendment.

SUBTITLE B—OTHER TAX-EXEMPT ORGANIZATIONS

1. Unrelated debt-financed income (sec. 514 of the code)

The House bill provides that all exempt organizations' income from "debt-financed" property which is unrelated to their charitable function is to be subject to tax in the proportion in which the property is financed by the debt. Capital gains on the sale of debt-financed property also are taxed. Exceptions are made for property to be used for an exempt purpose of the organization within a reasonable time and also for property acquired by gift or inheritance under certain conditions. Special exceptions are also provided for the sale of annuities and for debts insured by the Federal Housing Administration to finance low- and moderate-income housing.

The Senate amendment makes minor or technical modifications in the House bill.

The conference substitute (sec. 121(d) of the substitute and sec. 514 of the code) in general follows the Senate amendment.

2. Tax on unrelated business income (secs. 511 and 512 of the code)

The House bill extends the unrelated business income tax to all exempt organizations (except U.S. instrumentalities). The bill contains several administrative provisions including one providing that no audit of a church, its integrated auxiliaries or convention or association of churches is to be made unless the principal internal revenue officer for the region believes the church may be engaged in a taxable activity. Churches will not be subject to tax under this provision for 6 years on businesses they now own.

The Senate amendment among other technical provisions provides that the unrelated business income tax is not to apply to a religious order or to an educational institution maintained by such religious orders or by a State that has held unrelated businesses which provide services under licenses issued by a Federal regulatory agency for 10 years or more, if the unrelated business distributes not less than 90 percent of its earnings each year and it is established to the satisfaction of the Secretary or his delegate that rates and other charges for services charged by such a business are fully competitive with, and do not exploit, similar businesses operated in the same general area.

The conference substitute (sec. 121(b)(2)(C) of the substitute and secs. 511 and 512 of the code) follows the Senate amendment except that it does not extend this provision to educational institutions maintained by a State.

The fact that an unrelated business income tax is payable by an organization is not intended to mean that the organization should, or should not, retain its exemption. This is to be determined on the basis of the organization's overall activities without regard to the fact that some of its activities are subject to the unrelated business income tax.

3. Taxation of investment income of social, fraternal and similar organizations (sec. 512 of the code)

The House bill provides for the taxation (at regular corporate rates) of the investment income of social clubs, fraternal beneficiary

associations and employee beneficiary associations. In the case of the income of fraternal beneficiary associations and employees beneficiary associations this tax does not apply, however, to the extent the income is set aside to be used only for the exempt insurance function of these organizations or for charitable purposes. In any year such an amount is taken out of the setaside and used for any other purpose, however, this amount becomes subject to tax at that time.

The Senate amendment modifies the House bill by excluding fraternal beneficial associations from the tax on investment income. It also provides a new category of exemption for fraternal beneficiary associations where the fraternal activities are largely religious, charitable, or educational in nature but where no insurance is provided for the members.

The conference substitute (sec. 121(b) of the substitute and sec. 512 of the code) follows the Senate amendment.

The Senate amendment extends the exemption from the investment income tax available in the House bill for fraternal beneficiary associations and employees beneficiary associations in the case of amounts set aside for charitable purposes to social clubs. The Senate amendment also provides that the tax on investment income is not to apply to the gain from the sale of assets used by the organizations in the performance of their exempt functions to the extent that the proceeds are reinvested in assets used for such exempt functions beginning 1 year before the date of the sale and ending 3 years after that date.

The conference substitute (sec. 121(b) of the substitute and sec. 512 of the code) follows the Senate amendment.

4. Interest, rent and royalties from controlled corporations (sec. 512 of the code)

The House bill provides that where a tax-exempt organization owns more than 80 percent of a taxable subsidiary, interest, annuities, royalties, and rents received by it are to be treated as "unrelated business income" and subject to tax. The deductions connected with the production of this income are allowed.

The Senate amendment makes minor and technical modifications in the House bill.

The conference substitute (sec. 121(b) of the substitute and sec. 512 of the code) generally follows the Senate amendment with minor modifications.

5. Limitation on deductions of nonexempt membership organizations (sec. 277 of the code)

The House bill provides that in the case of a taxable membership organization, the deductions for expenses incurred in supplying services, facilities, or goods to the members is to be allowed only to the extent of the income received from these members.

The Senate amendment modifies this provision to exclude from its application organizations which receive prepaid dues income as consideration for services and also securities and commodity exchanges organized on a membership basis. The Senate amendment also provides a carryover to succeeding years of the cost of furnishing services, facilities or goods to members where this exceeds the income from members. It also treats as income received from members income received from institutes and trade shows. The Senate Amendment further postpones the effective date of this provision until 1971.

The conference substitute (sec. 121(b) of the substitute and sec. 277 of the code) follows the Senate amendment except that, in the case of institutes and trade shows it limits the treatment described above to those institutes and trade shows which are primarily for the education of members.

6. Income from advertising, etc., activities (sec. 513 of the code)

The House bill provides that the term "trade or business" for purposes of the tax on unrelated business income includes any activity which is carried on for the production of income from the sale of goods or the performance of services. It further indicates that for this purpose an activity does not lose its identity as a trade or business merely because it is carried on within a larger aggregate of similar businesses which may, or may not, be related to the exempt purposes of the organization.

The Senate amendment provides that the provision should apply only in the case of advertising in the case of a sale by a hospital pharmacy of drugs to persons other than hospital patients and to the operation of a racetrack by an exempt organization.

The conference substitute (sec. 121(c) of the substitute and sec. 513 of the code) follows the House bill except that it provides that where an activity carried on for profit constitutes an unrelated trade or business no part of it is to be excluded from such classification merely because it does not result in profit.

TITLE II—INDIVIDUAL DEDUCTIONS

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SUBTITLE D—MOVING EXPENSES (SECS. 217 AND 82 OF THE CODE)

The House bill extends the present moving expense deduction to cover three additional types of job-related moving expenses:

(1) Traveling, meals, and lodging expenses for premove house-hunting trips;

(2) Expenses for meals and lodging in the general location of the new job location for a period of up to 30 days after obtaining employment; and

(3) Expenses incident to the sale of a residence or a settlement of a lease at the old job location or to the purchase of a residence or the acquisition of a lease at the new job location. A limitation of $2,500 is placed on the deduction allowed for these three additional categories of moving expenses. In addition, expenses for house hunting trips and temporary living expenses may not account for more than $1,000 of the $2,500. The House bill provides that the 39-week test is to be waived if the taxpayer is unable to satisfy it due to circumstances beyond his control. In addition, the House bill requires that reimbursements of moving expenses must be included in gross income.

The Senate amendment modifies the House bill in the following respects:

(1) The moving expense deduction (both the categories which are deductible under present law and those made deductible by this bill) are extended to self-employed persons. However, the period of time the self-employed person is required to work at the new location is extended from 39 to 78 weeks.

(2) The moving expense deduction which may be claimed by a husband and wife, both of whom work, is limited to the amount which could be claimed if only one were employed.

(3) The Senate amendment provides that the taxpayer's new principal place of work must be located at least 20 miles (the same as under existing law instead of the 50 miles as provided by the House bill) farther from his former residence than his former place of work. However, the distance between the two points is to be the shortest of the more commonly traveled routes between these two points rather than the distance between the two points.

The conference substitute (sec. 231 of the substitute and secs. 217 and 82 of the code) follows the Senate amendment except that it substitutes a 50-mile test for the 20-mile test referred to in No. 3 above. In addition, the conference substitute permits taxpayers who move before July 1, 1970, pursuant to notices received from their employers on or before December 19, 1969, to apply the provisions of existing law rather than the new provisions.

* * * * *

TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

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The Senate amendment deletes these provisions of the House bill.

The conference substitute (sec. 506 of the substitute and secs. 901 and 904 of the code) provides that a foreign tax credit is not to be allowed for foreign taxes imposed on foreign mineral income considered on a country-by-country basis to the extent the foreign tax is attributable to the percentage depletion allowance granted by the United States. Thus, excess foreign tax credits attributable to the percentage depletion allowance on mineral income from a foreign country cannot reduce U.S. tax payable on other foreign income. For this purpose mineral income includes income from extraction, processing, transportation, distribution, and sales of the primary products derived from the mineral or the mineral itself. This rule applies to taxable years beginning after December 31, 1969. Taxpayers who previously elected the overall limitation on the foreign tax credit may revoke the election without the consent of the Treasury Department for the taxpayer's first taxable year beginning after 1969.

SUBTITLE B—CAPITAL GAINS AND LOSSES

* * * * *

5 . Total distribution from qualified pension, etc., plans (secs. 402(a), 403(a)(2), and 72(n) of the code)

The House bill limits the extent to which capital gains treatment is to be allowed for lump-sum distributions from qualified employee trusts (qualified pension, profit sharing, stock bonus, and annuity plans). Amounts attributable to employer contributions for plan years beginning after 1969 are treated as ordinary income. All other amounts received in the lump-sum distribution continue to be accorded capital gains treatment if received in one taxable year upon separation from employment or death. A special 5-year "forward" averaging is provided for the amounts to be treated as ordinary income. The tax on this amount may be recomputed at the end of 5 years by including one-fifth of the ordinary income amount in gross income for the 5 taxable years. If the recomputed tax determined in this manner results in a lower tax than previously paid, the taxpayer would be entitled to a refund.

The Senate amendment deletes this provision from the bill.

The conference substitute (sec. 515 of the substitute and secs. 402(a), 403(a)(2), and 72(n) of the code) follows the House provision whereby employer contributions to qualified pension, profit sharing, stock bonus, and annuity plans for plan years beginning after 1969 are to be treated as ordinary income when received in a lump-sum distribution. The amounts to be treated as ordinary income, however, are to be eligible for a special 7-year "forward" averaging. In addition, the amounts received by the employee as compensation (other than deferred compensation) during the taxable year the lump-sum distribution is received and the capital gains portion of the lump-sum distribution are not to be taken into account for the calculation of the tax on the ordinary income portion of the distribution under the 7-year special averaging procedure. There is no recomputation or refund procedure.

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SUBTITLE D—SUBCHAPTER S CORPORATIONS (SEC. 1379 OF THE CODE)

Both the House bill and the Senate amendment provide limitations similar to those contained in the retirement plans for individuals (the so-called H.R. 10-type plans) with respect to contributions made by subchapter S corporations to the retirement plans for individuals who are "shareholder-employees." Under the bill, a shareholder-employee must include in his income the contributions made by the corporation under a qualified plan on his behalf to the extent contributions exceed 10 percent of his salary or $2,500, whichever is less.

The Senate amendment makes the following modifications in the House provision:

(1) The definition of a shareholder-employee is changed from an employee or officer who owns more than 5 percent of the corporation's stock to one who holds 10 percent or more.

(2) The provision is not to apply until taxable years beginning after 1970. The House bill would apply this provision to taxable years beginning after 1969.

The conference substitute (sec. 531 of the substitute and sec. 1379 of the code) follows the Senate amendment deferring the application of this provision to 1971. The conference substitute, however, does not follow the Senate amendment changing the percentage relating to the definition of a shareholder-employee.

E. HOUSE PROVISION OMITTED—COOPERATIVES (SEC. 531 OF THE HOUSE BILL)

The House bill requires cooperatives to revolve out patronage dividends and per unit retains within 15 years from the time the written

notice of allocation was made or the per unit retain certificate was issued. In addition, the percentage of patronage allocations which must be paid out currently in cash or by qualified check are increased under the House bill from 20 to 50 percent. The additional 30 percent is to be paid with respect to the current allocation or in redemption of prior allocations. The increase in the required payout is phased in ratably over a 10-year period.

The Senate amendment omits this provision.

The conference substitute omits this provision.

The conference noted that the Treasury Department and congressional staffs had been requested by the Committee on Finance to study problems in the tax treatment of cooperatives, particularly as to whether cooperatives engage in activities which are unrelated to the purpose for which special tax treatment is given and that a report had been requested on this subject. The conferees requested that this report be made by January 1, 1972.

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TITLE IX—MISCELLANEOUS PROVISIONS

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SUBTITLE C—MISCELLANEOUS ADMINISTRATIVE PROVISIONS

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4. Declarations of estimated tax by farmers (sec. 6015 of the code)

The House bill does not include this provision.

The Senate amendment advances the due date for filing of tax returns by farmers and fishermen in order to be excused from filing declarations of estimated tax from February 15 to March 15.

The conference substitute (sec. 944 of the substitute and sec. 6015 of the code) advances this date from February 15 to March 1.

* * * * *

E. SENATE PROVISIONS OMITTED

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2. Deductions for medical care, medicine, and drugs for individuals who have attained the age of 65 (sec. 914 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment eliminates the 3 and 1 percent floors applicable to medical and drug expenses of individuals age 65 and over.

The conference substitute omits this provision.

* * * * *

7. Reporting of medical payments (sec. 944 of Senate amendment)

No such provision is contained in the House bill.

The Senate amendment requires the filing of information returns for payments of $600 or more to a supplier of medical goods and services including doctors and dentists. The information return requirement also applies to bills for services by doctors, dentists, etc., which are reimbursed by the insurance company or other organizations to the patient.

The conference substitute omits this provision.

* * * * *

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

The Senate amendment added to the House bill a new title X (the "Social Security Amendments of 1969") increasing social security benefits and making related changes in the OASDI and public assistance programs.

1. Benefit increase and related OASDI provisions

The Senate amendment increased regular OASDI benefits by 15 percent with a minimum primary insurance amount of $100, beginning January 1970, and provided a similar (15 percent) increase in the special payments for certain individuals aged 72 and older who have no coverage or whose coverage is insufficient to qualify for regular benefits. In addition, it eliminated the $105 limitation on wife's, husband's, widow's, and widower's insurance benefits, revised the allocation of tax receipts between the OASI and DI trust funds, and raised from $7,800 to $12,000 (beginning January 1973) the social security earnings base for benefit and tax purposes.

Although the House bill itself had no corresponding provisions, H.R. 15095 (which passed the House on December 15, 1969) contained provisions which are the same as those in the Senate amendment except that (*a*) the minimum primary insurance amount is left at $64 (the figure which results from simply applying the 15-percent increase to the existing $55 minimum), and (*b*) the earnings base is not raised above its present level of $7,800.

The conference substitute (secs. 1002 through 1005) follows H.R. 15095; i.e., it retains, with technical modifications, those benefit increase provisions of the Senate amendment which are also contained in H.R. 15095 and omits those provisions (the specially increased minimum PIA and the higher earnings base) which are not.

2. Public assistance provisions

The Senate amendment also contained provisions designed to assure that at least a part of the OASDI benefit increase will be reflected in the total income of public assistance recipients; under these provisions each State is required, in determining need under any of the public assistance programs, to disregard any retroactive social security benefit increase payments (including those made under future laws as well as those resulting from this increase), and in addition to disregard $7.50 per month of the income of each adult public assistance recipient or (if the State is already satisfying this requirement) to otherwise provide at least a $7.50 increase in the amount of such recipient's aid or assistance.

The conference substitute contains provisions which are similar in intent to those in the Senate amendment.

Under section 1006 of the conference substitute, each State is required (in determining the need of its public assistance recipients) to disregard any retroactive payment of the OASDI benefit increase provided by the bill for January and February 1970, which is expected to be paid (by separate check) in April; but this requirement would be limited to the situation created by the bill and would not apply to any retroactive payments which may result from future laws.

Under section 1007 of the conference substitute, each State is also required (in determining the need of its public assistance recipients)

to assure that every recipient of aid or assistance under any of its adult public assistance programs who also receives an OASDI benefit which is increased under the bill will realize an increase in the total of his public assistance and OASDI benefit payments equal to $4 a month (or the amount of the increase in his OASDI benefit if less), whether such increase in his total payments is brought about by disregarding a portion of his OASDI benefit or otherwise (e.g., by raising the State's standard of assistance for all recipients under the program involved). This requirement is made applicable only to months before July 1970 in order to allow the Congress time to consider the matter in connection with its work on major welfare proposals early next year.

The 15-percent OASDI benefit increase will mean an average $9.50 increase to those beneficiaries also eligible for public assistance under the programs of aid or assistance to the aged, blind, and disabled. This increase is more than sufficient to meet the requirement (discussed above) that all such persons have their total incomes raised by $4 a month. Moreover, for practically all States, the savings from the remaining $5.50 will be sufficient to raise the incomes of those not receiving OASDI benefits by $4 a month; and the conferees hope that the States will do so.

Senate provision omitted--social security retirement age

The Senate amendment contained a provision making qualified individuals eligible for actuarially reduced OASDI benefits at age 60, instead of at age 62 as under present law, to be effective upon a determination by the President that it is desirable to expand consumer purchasing power by making additional persons eligible for such benefits. The conference substitute omits this provision.

MISCELLANEOUS SENATE PROVISIONS OMITTED

1. Submittal of Federal funds budget information to the Congress

The House bill did not contain this provision.

The Senate amendment requires the President to send a report to Congress to accompany the budget and each supplemental appropriation request in which he describes the extent to which the request will result directly or indirectly in a surplus or deficit in the Federal funds portion of the budget or an increase or decrease in the national debt of the United States. The supporting factors and circumstances which form the basis for the effects on the debt and Federal funds budget also are to be presented in the report. The report is to be sent to the Committees on Appropriations and Ways and Means of the House of Representatives and the Committees on Appropriations and Finance of the Senate.

The conference substitute omits this provision.

2. Presidential Commission on Philanthropic Activities

The House bill did not contain this provision.

The Senate amendment creates a Presidential Commission on Philanthropic Activities to study whether the national interest requires philanthropic and similar tax-exempt activity and the effect of the internal revenue laws on such activity.

The conference substitute omits this provision.

3. Securities and Exchange registration of tax-exempt securities

The House bill did not contain this provision.

The Senate amendment exempts States and municipalities from the requirement that they register with the Securities and Exchange Commission any industrial development bonds which they propose to issue if the issue qualifies for tax exemption under the tax laws including both the $1 and $5 billion exemptions.

The conference substitute omits this provision. Nevertheless, the conferees are concerned at the time required and costs involved in these small issues of industrial revenue bonds. It recommends to the Securities and Exchange Commission that it give serious consideration to expediting its consideration of these issues and reducing the the registration requirements and costs of these small industrial revenue bond issues.

(4) Capitol Guide Service

The House bill did not contain this provision.

The Senate amendment establishes within the Congress of the United States an organization to be known as the Capitol Guide Service. This organization is to provide, without charge, guided tours of the interior of the U.S. Capitol Building for the education and enlightment of the general public.

The conference substitute omits this provision.

W. D. MILLS,
HALE BOGGS,
JOHN C. WATTS,
AL ULLMAN,
JOHN W. BYRNES,
JAMES B. UTT,
JACKSON E. BETTS,
Managers on the part of the House.

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CONFERENCE REPORT ON H.R. 13270, TAX REFORM ACT OF 1969

Mr. MILLS. Mr. Speaker, I call up the conference report on the bill (H.R. 13270) to reform the income tax laws, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the statement, as follows:

* * * * *

Mr. MILLS (during the reading). Mr. Speaker, the statement of the managers on the part of the House is rather lengthy, and since we do have some 2 hours to discuss the conference report, I ask unanimous consent that the statement of the managers be considered as read and printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The SPEAKER. The gentleman from Arkansas is recognized for 2 hours.

Mr. MILLS. Mr. Speaker, I yield myself 15 minutes.

Mr. Speaker, the conference report before us concerns the tax reform bill on which the Committee on Ways and Means began hearings last February 18, a little over 10 months ago. Fundamentally it is a bill conceived and written by the House of Representatives. However, I would like to acknowledge the major support and the help received from the Treasury. Without the Treasury's cooperation, I am sure this legislation would

not have been possible. Also I want to acknowledge the very fine cooperation we had in conference on the part of the Senate conferees, for without that cooperation it would not have been posible for us to have had the bill that is before us today in the form of a conference report. Nevertheless, it is still a measure fundamentally created by the House, with the cooperation of Senate conferees—something, at least on this scale, which has never happened before.

Actually, Mr. Speaker, this is really a legislative miracle in many respects.

I have in my hand a volume which consists of nothing but Senate amendments.

Members will recall the size of the bill when it passed the House. This is the Senate bill.

To give you some idea of the magnitude and the proportion of the matter, the conference report, including the statement of the managers on the part of the House is some 340 pages in length.

I want also to pay tribute to the work of the staffs of the Ways and Means Committee and the Joint Committee on Internal Revenue Taxation. Also, I would call attention to the size and difficulty of the job performed by the legislative counsel's office—the legislative drafting service—in working with us day and night, Friday, Saturday, and Sunday. We were some 5 days in conference on the bill. Actually, we started on Monday, December 15. We worked well past dark on Monday, Tuesday, Wednesday, and Thursday, and then adjourned at 2:55 a.m.—not p.m.—Friday.

We came back at 12 o'clock on Friday for about 2 or 3 hours to consider the finishing touches and also to receive some information that we had requested from our staffs and from the Treasury Department. We signed the conference report around 3 o'clock on Friday afternoon.

You will recall I asked the House for permission to have until midnight Sunday night to file this conference report.

Mr. Speaker, when I think of the work involved, I wondered how those who were drawing up the conference report and writing the statement of the managers could have performed this service within that limited period of time.

I think we must recognize that this type of legislation in the past has normally consumed two sessions of Congress. Here it has been accomplished in one session. The hope that I had in mind for a long time was that we could hand the bill to the President in such a way that he would readily accept it and sign it if he wanted to before Christmas.

Mr. Speaker, the bill contains substantial tax reform measures in a wide range of areas that we have seldom if ever tackled before in such proportion.

It is not in all respects what I would have preferred or what many other Members of Congress in all probability would have preferred. In view of the size and range of the issues with which the bill deals, I doubt that anyone agrees with each and every provision contained in it. Nevertheless, I think it is a significant bill and a major step forward for tax reform. The very fact that it deals with areas that have not been dealt with before is an indication of the mood of the country with respect to tax reform. I believe it will go down in the records as the turning point in our concern in improving tax equity although we will have to let the future tell us whether I am right or wrong.

Insofar as I know, this bill deals with all but one area which taxpayers are using to an appreciable extent in completely avoiding the income tax. The exception, of course, is in the State and municipal bond interest, a problem that the Senate was unwilling to deal with at the present time in view of the difficulty which the State and local governments are now encountering in marketing their bonds. So, there is no reference whatsoever to this subject matter in the conference report. The only provision in this regard which was retained was that relating to so-called arbitrage transactions, which was included in both the House and Senate bills.

The areas in which this bill brings about substantial tax reform for individuals are as follows:

First, percentage depletion;
Second, real estate depreciation;
Third, capital gains;
Fourth, interest deduction;
Fifth, farm losses; and
Sixth, charitable contributions.

Nor is the bill limited to individuals. It also applies in the major areas of corporate taxation requiring reform. This includes multiple surtax exemptions, the tax treatment of commercial banks, the taxation of mutual savings banks and savings and loan associations, corporate mergers, percentage depletion, and capital gains taxation.

We have not been satisfied, however, merely to reduce the deductions, exemptions, or other tax benefits in these areas by specific provisions directed specifically to curtailing undue tax preferences. The bill also provides a secondary line of defense which supplements the specific remedial provisions by providing a minimum tax on tax preferences. The minimum tax in the conference version differs somewhat from the approach with which we started, also from that worked out in the Senate Committee on Finance, but its general objective remains the same.

We have also approached tax reform by reducing substantially the differential between the tax on earned income and the tax on capital gains income. The attempt in one manner or another to convert income into capital gains, yet take the deductions against ordinary income, is almost the universal tax ploy. This is the root cause of most tax avoidance: It is my belief that by limiting the top marginal rate on earned income to 50 percent—after it is reduced by tax preferences—and at the same time by raising modestly the rate on capital gains, the bill substantially reduces the interest of the executive or professional man in looking for tax shelters.

Very briefly, this outlines the tax reform objectives of the bill. I realize that there probably is more current interest in the tax relief the bill provides than in the tax reform it achieves. However, I believe in the long run it is the tax reform provisions that will be the more significant. Tax reductions, of course, always arouse more interest than tax equity, but it is equity in our tax system which provides that necessary sense of fair play that all of us must feel if we are willing to pay our taxes, and in a voluntary tax system it is essential that most of us approach our taxes in this manner.

Let me turn first to the substantial relief the bill provides. Perhaps its most important single relief measure—at least, from the standpoint of the total dollars of tax relief granted—is the increase in the per capital exemption from its present level of $600. For budgetary reasons, this increase in the exemption level is phased in gradually. The exemption rises to $650 as of July 1, 1970, the exemption remains at $650 for the entire calendar year 1971, and then rises to $700 for 1972, and to $750 for 1973.

The Tax Reform Act originally passed by the House did not provide for increases in the exemption level; instead, it provided relief to a combination of measures including substantial cuts in tax rates, a low income allowance, and a minimum standard deduction.

However, because of the widespread interest in the House, as well as throughout the country, in increasing the level of personal exemptions, the House conferees agreed to incorporate a substantial increase in the personal exemption level in the tax reform bill.

I would like to emphasize that in the pending bill this increase in exemption level is achieved without the unfortunate fiscal and budgetary effects that would have resulted under the Senate bill. You will recall that the Senate bill would increase exemptions to $700 in 1970, and to $800 in 1971, involving a revenue cost of close to $3.3 billion in calendar year 1970, and $6.4 billion in calendar 1971. This was one of the primary reasons why the Senate bill involved such large revenue losses, amounting to more than $4.7 billion in calendar 1971 and $6.3 billion in calendar 1972. The Nation can ill afford to have deficits of this magnitude, particularly in view of the strong and widely prevalent inflationary pressures in the economy.

The sound fiscal effects under the conference bill are achieved first by raising the exemption level to $750 instead of $800 provided by the Senate bill; and, second, by phasing in the increases in the exemption level gradually instead of abruptly. As a result, although the increased exemptions provided by the bill will give taxpayers over $4.8 billion of relief a year when fully effective, the pending bill achieves a surplus of over $2.2 billion in calendar 1970, exclusive of the revenue raised by the extension of the surcharge and the excise taxes.

This compares with a revenue loss of $1.3 billion for calendar 1970 under the Senate bill. Similarly, the net revenue loss from the combined reform and relief package provided by the conference bill amounts to a modest $500 million in calendar 1971 compared with the $5.5 billion of revenue loss for that year under the combined reform and relief package under the Senate bill.

Actually, the net revenue effect of the pending measure, taking into consideration all the features including the exten-

sion of the surcharge and excise taxes, follows the same general pattern—and I want you to get this—as those that would have resulted under the Treasury recommendations made in September before the Finance Committee. This is particularly true in the next few years when it will be most important for purposes of keeping the economy under control to maintain a proper fiscal stance. For example, in calendar 1970 the bill now before us on this basis will produce a surplus of about $6.4 billion, including the revenue effects of the surcharge and excise tax extensions, as compared with an increase of $7 billion under the Treasury recommendation. In 1971 the pending bill will result in a surplus of close to $300 million as compared with a surplus of somewhat over $600 million for the Treasury proposals. In 1972 the pending bill will result in a net revenue loss of $1.8 billion; however, this is substantially less than the net revenue loss of $2.3 billion for that year which would have resulted under the Treasury recommendation. In the long run—based on current income levels—the pending bill is expected to result in an estimated revenue loss of about $2.5 billion a year as compared with a net loss of $1.4 billion which would have resulted under the Treasurey recommendation made before the Finance Committee.

The tax relief provided by the pending bill is substantial. On the average, after taking into consideration both tax relief measures and tax reform measures, those with incomes up to $3,000 will get a tax reduction amounting to close to 70 percent of their present law tax, while those with incomes between $5,000 and $7,000 will get a tax reduction of approximately 20 percent. The percentage tax reductions under the bill amount to almost 16 percent for those with incomes between $10,000 and $15,000, about 8½ percent for those with incomes between $15,000 and $20,000, 5 percent for those with incomes between $20,000 and $50,000 and 1.5 percent for those with incomes between $50,000 and $100,000. For those over $100,000 there is generally an increase in taxes to be paid.

In addition to providing an increase in personal exemptions, the pending legislation provides for a new low income allowance which is specifically designed to concentrate tax relief on low income individuals living at poverty or near-poverty levels. The House and Senate bills both provided for such a low-income allowance, with relatively minor difference between the two bills. The provision agreed to by the conferees grants a minimum standard deduction to taxpayers amounting to $1,100 when first effective in calendar 1970, $1,050 in 1971 and $1,000 in 1972 and thereafter. This new low income allowance is in addition to the personal exemptions. The modest decrease in the low income allowance in 1971 and 1972 is timed to coincide with the increases in the personal exemption levels scheduled to take effect in those years. The net result is to produce a stable and adequate level of combined exemption and low income allowance. Because of budgetary reasons the low income allowance is reduced in 1970 and 1971 where taxpayers' incomes exceed specified poverty levels. However, in 1972 and later years the low-income allowance is available without any reduction regardless of the size of the taxpayer's income. This provision when fully effective will give over $2 billion of relief and will completely exempt from tax many millions of taxpayers at or near poverty levels.

I wish—and I think every Member of this House joins me in this—that it would have been possible in this bill to provide substantial reductions in tax rates as well as to grant an increase in exemptions. The traditional objective of tax reform is to broaden the tax base and thereby to make it possible to lower tax rates by spreading the tax burden over a larger tax base. I believe that this is an important objective of tax reform and I think we should keep this objective firmly in mind for the future as a high priority item whenever the fiscal and economic situation make further tax reform feasible. However, as we all know, rate reductions and exemption increases share the distinction of being very costly. As a result, in the present bill we have been forced to make a hard choice—a choice between these two forms of tax reduction, particularly in view of the present budgetary and economic situation. As I have indicated, the original House bill provided for substantial cuts in tax rates. But in view of the desire of the Congress to raise the exemption level substantially—a desire which is fully recognized in this bill—it just is not possible to provide substantial tax rate cuts, too. However, the bill before us does make an important start in the direction of rate reductions, which has the virtue in the present situation, of involving relatively little loss in revenue.

Under present law, the marginal tax rates applicable to all taxpayers including those with earned income go as high as 70 percent. Under the bill, no individual will be required to pay a marginal rate in excess of 50 percent on his earned income. To prevent individuals with substantial amounts of tax preferences from deriving undue benefits from the rate limitation for earned income, however, the benefits of this limit are reduced where such individuals have over $30,000 of tax preferences.

This rate limitation for earned income has importance far beyond its modest cost. The tax reform or loophole closing provisions of this bill will substantially increase the tax liabilities of many high income people. Insofar as this means that a man is now required to pay tax on a preference which should have been taxed in the first place, the result is fair.

However, I think the emphasis should be on the word "fair." The 50-percent limit on the marginal tax rate on earned income will help to some modest degree to provide significant relief to those who have large incomes as a result of their personal efforts.

The marginal rate limitation for earned income also has the advantage of recognizing the importance of providing adequate work incentives. These incentives are frequently impaired under present excessively high marginal tax rates which merely have the result of discouraging professional people and other earned income individuals from putting forth their full and best efforts.

In addition, the rate limitation for earned income works hand in hand with the tax reform or loophole closing measures of the pending bill. Tax preferences give rise to problems not only because they result in revenue losses but also because they divert the attention of professional individuals and other individuals with substantial amounts of earned income from their occupations to tax considerations. This provision in effect tells a man that if he sticks to his knitting and concentrates his attention on his profession, the Government will not take an undue portion of the amounts that he earns through his own efforts. This should encourage him not to hunt for tax shelters. It will, for example, make it less attractive for individuals to convert earned income to capital gains by reducing the gap between the taxes applicable to capital gains and earned income.

The conference bill provides for a significant increase in the standard deduction which is now limited to 10 percent of adjusted gross income or $1,000, whichever is less. The Senate bill would have retained these limits on the standard deduction. However, the conference adopted the broad outlines of the House provision to liberalize the standard deduction.

As a result, the pending bill provides for gradually increasing the standard deduction until it reaches a level of 15 percent of adjusted gross income, with a ceiling of $2,000 by 1973. This increase in the standard deduction will provide very substantial simplification in the preparation of tax returns by inducing large numbers of taxpayers to take the standard deduction instead of itemizing their deductions. The change will provide about $1.6 billion of relief annually to about 34 million returns and will result in taking about 5 million taxpayers off the tax rolls.

Single people will also receive substantial tax relief under the conference bill. Since the Revenue Act of 1948, single people have been required to pay relatively heavy tax burdens compared with married couples. The extension of head-of-household treatment to certain categories of single people has granted some relief, but most single people still bear unduly heavy tax burdens. Both the House and Senate bills grant single people substantial tax relief. The conferees adopted the Senate approach which generally provides that single people will not pay more than 120 percent of the tax liabilities of married couples at comparable income levels.

If I may make myself clear, under the House bill we would have made the tax relief available only to single people under 35 and to widows and widowers regardless of age. But in conference we accepted the Senate's provision which says that the single individual, regardless of his age shall not pay more than 120 percent of what the married couple pays under the split income provision.

So much for the tax relief provisions. I would like to turn now to the tax reform features of the bill. As I have already indicated, though the tax relief provisions of the bill have attracted greater attention, I think that in the long run the tax reform aspects will be the more significant. I know that everyone is not going to agree with each and every tax reform provision in the bill. Certainly, we cannot expect the man whose preferences are eliminated to be enthusiastic about the tax reform bill. On the other hand, some would go even further than we have gone in the present bill in reducing tax preferences. I, myself, did not get everything that I wanted in this bill in the way of tax reform. Nonetheless, I think we should all be able to agree that this bill represents a substantial and comprehensive step forward towards a fairer tax system—and a step which is particularly needed to dispel the widespread and pervasive feeling that our tax system is now not as fair as it should be.

The House conferees have generally been successful in getting conference agreement on restoration of a number of tax reforms which were in the initial House bill but which were made somewhat less effective in the bill that passed the Senate.

Let me give you a few examples of this. Under the initial House bill, private foundations were to be subject to a 7½-percent tax on investment income. The Senate bill reduced this tax to one-tenth of one percent of the value of assets, which roughly is equivalent to a two percent tax on income. The conference restored the tax to 4 percent of investment income. Similarly, the conference report strengthens the rules relating to the divestiture of stock by foundations which were not as strict in the Senate bill as in the initial House bill.

Another indication of the desire of the conferees to provide adequate guideposts for foundations concerns the payout rules. The Senate required private foundations to pay out 6 percent of their assets for charitable purposes, and that is the provision which the conferees accepted.

Similarly, the conference report basically accepts the House provisions limiting deductions for charitable gifts of appreciated property. Under these provisions, charitable deductions for gifts of appreciated property were limited to 30 percent of income even though deductions for charitable contributions generally were allowed to reach 50 percent of income. Moreover, for purposes of the 30-percent limit, the entire value of the appreciated property, including basis, was taken into consideration. The Senate bill relaxed this rule by subjecting to the 30-percent limit only that part of a gift which represented the appreciation in value, while the portion representing basis could be deducted under the 50 percent limit. Under the conference report, the House version was accepted. As a result, under the conference bill gifts of appreciated property can be deducted under the 50-percent limit only if the donor elects to account for the appreciation for tax purposes.

Still another instance in which the House conferees were able to restore the initial House provision concerns the limitation on the deduction of interest. This involves a most important limitation since the undue use of interest deductions by taxpayers constituted one of the primary reason why 154 individuals with adjusted gross incomes in excess of $200,000 were able to avoid payment of all income taxes in 1966. In general, this tax reduction device consists of deducting interest paid on loans for the purpose of acquiring appreciating investment assets held for capital gains purposes. The Senate bill contained no provision to limit interest deductions in such cases. However, the House conferees were able to reach agreement in conference to restore the House provision to limit deductions for investment interest to the amount of the taxpayer's net investment income plus the amount of his long-term capital gains and $25,000.

The House conferees have not blindly insisted on the House provisions, when it was clear that the Senate provision was preferable. This is illustrated in the case of the House provisions for a limit on tax preferences and allocation of deductions, which together were intended to impose a minimum tax liability on those with preference income as a sort of second line of defense against escape of tax on preference income after the particular preferences were limited by specific provisions. After these provisions were adopted, it became apparent that though their purpose was commendable, they were unduly complex and could not be put into effect without causing very considerable hardship in terms of administrative work for taxpayers. The Senate provision for a minimum tax achieves basically the same objective as the House provisions in a much simpler and more effective manner.

Basically, the Senate approach imposes a 10-percent tax on selected tax preference items after reduction by a specific exemption of $30,000 and the income tax paid by the taxpayer. Unlike the House provision which applied only to individuals, the Senate provision has the advantage of applying to both individuals and corporations. In addition, it raises more revenue than the House provision. Accordingly, the House conferees accepted most of the Senate provision which is incorporated in the pending bill.

In the area of corporate mergers the House conferees stood firm on a House provision to disallow interest deductions where the ratio of debt to equity of an acquiring corporation is 2 to 1 instead of 4 to 1 as under the Senate bill. Similarly, we were able to secure agreement to disallow such interest unless the annual interest expense on such indebtedness is covered at least three times instead of two times as under the Senate bill. However, we have had to acknowledge the logic of allowing depreciation allowances to be treated like earnings for purposes of this earnings—interest expense test, inasmuch as depreciation allowances can be used, if need be, to meet interest expenses.

The Senate retained the House provision on the taxation of stock dividends. Transitional rules are available under limited conditions but a corporation will not lose the benefit of these rules if it issues any type of stock under a conversion right contained in other stock which it was permitted to issue under these rules.

The Senate deleted the House provisions designed to eliminate abuses in the foreign tax credit. The House conferees succeeded in securing agreement in restoring one of these provisions. As a result, the pending bill provides a separate foreign tax credit limitation for foreign mineral income so that excess credits from this source cannot be used to reduce U.S. tax on other foreign income. However, we were not able to secure agreement to restore the House provision specifying that a taxpayer who uses the per country limitation and who reduces his U.S. tax on U.S. income by reason of the loss from a foreign country is to have the resulting tax benefit recaptured when income is subsequently derived from the foreign country involved. I regret the fact that this recapture provision is not included in the pending bill. I think that this is a worthwhile reform which should be considered in any future tax reform legislation.

The House bill reduced substantially the permissible deductions for the additions to bad debt reserves of financial institutions which were altogether excessive and resulted in unduly reducing the tax liabilities of these institutions. While the Senate bill also reduced such deductions, we on the House side did not believe that the Senate provisions were as effective as the House provisions. In conference we were able to reach agreement to restore much, but not all, of the effectiveness of the House provision. Under the pending bill, commercial banks are generally permitted to deduct additions to bad debt reserves at 1.8 percent of outstanding eligible loans for 6 years instead of the 2.4 percent level permitted by present law.

The 1.8 percent figure corresponds to the level of reserves permitted under the Senate bill. However, the deductions of commercial banks for this purpose are reduced gradually until after 18 years, they will be permitted to deduct only those bad debt expenses which are justified on the basis of their actual experience.

If a bank's reserve at the end of its taxable year is less than the appropriate permissible percentage, the reserve can be increased to this percentage as set forth in the act. For this purpose the pertinent percentage will also apply to any increase in eligible loans during the taxable year. Actual bad debt losses charged against the bad debt reserve during the year can, of course, be restored.

In addition, savings and loan institutions and mutual savings banks will generally be permitted to deduct as additions to bad debt reserves 40 percent of taxable income—half-way between the 50 percent of taxable income figure permitted under the Senate bill and the 30 percent

of taxable income figure under the House bill.

In the natural resource area, the overriding issue is the percentage depletion rate for oil and gas which now is 27½ percent of gross income. The House provision reduces percentage depletion rate to 20 percent while the Senate set this rate at 23 percent. The conferees agreed to a percentage depletion rate of 22 percent for oil and gas.

The conferees agreed to a Senate provision permitting percentage depletion on minerals taken from saline perennial lakes—but, of course, do not intend that any inference as to present law be drawn from this action.

I would like to stress, however, that under the pending bill the income from oil and gas wells will be subjected to increased taxes not only as a result of the reduction in the percentage depletion rate, but also as a result of the minimum tax which I have described above. This is because percentage depletion allowances in excess of the cost of the property is included as a tax preference under the minimum tax. I would also like to point out that in addition to reducing the percentage depletion rate on oil and gas, the pending bill provides for at least some reductions in the percentage depletion rates of a large number of other minerals. The Senate bill did not provide for such reductions.

The conference bill retains the present 6-month holding period for long-term capital gains. It is hard for me to see the logic of such a holding period which accords treatment akin to averaging for assets held for less than 1 year. However, the Senate bill deleted the House provision to extend the holding period to 1 year and the Senate conferees insisted on the same treatment. However, the House conferees were able to secure agreement on eliminating the 25 percent alternative rate for all gains in excess of the first $50,000 of gain. This goes a long way toward the original House provision.

The pending bill achieves very real tax reform by eliminating the widely prevalent abuses resulting from unduly large depreciation allowances. In general, under both the House and Senate bills, depreciation allowances are reduced substantially for all property except new residential housing which, because of the need for additional dwellings, continues to be eligible for the double declining balance method at 200 percent of straight line depreciation as well as for the sum of the digits method.

However; the Senate bill would have accorded used housing 150 percent of the straight line method in some cases. The conference report reduced this allowance for used residential housing to 125 percent of the straight line method where such property has a useful life of more than 20 years.

In addition, the conference report imposes stricter recapture rules than would be required by the Senate bill. These recapture rules are essential in order to insure that gains on the sale of property which are attributable to accelerated depreciation allowances taken previously are taxed as ordinary income rather than as capital gain.

A House provision granting State and local governments a subsidy if they voluntarily agree to issue taxable bonds was deleted by the Senate, and the Senate conferees insisted on this deletion. I regret that the pending bill does not include this subsidy provision. In my opinion, it is a useful device which would provide considerable opportunity for a State and local government to expand the markets for their securities without involving additional cost to them. However, in view of the present chaotic state of the market for State and local bonds and the present psychology of investors, apparently any change in the area of State and local government was frowned upon even where the change tries to help State and local governments as was the case of the subsidy provision. Accordingly, we had no choice but to agree to the deletion of this provision.

Finally, under both the House and Senate bills, the investment credit is generally repealed for property constructed on or after April 19, 1969, unless a binding contract for such construction was entered into before this date. The Senate added a number of amendments providing for continuing the investment credit in certain specified situations. However, for the most part these were eliminated in conference unless it was clear that they had substantial merit. For example, the conference eliminated Senate amendments to continue the investment credit for the first $20,000 of investment in eligible property, and for investment in depressed areas. The House conferees insisted on elimination of these exemptions because they would have been contrary to the fundamental purpose of repeal of the credit and would have involved an annual loss of $790 million which would clearly be inappropriate in the present budgetary situation.

So much for the details of the bill. In closing I would like to emphasize again that I am well aware this bill is not perfect in many respects. I don't think that anyone can be expected to agree with every single provision in the legislation. As I have indicated, I too have some reservations on some of the provisions and if I could write the bill myself, a number of the provisions would be changed substantially. But I think that we should all keep in mind the fact that this is inevitable with a bill of this magnitude. What is important in judging the bill is that it is a good bill—that its adoption will improve the tax system and will make our tax system a fairer system. In other words, the main question is, does this bill, on balance, improve the tax system? I think that the answer to this is unquestionably, yes. The taxpayers are looking to us for tax reform and for tax relief. This bill provides this relief and reform.

Mr. VANIK. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Ohio.

Mr. VANIK. Mr. Speaker, I would like to inquire what action the conferees took on the provisions of the law which permits a taxpayer to deduct interest on the late payments of taxes to the Federal Government.

Mr. MILLS. I think I understand what the gentleman means. Is that the situation, for example, where an individual files his income tax which shows he owes $5,000, and he has not transmitted payment?

Mr. VANIK. And he pays the Government 6 percent interest on his money, which he would otherwise have to pay 8 or 9 percent on.

Mr. MILLS. We have corrected that. In addition to the continued requirement of paying the 6-percent interest that is presently in the law, which, of course, is deductible once it is paid, there is a provision that says for each month this taxpayer is delinquent in paying the tax he says he owes, there is a one-half of 1 percent interest charged for each month he waits. If he waits a whole year, it is 6 percent. This 6 percent is not deductible from the income tax as interest.

So in the case of a 50-percent taxpayer, he is out of pocket about 9 percent. He gets 3 percent on the first 6 percent as a deduction, but he pays the remaining total 6 percent, which must come out of his income after tax. As a result he will be paying 9 percent as the privilege of delaying his payment to the Government, which is rather a heavy charge, and I think that is a great improvement.

Mr. FULTON of Pennsylvania. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Pennsylvania.

Mr. FULTON of Pennsylvania. Mr. Speaker, my question is the exact opposite from that asked by the gentleman from Ohio.

When people want to help their own communities by paying their local taxes ahead of time because of the local stringency on tax money, is that a deduction? For example, in 1969 if an individual wants to pay his local community taxes for 1970 in 1969, is there any way that can be worked out as an adjustment in the 1969 tax?

Mr. MILLS. No, he is not permitted to deduct those taxes until 1970.

Mr. FULTON of Pennsylvania. I want to know whether under this bill that will be.

Mr. MILLS. That is not affected in this bill.

Mr. FULTON of Pennsylvania. Will it be in 1970, if one pays his local taxes ahead of time?

Mr. MILLS. No, that is not affected in this bill. We leave those provisions of the law as they are. He does not get a deduction until the taxes are due.

Mr. RHODES. Mr. Speaker, will the genteman yield?

Mr. MILLS. I am glad to yield to the gentleman from Arizona.

Mr. RHODES. First, I want to compliment the gentleman from Arkansas for his usual workmanlike job in explaining a very complex bill.

In order to ask this question I shall have to give a hypothetical case.

I understand a provision inserted in the bill by the Senate would have made the following a taxable transaction:

Corporation A decides to divide its assets equally between newly formed corporations B and C, taking the capital stock of corporations B and C, as payment.

The stock of corporation B would then be spun off to one group of corporation A stockholders, the stock in corporation B contemporaneously being spun off to the other group of corporation A stockholders. The end result would leave the stockholders of corporation A with stock in the corporations B and/or C with substantially the same book value as the original holdings in corporation A possessed.

It is my understanding that amendments made in conference would leave such a transaction in the same position as it occupies under the present law. Is this correct?

Mr. MILLS. The gentleman is correct.

The SPEAKER pro tempore. The time yielded by the gentleman from Arkansas has expired.

Mr. MILLS. Mr. Speaker, I yield myself 1 additional minute

Mr. ROUDEBUSH. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Indiana.

Mr. ROUDEBUSH. I know the gentleman from Arkansas shares my concern, because we have been over this many times in the past, as to the effect of the increase in social security on those veterans who receive nonservice, totally permanent injuries. I wonder if the gentleman will explain any understanding he has along the line, so that we who want to support this tax bill will know these former members of the armed services are protected.

Mr. MILLS. It is my understanding from talking with the chairman of the Veterans' Affairs Committee—and I do not see him on the floor now—that it would be his intention to have his committee report legislation sometime in the coming year that would discount that portion of social security which would be required to be discounted in order to avoid the income level rising in the hands of the veteran to such an extent that his pension would be reduced; just as we did in 1967. The gentleman will remember that his committee reported such legislation after we passed the social security bill.

It should be borne in mind, this is not a matter that has to be passed right now or in the immediate future, because we are talking about income that the veteran may have in the year 1970 for the purpose of determining whether or not he is eligible to a pension in the following year.

The SPEAKER pro tempore. The time yielded by the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 1 additional minute.

Mr. ROUDEBUSH. I thank the gentleman, and I agree that the report on that income would have to be made January 1, 1971.

Mr. MILLS. That is right. It is my understanding it would affect what the veteran would get in 1971 rather than 1970.

Mr. ROUDEBUSH. That is correct.

Mr. TEAGUE of California. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from California.

Mr. TEAGUE of California. As the ranking Republican on the Committee on Veterans' Affairs I am glad to say it is my understanding that the gentleman in the well, the gentleman from Arkansas (Mr. MILLS), has correctly stated the intensions of the chairman of the Committee on Veterans' Affairs.

Mr. MILLS. I appreciate that affirmation.

Mr. DORN. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from South Carolina.

Mr. DORN. I should like to commend the distinguished chairman, of course, for his outstanding work on this bill. I should like to ask about section 433, I believe it is, where in the House version there was some reference to the small bankers. The case I have in mind is of a small banker.

Mr. MILLS. Is the gentleman referring to the provision of the House bill that converted the gain on a bond to ordinary income?

Mr. DORN. Capital gains on municipal bonds, and the change of the rules in the middle of the ball game.

Mr. MILLS. The House bill was too harsh in that respect.

The SPEAKER pro tempore. The time yielded by the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 2 additional minutes.

In one sense we were levying a tax increase on the holders of these assets, retroactively. A bank might have bought a municipal bond, let us say, in 1961, which might have had a 20-year maturity. We made this change effective in July of 1969. Certainly there were 8 or 9 years of appreciation in value in the past to which we were denying the 25 percent rate, and saying, "You have to be now taxed at the ordinary income rate."

What we have done is to pick the day July 11 as the point of departure. Any assets that were owned by one of these institutions on that date would have the appreciation attributable to the time prior to July 12 continue to result in capital gain no matter when realized. The portion of the gain attributable to the period after July 12 will be treated as ordinary income. The portions of the gains attributable to these two periods will be determined on a pro rata basis—the portions of the period the bond is held which is before and after July 11.

The reason why we make this change, I think the gentleman realizes, is we presently allow banks—and only banks, no individual or other corporation—the privilege of deducting against their ordinary income the losses that they incur with respect to bonds they held, whether they are State, local, Federal, or corporate bonds. So if they have the privilege of writing off losses as ordinary losses, is it not fair that any gain they have be treated as ordinary income? But certainly it would not be fair to treat them that way with respect to gains on holdings attributable to the past.

Mr. FRELINGHUYSEN. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from New Jersey.

Mr. FRELINGHUYSEN. Mr. Speaker, I would like to commend the chairman of the committee for a very comprehensive statement.

I have a brief question about charitable contributions of tangible personal property, because I understand the language on page 294 to be that tangible personal property may be given—for example, an art object may be given to a museum—without the imposition of a capital gains tax.

Mr. MILLS. That is true.

Mr. FRELINGHUYSEN. But I am not sure whether or not the language means the property is related to the tax-exempt property of the donee. Supposing an art object were given to a university. Would that require a tax on the appreciation?

Mr. MILLS. Not if the university used it in accordance with some educational program of the university, in an art appreciation course or something of that type.

Mr. FRELINGHUYSEN. Suppose it were to be sold by the university or an object of art were given to a hospital, for example, in order to have that object sold for the use of the hospital or the money to be used for that purpose.

Mr. MILLS. It is the use of the property that is the determining factor. If it was contemplated that the property would be sold, rather than used for the organization's exempt purposes, then the appreciation must be taken into account for tax purposes by the donor.

The SPEAKER pro tempore. The time of the gentleman has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 2 additional minutes.

What we are trying to say is that we will allow you to give this appreciated property and take today's market value as a charitable deduction without any tax consequences to you whatsoever if you give it to a charitable organization that normally would use the property for its exempt purpose. Now, a clear case is a gift of a picture or work of sculpture, or anything of that sort, to a museum. The question does arise with respect to a college or university as to whether or not they are using this for their exempt purpose, whether it is used in their teaching. Of course, the college could have a course in art, and if the gift were to be used for that purpose it would probably qualify as such a gift.

Mr. FRELINGHUYSEN. If, for instance, an object were given to a hospital and the intention on the part of the donor and hospital was to sell the object, would that require a tax on the appreciation of the value of that?

Mr. MILLS. The appreciation would be taken into account for tax purposes in that case, because of the requirement that the property be given where it is really used for the exempt purpose of the organization.

Mr. BYRNES of Wisconsin. Will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. I do not think it would be done on the appreciated value. You would have to deduct it so it would relate to its value.

Mr. MILLS. The modifications made by the Senate, which was agreed to by the

conference, provides that the appreciation is taken into account by reducing the charitable contribution by one-half the appreciation, if the property involved is a capital asset.

Mr. BYRNES of Wisconsin. That is true.

Mr. HARSHA. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman.

Mr. HARSHA. This is in reference to losses. Capital gains or capital losses on stock transactions. As I understand it, under the present law you can deduct total losses from ordinary income at the rate of $2,000 per year.

Mr. MILLS. An individual can deduct $1,000 a year against ordinary income and carry over the remainder to subsequent years to offset losses in those years or to the extend of $1,000 a year to offset ordinary income.

The SPEAKER pro tempore. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 2 additional minutes.

Mr. HARSHA. This means that one would have to incur a $2,000 loss in order to get credit for the $1,000?

Mr. MILLS. That is the case. Since nearly half of capital gains are taken into income it was thought that when losses are offset against ordinary income only half the loss should be allowed.

Mr. HARSHA. Mr. Speaker, if the gentleman will yield further, he could do that if this goes into effect? It is my understanding that it goes into effect next year. Am I right about that?

Mr. MILLS. Yes.

Mr. HARSHA. Assuming he would have a $5,000 loss this year and he carried part of that over into next year, how does that affect that loss which has incurred previously?

Mr. MILLS. Let me yield to the gentleman from Oregon (Mr. ULLMAN) to respond to that question.

Mr. ULLMAN. The new provision would not reduce a carryover from 1969 by one half.

Mr. MILLS. The reduction by one half applies to the years beginning after this year.

Mr. HARSHA. In other words, in case of a carryover, it does not apply?

Mr. MILLS. That is correct. I wanted that in the RECORD because I thought that was right.

Mr. BURTON of California. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from California.

Mr. BURTON of California. First, I would like to commend the distinguished gentleman from Arkansas (Mr. MILLS), the gentleman from Wisconsin (Mr. BYRNES) and the conferees for reflecting great credit upon themselves and upon the Congress with respect to this tax reform measure.

With respect to social security programs I would like to inquire of the gentleman from Arkansas with reference to two specific aspects of the conference agreement.

First, I understand that the amendment on which the gentleman and I have had discussions earlier this year with reference to disregarding the retroactive social security payments for those who also receive public assistance is in the bill. Would those retroactive payments be required to be disregarded by the States? This disregard applies not only to the aged, blind, and disabled, but also to AFDC recipients.

Mr. MILLS. The gentleman is correct.

Mr. BURTON of California. Certainly. As I understand the social security provisions, there is provided a 15-percent increase and that the States are required for those who receive the social security increase under the terms of this bill, it is expected and required of the States either to disregard that income or provide an equivalent increase in grants for all those on adult public assistance, of $4 a month?

Mr. MILLS. The State must, for payments made in April, May, and June of next year, disregard, insofar as a person getting social security is concerned not less than $4 of this increase in determining his grant under the State programs of aid for the aged, blind or disabled. We did not go beyond this but suggested that the States increase the payments to all recipients in the adult categories by $4. However, I want the RECORD to be eminently clear that there are enough savings resulting from the 15-percent increase in social security benefits to enable practically every State to raise every individual it has on its rolls in those three adult categories by $4 a month. There is enough savings in their own hands and most States will have money left after they do that. If this could be done on a uniform national basis the amount of net increase for these recipients could actually go to $4.35.

Mr. BURTON of California. Mr. Speaker, if the distinguished gentleman will yield further, to briefly restate what the gentleman has stated for those receiving social security income, the States are required to see that those persons are permitted to retain at least $4 of that increase, without reduction of their public assistance grants?

Mr. MILLS. In other words, if a person gets $80 a month now part of which is from social security that person's payment must be supplemented by the State so that he will have a combined payment counting both OASDI and public assistance of $84.

Mr. BURTON of California. As I understand it, and as has been stated by the chairman on previous occasions, it is the earnest desire and expectation of the committee, because of public assistance savings generated to the States under this bill, that the States will raise the grants $4 for those who are not helped by the social security disregard?

Mr. MILLS. We are not saying they have to do it, but I will be the most disappointed individual around here if they do not and when we come to the consideration of the welfare programs their actions will certainly be considered.

Mr. BURTON of California. The gentleman from Arkansas has anticipated my next question. I am very grateful for that reassurance as there are literally over 1.1 million aged, crippled and blind who are helped by the $4.00 disregard and when that question comes up in the committee deliberations next year, I rely upon the chairman's assurance if the States do not provide an increase for those people on public assistance but who do not receive social security that that failure to act will be taken into consideration when you review the public assistance program next year.

Mr. MILLS. The gentleman from California reads my mind.

Mr. Speaker, I now yield to the gentleman from Montana (Mr. MELCHER).

Mr. MELCHER. Mr. Speaker, I thank the gentleman for yielding. I might say, Mr. Speaker, that the distinguished chairman of the Committee on Ways and Means has given a very lucid picture of the bill, but I do not recall that the gentleman has mentioned repeal of the investment tax credit.

Mr. MILLS. I did not get onto it as deeply as perhaps I should have. There is so much in this that I have not been able to cover in detail, but the 7-percent investment credit is repealed; there are no exceptions to it. There are some transitional rules we put in, not for the benefit of any individual company or one individual taxpayer, but as a result of general problems presented to the committee. By and large the investment credit rules are the same as the House-passed provisions.

Mr. MELCHER. Then the Senate amendment was stricken?

Mr. MILLS. The $20,000 exemption was stricken, as well as the amendment which would allow you to locate businesses in an area of underemployment. I believe the Senator from Alaska offered the letter amendment, and the Senator from Indiana, the $20,000 exemption, but they are both out of the conference.

Mr. MELCHER. Then under the effective date of April 18, the typical farmers and small businessmen could very well have a tax increase instead of securing tax relief for this calendar year, and also for the taxable year 1970?

Mr. MILLS. If he had gotten the benefit of the 7-percent provision to a large extent, and did not have a large family of children to which the $50 increase in personal exemptions for the last half of 1970 would apply and did not benefit from the new minimum standard deduction, then that might well occur, but this $20,000 exemption involves $720 million of revenue loss. We thought that we needed that amount of money for revenue purposes at this particular time.

The SPEAKER pro tempore. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. I yield myself 1 additional minute.

Mr. OTTINGER. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from New York.

Mr. OTTINGER. Mr. Speaker, I have two questions. Would the gentleman please explain what restrictions were placed, if any, in the operation of foundations in the public field?

Mr. MILLS. Mr. Speaker, I would suggest to the gentleman from New York

that there is a great deal in the report on this subject and to try to answer here would take considerable time. But this was the very first thing that we talked about in the statement of the managers on the part of the House, beginning on page 278 of the conference report, and if the gentleman will notice, he will see we continue on with this subject for several pages before we get to another subject matter. In fact, we go over to page 290 before we get onto a new subject matter. If the gentleman will read that, I believe that explains the situation in considerable detail. Basically we prohibit self dealing between foundations and their substantial contributors, require the current pay out of income, require the disposition of stock holdings above certain levels, prohibit investments in ways which jeopardize the foundations assets, and prohibit the foundations from getting into certain types of activities, such as trying to influence legislation.

The SPEAKER. The time of the gentleman has again expired.

Mr. MILLS. I yield myself 1 additional minute.

Mr. OTTINGER. Mr. Speaker, will the gentleman yield further?

Mr. MILLS. Yes, I will yield further to the gentleman from New York.

Mr. OTTINGER. Mr. Speaker, in the Senate, Senator ED KENNEDY pointed out that there were a large number of special interest provisions put in the Senate bill for individual companies.

Mr. MILLS. Well, we took out virtually all of those provisions including the one that he referred to as for the constituent in Massachusetts. Often, however, provisions may have quite wide application even though they are called to our attention by one person. Sometimes these are mistaken as special purpose provisions.

Mr. ZABLOCKI. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Wisconsin.

Mr. ZABLOCKI. Mr. Speaker, I thank the chairman for yielding. I want to join my other colleagues in commending the chairman, Mr. MILLS, and the ranking minority member, Mr. BYRNES and the entire committee for the excellent job they have done on the tax bill. Undoubtedly the gentleman from Arkansas recalls that when the bill was considered in the House in August we had a colloquy on the closing of certain tax loopholes?

Mr. MILLS. Yes; I do recall that.

Mr. ZABLOCKI. And on the revenue from advertising, I wondered if there had been any change in the House version in any way.

Mr. MILLS. In reply to the inquiry of the gentleman from Wisconsin let me say that there is a slight change. I would refer the gentleman to page 292 of the conference report.

Mr. ZABLOCKI. Mr. Speaker, am I correct in my understanding the conferees have agreed that; when an organization publishes more than one magazine, periodical, and so forth, the organization may treat the advertising appearing in these separate activities or publications on a consolidated basis for accounting purposes, but the editorial costs of any publications such as throwaways may be deducted only from advertising revenues of that publication, and not on a consolidated basis?

Mr. MILLS. The Senate amendment would have provided that the provision should apply only in the case of advertising, in the case of a sale by a hospital pharmacy of drugs to persons other than hospital patients, and in the operation of a race track by an exempt organization. The conference took our own House version but added one sentence. The conference substitute follows the House bill except that it provides that where an activity carried on for profit constitutes an unrelated trade or business no part of it is to be excluded from such classification merely because it does not result in profit.

Mr. ZABLOCKI. For purposes of clarification, in other words, the publication may consolidate the profit or loss for accounting purposes?

Mr. MILLS. It may consolidate where it is the policy to make a profit out of the publication of a journal involved.

Mr. ZABLOCKI. In other words, that is the House version in this instance is retained?

Mr. MILLS. That is right. The provision is the same as passed by the House except for one minor addition which does not go to the problem with which you are concerned.

Mr. ZABLOCKI. I thank the gentleman.

Mr. MATSUNAGA. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Hawaii.

Mr. MATSUNAGA. Will the gentleman from Arkansas explain what was done with reference to profit sharing?

Mr. MILLS. Yes. The provision treating as ordinary income amounts employers contribute to profit sharing arrangement where lump sum payments are made was stricken by the amendment on the floor of the Senate. We felt very strongly that the amount of the payment by the employer for the employee's benefit ought to be treated as ordinary income and not as a capital gain in the case of a lump-sum payment. So what we have done is provide for an averaging device. Looking only at what the employer has put into the fund, you disregard all of his other earned income, but you combine with any investment income he may have one-seventh of the amount he receives representing the employer's contribution. The tax on this amount is determined and also the extent to which this tax is attributable to employer contribution. Then you multiply this latter tax by seven. In that way you in effect spread this income out over a 7-year period and treat it as if it were ordinary income received over this period. On many amounts received the tax is less than that paid under present law. Of course where the amounts get quite large there would be a bigger tax. In other words the smaller amounts are not adversely affected, but the bigger amounts would be subjected to a heavier tax.

Mr. PUCINSKI. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Illinois.

Mr. PUCINSKI. I certainly share my colleagues' congratulations of the gentleman for the work that he and his committee have done.

I understand that they increased the deduction—that the increase in deduction does not become operative until after January 1, 1971.

Mr. MILLS. Not if the gentleman is talking about the personal exemption.

Mr. PUCINSKI. Yes, I am talking about the personal exemption.

Mr. MILLS. The first $50 increase in the personal exemption goes into effect on next July 1.

Mr. PUCINSKI. Actually, though, there are millions of Americans who are under tax withholding and they will feel some immediate relief from this bill in their first pay check after January 1, 1970, because you have readjusted the surtax. Is that correct?

Mr. MILLS. Yes. It is dropped from 10 percent to 5 percent. That is right. Actually there may also be many who will be affected by the new minimum standard deduction.

Mr. PUCINSKI. I wonder if the gentleman could comment on this matter. A person with an increase of $9,500 would save roughly $138 next year—2¼ percent—would he not?

Mr. MILLS. That would depend on how many exemptions he has. However, let me tell the gentleman a great many will be getting decreases next year because the low income allowance and the increase in the personal exemption to $650 will go into effect. The loss of revenue is estimated to be about $1.4 billion for 1970.

Mr. PUCINSKI. But the effect of the withholding will be felt almost immediately as a result of the readjustment.

Mr. MILLS. Oh, yes. There is a big difference—the difference between the 5-percent and a 10-percent surcharge as well as the difference in the minimum standard deduction. Then the withholding will reflect another decrease next July when they get the benefit of an increased personal exemption, also at that time for withholding purposes the 5-percent surcharge goes off for the remainder of the year for withholding tax purposes.

Mr. TAYLOR. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman.

Mr. TAYLOR. Mr. Speaker, if I may ask the gentleman from Arkansas a question concerning donations, let us say an individual owns stock that cost $10,000 and a college is putting on a drive for money for building purposes. The individual gives that stock to the college, and the college immediately converts it into cash at an appreciated price of, let us say, $50,000. What effect will the bill have on the tax situation in such a case?

Mr. MILLS. That depends on the taxpayer's level of income. If the taxpayer is a $100,000-a-year man, he can give up to $30,000 in appreciated property under the provisions of the bill and get a deduction for it. You cannot get the full 50 percent credit for a contribution if you are giving property that has appreciated

in value unless you are in effect willing to convert the property into cash. We said, "If you want to come under the 50-percent provision, you can make the gift in cash, or for tax purposes treat it as if you had." Of course you can get credit for $30,000 if you want to give the gift in the form of property, and then you can carry the remainder of the deduction over to the next year.

Mr. TAYLOR. The amendment relates to the individual tax credit.

Mr. MILLS. Yes. There is a lower limit on what corporations can give—5 percent.

Mr. REID of New York. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from New York.

Mr. REID of New York. I thank the distinguished gentleman for yielding. Am I correct in stating that there is no change in the law relative either to appreciated property or crystal gifts to educational institutions?

Mr. MILLS. I regret to say the gentleman is correct. If ever there is a loophole in the law, it is in this business of being able to give property that has appreciated tremendously in value. It is possible to get a tax break and save money under the tax law, doing it all under the guise of charity. This is a part of the bill with which I do not agree completely. But we backed off of it, I guess because the people running the museums said, "If you do not let them donate property and receive a tax deduction, they will sell the property for the benefit of Europeans and we will be deprived of the opportunity to see it."

Mr. REID of New York. Second, Mr. Speaker, may I ask this question: It is my understanding that personal property, such as a painting, given to a charity or foundation is not taxable, but you have changed the statute as you have indicated a minute ago relative to appreciated property given to a charity or foundation?

Mr. MILLS. We limit the taxpayer in the deduction he may take. He can give this kind of property and get a charitable contribution deduction for up to 30 percent of his adjusted gross income.

Mr. Speaker, I include in my remarks a table which has been prepared by the staff of the Joint Committee on Internal Revenue Taxation which has a number of charts, tables, and other statistical information showing the financial effect, the dollar effect of any of these provisions:

TABLE 1.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

[In millions of dollars]

	1970	1971	1972	1974	Long run
Tax reform program under House bill [1]	+1,665	+2,080	+2,215	+2,650	+3,605
Repeal of investment credit	+2,500	+3,000	+3,000	+3,100	+3,300
Tax reform and repeal of investment credit [1]	+4,165	+5,080	+5,215	+5,750	+6,905
Income tax relief under House bill	[1] −1,912	[1] −6,568	−9,273	−9,273	−9,273
Balance between reform (+) and relief (−) under House bill [1]	+2,253	−1,488	−4,058	−3,523	−2,368
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,523	−688	−3,258	−3,523	−2,368

B. AS PASSED BY THE SENATE (DEC. 11, 1969)

	1970	1971	1972	1974	Long run
Tax form program under Senate bill	+915	+1,135	−455	+65	+895
Amendment of investment credit	+1,710	+2,200	+2,200	+2,300	+2,510
Tax reform and amendment of investment credit	+2,625	+3,335	+1,745	+2,365	+3,405
Income tax relief under Senate bill	−3,963	−8,883	−8,883	−8,883	−8,883
Balance between reform (+) and relief (−) under Senate bill [1]	−1,338	−5,548	−7,138	−6,581	−5,478
Extension of surcharge and excises	+4,720	+800	+800		
Total	+2,932	−4,748	−6,338	−6,518	−5,478

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

	1970	1971	1972	1974	Long run
Tax reform program under conference bill	+1,150	+1,430	+1,660	+2,195	+3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief under conference bill	−1,441	−4,927	−7,269	−9,134	−9,134
Balance between reform (+) and relief (−) under conference bill [1]	+2,209	−507	−2,619	−3,849	−2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	−1,819	−3,849	−2,514

[1] Revised.

TABLE 2.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY

[In millions of dollars]

	1970	1971	1972	1974	Long run
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)					
Tax reform program under House bill [1]	+1,665	+2,080	+2,215	+2,650	+3,605
Repeal of investment credit	+2,500	+3,000	+3,000	+3,100	+3,300
Tax reform and repeal of investment credit [1]	+4,165	+5,080	+5,215	+5,740	+6,905
Income tax relief:					
Low-income allowance	−625	−625	−625	−625	−625
Removal of phaseout on low income allowance		−2,027	−2,027	−2,027	−2,027
Increase in standard deduction [2]	[1] −1,087	[1] −867	−1,373	−1,373	−1,373
Rate reduction		−2,249	−4,498	−4,498	−4,498
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)—Continued					
Income tax relief:					
Maximum 50-percent rate on earned income	−200	−150	−100	−100	−100
Intermediate tax treatment for certain single persons, etc.		−650	−650	−650	−650
Total tax relief under House bill	[1] −1,912	[1] −6,568	−9,273	−9,273	−9,273
Balance between reform (+) and relief (−) under House bill [1]	+2,253	−1,488	−4,058	−3,523	−2,368
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,523	−688	−3,258	−3,523	−2,368

TABLE 2.BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY—Continued

[In millions of dollars]

	1970	1971	1972	1974	Long run
B. AS PASSED BY THE SENATE (DEC. 11, 1969)					
Tax reform program under Senate bill	+915	+1,135	—455	+65	+895
Amendment of investment credit	+1,710	+2,200	+2,200	+2,300	+2,510
Tax reform and amendment of investment credit	+2,625	+3,335	+1,745	+2,365	+3,405
Income tax relief:					
Low-income allowance	—550	—550	—550	—550	—550
Change in phaseout on low income allowance	—146	—1,507	—1,507	—1,507	—1,507
Increase in exemption	—3,267	—6,406	—6,406	—6,406	—6,406
Tax treatment of single single persons		—420	—420	—420	—420
Total tax relief under Senate bill	—3,963	—8,883	—8,883	—8,883	—8,883
Balance between reform (+) and relief (—) under Senate bill	—1,338	—5,548	—7,138	—6,518	—5,478
Extension of surcharge and excises	+4,270	+800	+800		
Total	+2,932	—4,748	—6,338	—6,518	—5,478
C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)					
Tax reform under conference bill	+1,150	+1,430	+1,660	+2,195	+3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief:					
Low-income allowance	—625	+1,592	—2,057	—2,057	—2,057
Increase in standard deduction [3]		—1,207	—1,355	—1,642	—1,642
Increase in exemption	—816	—1,633	—3,267	—4,845	—4,845
Maximum 50-percent rate on earned income		—75	—170	—170	—170
Tax treatment of single persons		—420	—420	—420	—420
Total tax relief under conference bill	—1,441	—4,927	—7,269	—9,134	—9,134
Balance between reform (+) and relief (—) under conference bill	+2,209	—507	—2,619	—3,849	—2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	—1,819	—3,849	—2,514

[1] Revised.
[2] 1970; 13 percent, $1,400 ceiling; 1971: 14 percent, $1,700 ceiling; 1972: 15 percent $2,000 ceiling.
[3] 1971: 13 percent, $1,500 ceiling; 1972: 14 percent, $2,000 ceiling; 1973: 15 percent, $2,000 ceiling.

TABLE 3.—INDIVIDUAL INCOME TAX LIABILITY—TAX UNDER PRESENT LAW AND AMOUNT AND PERCENTAGE OF CHANGE UNDER REFORM AND RELIEF PROVISIONS UNDER H.R. 13270 WHEN FULLY EFFECTIVE

Adjusted gross income class	Tax under present law [1] (millions)	Increase (+) decrease (—) from reform and relief provisions: Amount (millions)	Percentage
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)			
0 to $3,000	$1,169	—$775	—66.3
$3,000 to $5,000	3,320	—1,049	—31.6
$5,000 to $7,000	5,591	—996	—17.8
$7,000 to $10,000	11,792	—1,349	—11.4
$10,000 to $15,000	18,494	—1,932	—10.4
$15,000 to $20,000	9,184	—775	—8.4
$20,000 to $50,000	13,988	—976	—7.0
$50,000 to $100,000	6,659	—365	—5.5
$100,000 and over	7,686	+324	+4.2
Total	77,884	—7,893	—10.1
B. AS PASSED BY THE SENATE (DEC. 11, 1969)			
0 to $3,000	$1,169	—$925	—79.1
$3,000 to $5,000	3,320	—1,355	—40.8
$5,000 to $7,000	5,591	—1,581	—28.3
$7,000 to $10,000	11,792	—2,380	—20.2
$10,000 to $15,000	18,494	—2,460	—13.3
$15,000 to $20,000	9,184	—1,092	—11.9
$20,000 to $50,000	13,988	—851	—6.1
$50,000 to $100,000	6,659	—108	—1.6
$100,000 and over	7,686	+625	+8.1
Total	77,884	—10,128	—13.0
C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)			
0 to $3,000	$1,169	—$816	—69.8
$3,000 to $5,000	3,320	—1,101	—33.2
$5,000 to $7,000	5,591	—1,112	—19.9
$7,000 to $10,000	11,792	—1,859	—15.8
$10,000 to $15,000	18,494	—2,327	—12.6
$15,000 to $20,000	9,184	—791	—8.6
$20,000 to $50,000	13,988	—715	—5.1
$50,000 to $100,000	6,659	—128	—1.9
$100,000 and over	7,686	+557	+7.2
Total	77,884	—8,294	—10.6

[1] Exclusive of tax surcharge.

Note: Details do not necessarily add to totals because of rounding.

TABLE 4.—TAX RELIEF PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE, BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

[In millions of dollars]

Adjusted gross income class	Reform provisions	Relief provisions: Low income allowance	Elimination of phaseout	15-percent $2,000 standard deduction	General rate reduction	Maximum tax on earned income	Intermediate tax treatment	Total relief provisions	Total, all provisions
0 to $3,000	+16	—552	—202		—27		—10	—791	—775
$3,000 to $5,000	—3	—72	—788		—141		—45	—1,046	—1,049
$5,000 to $7,000	+3	—1	—594		—329		—75	—999	—996
$7,000 to $10,000	+7		—335	—228	—663		—130	—1,356	—1,349
$10,000 to $15,000	+26		—83	—789	—975		—111	—1,958	—1,932
$15,000 to $20,000	+23		—16	—231	—496		—55	—798	—775
$20,000 to $50,000	+90		—8	—117	—806		—135	—1,066	—976
$50,000 to $100,000	+137		—1	—7	—420	—20	—54	—502	—365
$100,000 and over	+1,081			—1	—641	—80	—35	—757	+324
Total	+1,380	—625	—2,027	—1,373	—4,498	—100	—650	—9,273	—7,893

TABLE 4.—TAX RELIEF PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS

B. AS PASSED BY THE SENATE (DEC. 11, 1969)

[In millions of dollars]

Adjusted gross income class	Reform provisions	Relief provisions				Total, all provisions
		Low income allowance	$800 exemption	Tax treatment of single persons	Total relief provisions	
0 to $3,000	−69	−682	−174		−856	−925
$3,000 to $5,000	−159	−719	−477		−1,196	−1,355
$5,000 to $7,000	−313	−458	−803	−7	−1,268	−1,581
$7,000 to $10,000	−492	−198	−1,645	−45	−1,888	−2,380
$10,000 to $15,000	−517		−1,875	−68	−1,943	−2,460
$15,000 to $20,000	−391		−639	−62	−701	−1,092
$20,000 to $50,000	−57		−615	−179	−794	−851
$50,000 to $100,000	+71		−139	−40	−179	−108
$100,000 and over	+682		−40	−17	−57	+625
Total	−1,245	−2,057	−6,406	−420	−8,883	−10,128

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

[In millions of dollars]

Adjusted gross income class	Reform provisions	Relief provisions						Total all provisions
		Low income allowance	$750 exemption	15-percent $2,000 standard deduction	Maximum tax on earned income	Tax treatment of single persons	Total relief provisions	
0 to $3,000	+6	−682	−140				−822	−816
$3,000 to $5,000	−6	−719	−366	−10			−1,095	−1,101
$5,000 to $7,000	−4	−458	−612	−31		−7	−1,108	−1,112
$7,000 to $10,000	−5	−198	−1,244	−366		−45	−1,853	−1,858
$10,000 to $15,000	+6		−1,407	−858		−68	−2,333	−2,327
$15,000 to $20,000	−7		−480	−242		−62	−784	−791
$20,000 to $50,000	+56		−462	−125	−5	−179	−771	−715
$50,000 to $100,000	+54		−104	−8	−30	−40	−182	−128
$100,000 and over	+740		−30	−1	−135	−17	−183	+557
Total	+840	−2,057	−4,845	−1,642	−170	−420	−9,134	−8,294

Note: Details do not necessarily add to totals because of rounding.

TABLE 4A.—INDIVIDUAL INCOME TAX RELIEF PROVISIONS IN H.R. 13270, CALENDAR YEARS 1970–73

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Provision	1970	1971	1972	1973
Minimum standard deduction	$1,100–1:2 [1]	$1,100	$1,100	
Percentage standard deduction	13 percent—$1,400	14 percent—$1,700	15 percent—$2,000	
Rate reduction [2]		½ of reduction	Full reduction	
Maximum tax rate on earned income [3]	50 percent	50 percent	50 percent	
Intermediate tax treatment for certain single persons, etc. [4]		½ split income benefit	½ split income benefit	

B. AS PASSED BY THE SENATE

Minimum standard deduction	$1,000–1:4 [5]	$1,000	$1,000	
Personal exemption	$700	$800	$800	
Tax treatment of single persons		Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.	

C. AS APPROVED BY THE CONFERENCE

Minimum standard deduction	$1,100–1:2 [1]	$1,050–1:15 [6]	$1,000	$1,000.
Percentage standard deduction		13 percent—$1,500	14 percent—$2,000	15 percent—$2,000.
Personal exemption	$650 from July 1	$650	$700	$750.
Maximum tax rate on earned income [3]		60 percent	50 percent	50 percent.
Tax treatment of single persons		Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.

[1] This low-income allowance, or minimum standard deduction, is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,100) by $1 for every $2 of adjusted gross income in excess of the 1970 nontaxable level.

[2] A reduction of at least 1 percentage point in each bracket with a 5 percent or more reduction in tax in all brackets, taking place in 2 equal stages in 1971 and 1972.

[3] Under the House bill the specified maximum marginal rate is applicable to earned income; under the conference bill the specified maximum marginal rate is applicable to earned income less preference income over $30,000 in the current year or the average tax preferences in excess of $30,000 for the current year and the prior 4 years, whichever is greater.

[4] Widows and widowers, regardless of age, and single persons age 35 and over use the head of household rate schedule, i.e., tax liability halfway between that of the regular rate schedule used by single persons and the joint return schedule; surviving spouses with dependent children under age 19 or attending school would have the joint return privilege.

[5] This entire minimum standard deduction ($1,000) is "phased out" by reducing it by $1 for every $4 of adjusted gross income above the nontaxable level.

[6] This minimum standard deduction is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,050) by $1 for every $15 of adjusted gross income in excess of the 1971 nontaxable level.

TABLE 5.—TAX REFORM PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS

[In millions]

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

Adjusted gross income class	Eliminate alternative tax rate on long-term gains [1]	6- to 12-month gains included at 100 percent [1]	Capital loss limitation	Pension plan provision	Life estates provision	Averaging including capital gains and 120 percent	Deferred compensation	Charitable deductions	Interest deduction	Reduced percentage depletion	Accumulation trusts	Moving expenses	Farm losses	Real estate	Tax-free dividends	Limit on tax preferences	Allocation	Total
0 to $3,000		+$1	+$5	(2)		(2)	(2)			+$1	(2)	−$1		(2)	(2)	+$10	(2)	+$16
$3,000 to $5,000		+2	+3	+$1		(2)	(2)			+1	(2)	−11		(2)	(2)	+1	(2)	−3
$5,000 to $7,000		+2	+5	+2		(2)	(2)			+2	+$1	−13		(2)	+$1	+3	(2)	+3
$7,000 to $10,000		+5	+9	+3		(2)	(2)			+2	+1	−23		+$5	+2	+3	(2)	+7
$10,000 to $15,000		+10	+15	+9		−$5	(2)			+5	+3	−29		+10	+3	+3	+$2	+26
$15,000 to $20,000		+10	+8	+6		−30	(2)			+5	+3	−10		+10	+3	+15	+3	+23
$20,000 to $50,000	+$1	+35	+16	+17	(2)	+110	(2)			+19	+16	−11		+45	+17	+10	+35	+90
$50,000 to $100,000	+11	+30	+4	+10	+$5	+105	+$5			+13	+17	−2	+$5	+50	+19	+10	+65	+137
$100,000 and over	+348	+55	(2)	+22	+5	−50	+20	+$20	+$20	+22	+29	(2)	+20	+140	+35	+30	+365	+1,081
Total	+360	+150	+65	+70	+10	−300	+25	+20	+20	+70	+70	+100	+25	+260	+80	+85	+470	+1,380

B. AS PASSED BY THE SENATE (DEC. 11, 1969)

[In millions]

Adjusted gross income class	Change alternative tax on long-term gains [1]	Capital loss limitation	Life estates provision	Averaging at 120 percent	Charitable deductions	Reduced per centage depletion	Accumulation trusts	Moving expenses	Foreign income	Farm losses	Real estate	Tax free dividends	Tax on preference income	Aged medical expenses	Transportation for disabled	Higher education expenses	Citrus grove costs	Children's exemption	Total
0 to $3,000		+$5		(2)		(2)	(2)	−$1			(2)	(2)	+$2	−$2	−$1	−$70		−$2	−$69
$3,000 to $5,000		+3		(2)		+$1	+$1	−12			(2)	(2)	(2)	−6	−8	−130		−8	−159
$5,000 to $7,000		+5		(2)		+1	+1	−14	(2)		(2)	+$1	(2)	−13	−18	−260	(2)	−16	−313
$7,000 to $10,000		+9		(2)		+1	+1	−26	+$1		+$5	+2	(2)	−18	−33	−410	(2)	−24	−492
$10,000 to $15,000		+15		−$5		+2	+5	−32	+3		+10	+3	(2)	−26	−20	−455	(2)	−17	−517
$15,000 to $20,000		+8		−20		+2	+6	−11	+10		+10	+3	(2)	−15	−5	−375	(2)	−4	−391
$20,000 to $50,000	+$1	+16	(2)	−45		+8	+30	−12	+10		+40	+17	+48	−65	−4	−100	+$2	−3	−57
$50,000 to $100,000	+7	+4	+$5	−30		+5	+32	−2	+1	+$5	+45	+19	+28	−49	−1		+3	−1	+71
$100,000 and over	+242	(2)	+5	−10	+$20	+10	+54	(2)	(2)	+20	+125	+35	+207	−31	(2)		+5	(2)	+682
Total	+250	+65	+10	−110	+20	+30	+130	−110	+25	+25	+235	+80	+285	−225	−90	−1,800	+10	−75	−1,245

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

[In millions]

Adjusted gross income class	Change alternative tax on long-term gains [1]	Capital loss limitation	Pension plan provision	Life estates provision	Averaging including capital gains and 120 percent	Charitable deductions	Interest deduction	Reduced percentage depletion	Accumulation trusts	Moving expenses	Farm losses	Real estate	Tax free dividends	Tax on preference income	Citrus grove costs	Total
0 to $3,000		+$5	(2)		(2)			(2)	(2)	−$1		(2)	(2)	+$2		+$6
$3,000 to $5,000		+3	+$1		(2)			+$1	+$1	−12		(2)	(2)	(2)		−6
$5,000 to $7,000		+5	+2		(2)			+1	+1	−14		(2)	+$1	(2)	(2)	−4
$7,000 to $10,000		+9	+3		(2)			+1	+1	−26		+$5	+2	(2)	(2)	−5
$10,000 to $15,000		+15	+8		−$5			+3	+4	−32		+10	+3	(2)	(2)	+6
$15,000 to $20,000		+8	+5		−30			+3	+5	−11		+10	+3	(2)	(2)	−7
$20,000 to $50,000	+$1	+16	+14	(2)	−110			+11	+27	−12		+42	+17	+48	+$2	+56
$50,000 to $100,000	+7	+4	+8	+$5	−105			+7	+28	−2	+$5	+47	+19	+28	+3	+54
$100,000 and over	+267	(2)	+19	+5	−50	+$20	+$20	+13	+48	(2)	+20	+131	+35	+207	+5	+740
Total	+275	+65	+60	+10	−300	+20	+20	+40	+115	−110	+25	+245	+80	+285	+10	+840

[1] Assumes ½ of effect as compared with no change in realization. [2] Less than $500,000.

TABLE 6.—REVENUE ESTIMATES, TAX REFORM UNDER H.R. 13270, CALENDAR YEAR LIABILITY [1]

[In millions of dollars]

Provision	As passed by the House of Representatives					As passed by the Senate					As approved by the conference				
	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run
Corporate capital gains	175	175	175	175	140	175	175	175	175	175	105	175	175	175	175
Foundations	65	70	75	85	100	20	25	25	25	30	35	35	40	45	55
Unrelated business income	5	5	5	5	20	5	5	5	5	20	5	5	5	5	20
Contributions	5	10	20	20	50	5	10	20	20	20	5	10	20	20	20
Farm losses	(2)	5	10	10	25	25	25	25	25	25	(2)	5	10	10	25
Moving expenses	−100	−100	−100	−100	−100	−110	−110	−110	−110	−110	−110	−110	−110	−110	−01
Railroad amortization [3]	(2)	−5	−15	−60	−85	−125	−115	−160	−185	−105	−105	−95	−140	−165	−85
Amortization of pollution facilities [3]	−40	−130	−230	−380	−400	−15	−40	−70	−115	−120	−15	−40	−70	−115	−120
Corporate mergers, etc	10	20	25	40	70	(2)	(2)	(2)	(2)	(2)	5	10	15	25	40
Multiple corporations	45	75	105	175	235	30	70	120	235	235	25	60	100	195	235
Accumulation trusts	50	70	70	70	70	5	10	35	60	130	10	25	35	55	115
Income averaging	−300	−300	−300	−300	−300	−110	−110	−110	−110	−110	−300	−300	−300	−300	−300
Deferred compensation:															
Restricted stock	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Other deferred compensation	(2)	(2)	5	10	25										

Footnotes at end of table.

TABLE 6.—REVENUE ESTIMATES, TAX REFORM UNDER H.R. 13270, CALENDAR YEAR LIABILTY [1]—Continued

[In millions of dollars]

Provision	As passed by the House of Representatives					As passed by the Senate					As approved by the conference				
	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run
Stock dividends	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	2()	(2)	(2)	(2)	(2)	(2)
Subchapter S	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Tax-free dividends				80	80				80	80				80	80
Financial institutions:															
Commercial banks:															
Reserves	250	250	250	250	250	225	150	125	100	100	225	150	125	100	250
Capital gains	50	50	50	50	50	(2)	5	5	10	50	5	10	15	25	50
Mutual thrift reserves:															
Savings and loan associations	10	25	35	60	125	10	20	30	40	40	20	35	45	60	85
Mutual savings banks	(2)	5	10	15	35	20	25	30	35	35	25	25	30	30	35
Tax-exempt interest	(2)	(2)	(2)	(2)	(2)										
Individual capital gains:															
Capital loss provisions	50	50	55	60	65	50	50	55	60	65	50	50	55	60	65
6-months-1 year holding period [6]	100	150	150	150	150										
Pension plans	(2)	5	10	25	70						(2)	5	10	20	60
Casualty loss	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Sale of papers	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Life estates	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Franchises	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Alternative rate provision [6]	360	360	360	360	360	150	200	250	250	250	165	220	275	275	275
Natural resources:															
Production payment	100	110	125	150	200	100	110	125	150	200	110	110	125	150	200
Percentage depletion	400	400	400	400	400	150	150	150	150	150	235	235	235	235	235
Foreign depletion	25	10	(2)	(2)	(2)										
Foreign income:															
Loss carryover	35	35	35	35	35										
Restriction on mineral credits	30	30	30	30	30										
Reduced exclusion						25	25	25	25	25					
Individual interest deduction	20	20	20	20	20								20	20	20
Regulated utilities [3 5]	60	140	185	260	310	60	140	185	260	310	60	140	185	260	310
Cooperatives	(2)	(2)	(2)	(2)	(2)										
Limit on tax preferences	40	50	60	70	85										
Allocation	205	420	425	440	470										
Tax on preference income						630	635	645	670	680	590	595	600	625	635
Real estate:															
Used property [3 5]	15	40	65	150	250	15	35	55	125	210	15	35	55	130	220
New nonhousing [3 5]	(2)	60	170	435	960	(2)	60	170	435	960	(2)	60	170	435	960
Capital gain, recapture	5	15	25	50	125	(2)	5	10	20	50	(2)	10	15	30	80
Rehabilitation [3 5]	−15	−50	−100	−200	−330	−15	−50	−100	−200	−330	−15	−50	−100	−200	−330
Medical expenses for aged						−225	−225	−225	−225	−225					
Transportation deduction for disabled						−90	−90	−90	−90	−90					
Exemption for foster children						(2)	(2)	(2)	(2)	(2)					
Revision of children's support test						−75	−75	−75	−75	−75					
Capitalization of citrus grove expenses						5	10	10	10	10	5	10	10	10	10
Credit for education expense									−1,800	−1,800	−1,800				
Total tax refor	[4] 1,665	[4] 2,080	[4] 2,215	[4] 2,650	[4] 3,605	915	1,135	−455	65	895	1,150	1,430	1,660	2,195	3,320
Plus investment credit	2,500	3,000	3,000	3,100	3,300	1,710	2,200	2,200	2,300	2,510	2,500	2,990	2,990	3,090	3,300
Total	[4] 4,165	[4] 5,080	[4] 5,215	[4] 5,750	[4] 6,905	2,625	3,335	1,745	2,365	3,405	3,650	4,420	4,650	5,285	6,620

[1] Except as indicated these estimates are all at current levels, the time difference being solely to show the phasein.
[2] Less than $2,500,000.
[3] The figures in the "long run" columns are for 1979.
[4] Revised.
[5] Assumes growth.
[6] Assumes ½ of effect as compared with no change in realization.

Note: Calendar year 1969 estimates, not shown above, are as follows: Under the House bill and the Conference bill repeal of the investment credit $900,000,000 and under the Senate bill amendment of the investment credit $370,000,000; under the House bill corporate capital gains $75,000,000. multiple corporations $20,000,000, accumulation trusts $20,000,000, and individual capital gains $175,000,000.

TABLE 7.—TAXABLE RETURNS UNDER PRESENT LAW AND NUMBER MADE NONTAXABLE BY RELIEF PROVISOINS OF H.R. 13270—Continued

[Number of returns in thousands]

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES [1] (AUG. 7, 1969)

Adjusted gross income class	Returns taxable under present law	Returns made nontaxable by low-income allowance and 15 percent $2,000 standard deduction [2]	Returns remaining taxable—but benefiting from the relief provisions [2]
0 to $3,000	10,053	5,149	4,904
$3,000 to $5,000	9,562	405	9,157
$5,000 to $7,000	9,779	24	9,755
$7,000 to $10,000	13,815	8	13,807
$10,000 to $15,000	13,062	4	13,058
$15,000 to $20,000	3,852	2	3,850
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	5,592	57,560

B. AS PASSED BY THE SENATE [3] (DEC. 11, 1969)

Adjusted gross income class	Returns taxable under present law	Returns made nontaxable by low income allowance and $800 exemption	Returns remaining taxable—but benefiting from the relief provision
0 to $3,000	10,053	6,111	3,942
$3,000 to $5,000	9,562	1,445	8,117
$5,000 to $7,000	9,779	570	9,209
$7,000 to $10,000	13,815	211	13,604
$10,000 to $15,000	13,062	36	13,026
$15,000 to $20,000	3,854		3,852
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	8,373	54,779

C. AS APPROVED BY THE CONFERENCE [4] (DEC. 19, 1969)

Adjusted gross income class	Returns taxable under present law	Returns made nontaxable by low-income allowance, 15 percent $2,000 standard deduction and $750 exemption	Returns remaining taxable—but benefiting from the relief provisions
0 to $3,000	10,053	5,846	4,207
$3,000 to $5,000	9,562	1,131	8,431
$5,000 to $7,000	9,779	424	9,355
$7,000 to $10,000	13,815	172	13,643
$10,000 to $15,000	13,062	28	13,034
$15,000 to $20,000	3,852	2	3,850
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	7,603	55,549

[1] Provisions effective for tax year 1972 and thereafter.
[2] Revised.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 8.—TAX BURDEN ON THE SINGLE PERSON UNDER PRESENT LAW[1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE[4]

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Single persons under 35 (other than widows and widowers): Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage	Single persons 35 and over (and widows and widowers at any age): Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0	0	0	0
$1,700	$115	0	$115	100.0	0	$115	100.0
$1,750	123	$7	116	94.3	$7	116	94.3
$1,800	130	13	117	90.0	13	117	90.0
$3,000	329	180	149	45.3	175	154	46.0
$3,500	415	258	157	37.8	250	165	39.8
$4,000	500	344	156	31.2	331	169	33.8
$5,000	671	524	147	21.9	501	170	25.3
$7,500	1,168	1,023	145	12.4	957	211	18.1
$10,000	1,742	1,507	235	13.5	1,399	343	19.7
$12,500	2,398	2,078	320	13.3	1,907	491	20.5
$15,000	3,154	2,806	348	11.0	2,532	622	19.7
$17,500	3,999	3,683	316	7.9	3,250	749	18.7
$20,000	4,918	4,650	268	5.4	4,042	876	17.8
$25,000	6,982	6,566	416	6.0	5,643	1,339	19.2

2. AS PASSED BY THE SENATE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0
$1,700	$115	0	$115	100.0
$1,750	123	0	123	100.0
$1,800	130	0	130	100.0
$3,000	329	$177	152	46.2
$3,500	415	259	156	37.6
$4,000	500	348	152	30.4
$5,000	671	538	133	19.8
$7,500	1,168	1,047	121	10.4
$10,000	1,742	1,640	102	5.9
$12,500	2,398	2,212	186	7.8
$15,000	3,154	2,833	321	10.2
$17,500	3,999	3,505	494	12.4
$20,000	4,918	4,238	680	13.8
$25,000	6,982	5,876	1,106	15.8

3. AS APPROVED BY THE CONFERENCE

Adjusted gross income (wages and salaries)	Tax under present law[1]	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0
$1,700	$115	0	$115	100.0
$1,750	123	0	123	100.0
$1,800	130	$7	123	94.6
$3,000	329	185	144	43.8
$3,500	415	267	147	35.5
$4,000	500	357	143	28.5
$5,000	671	547	124	18.4
$7,500	1,168	1,031	136	11.7
$10,000	1,742	1,530	212	12.2
$12,500	2,398	2,059	339	14.2
$15,000	3,154	2,702	452	14.3
$17,500	3,999	3,442	556	13.9
$20,000	4,918	4,255	663	13.5
$25,000	6,982	5,895	1,087	15.6

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Single persons under 35 (other than widows and widowers): Under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage	Single persons 35 and over (and widows and widowers at any age): Under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0	0	0	0
$1,700	$114	0	$114	100.0	0	$114	100.0
$1,750	120	$7	113	94.2	$7	113	94.2
$1,800	126	13	113	89.7	13	113	89.7
$3,000	286	180	106	37.1	175	111	38.8
$3,500	361	258	103	28.5	250	111	30.7
$4,000	439	344	95	21.6	331	108	24.6
$5,000	595	524	71	11.9	501	94	15.8
$7,500	1,031	976	55	5.3	915	115	11.3
$10,000	1,530	1,438	92	6.0	1,336	194	12.7
$12,500	2,092	1,976	116	5.5	1,816	276	13.2
$15,000	2,734	2,580	154	5.6	2,342	392	14.3
$17,500	3,460	3,265	195	5.6	2,910	550	15.9
$20,000	4,252	4,016	236	5.6	3,520	732	17.2
$25,000	6,025	5,688	337	5.6	4,905	1,120	18.6

TABLE 8.—TAX BURDEN ON THE SINGLE PERSON UNDER PRESENT LAY[1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE[4]—Continued

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME—Continued

2. AS PASSED BY THE SENATE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0
$1,700	$114	0	$114	100.0
$1,750	120	0	120	100.0
$1,800	126	0	126	100.0
$3,000	286	$177	109	38.1
$3,500	361	259	102	28.3
$4,000	439	348	91	20.7
$5,000	595	538	57	9.6
$7,500	1,031	974	57	5.5
$10,000	1,530	1,446	84	5.5
$12,500	2,092	1,953	139	6.6
$15,000	2,734	2,495	239	8.7
$17,500	3,460	3,080	380	11.0
$20,000	4,252	3,706	546	12.8
$25,000	6,025	5,122	903	15.0

3. AS APPROVED BY THE CONFERENCE

Adjusted gross income (wages and salaries)	Tax under present law[1]	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0
$1,700	$114	0	$114	100.0
$1,750	120	0	120	100.0
$1,800	126	$7	119	94.5
$3,000	286	185	101	35.4
$3,500	361	267	94	26.0
$4,000	439	357	82	18.6
$5,000	595	547	48	8.0
$7,500	1,031	984	47	4.6
$10,000	1,530	1,458	72	4.7
$12,500	2,092	1,965	127	6.1
$15,000	2,734	2,509	225	8.3
$17,500	3,460	3,094	366	10.6
$20,000	4,252	3,722	530	12.5
$25,000	6,025	5,140	885	14.7

[1] Exclusive of tax surcharge.
[2] Provisions effective for tax year 1972 and thereafter
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 9.—TAX BUROEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER PRESENT LAW[1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES[2] AS PASSED BY THE SENATE[3] AND AS APPROVED BY THE CONFERENCE[4]

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$1,600	0	0	0	0
$2,300	$98	0	$98	100.0
$2,500	126	$26	100	79.4
$2,600	140	39	101	72.1
$3,000	200	91	109	54.5
$3,500	275	158	117	42.5
$4,000	354	228	126	35.6
$5,000	501	375	126	25.1
$7,500	915	792	123	13.4
$10,000	1,342	1,174	168	12.5
$12,500	1,831	1,599	232	12.7
$15,000	2,335	2,098	237	10.1
$17,500	2,898	2,669	229	7.9
$20,000	3,484	3,276	208	6.0
$25,000	4,796	4,530	266	5.5

2. AS PASSED BY THE SENATE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$1,600	0	0	0	0
$2,300	$98	0	$98	100.0
$2,500	126	0	126	100.0
$2,600	140	0	140	100.0
$3,000	200	$56	144	72.0
$3,500	275	126	149	54.2
$4,000	354	200	154	43.5
$5,000	501	354	147	29.3
$7,500	915	791	124	13.6
$10,000	1,342	1,266	76	5.7
$12,500	1,831	1,743	88	4.8
$15,000	2,335	2,238	97	4.2
$17,500	2,898	2,798	100	3.5
$20,000	3,484	3,372	112	3.2
$25,000	4,796	4,668	128	2.7

TABLE 9.—TAX BURDEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES [2] AS PASSED BY THE SENATE [3] AND AS APPROVED BY THE CONFERENCE—Con.

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

3. AS APPROVED BY THE CONFERENCE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$1,600	0	0	0	0
$2,300	$98	0	$98	100.0
$2,500	126	0	126	100.0
$2,600	140	$14	126	90.0
$3,000	200	70	130	65.0
$3,500	275	140	135	49.1
$4,000	354	215	139	39.3
$5,000	501	370	131	26.2
$7,500	915	786	128	14.0
$10,000	1,342	1,190	152	11.3
$12,500	1,831	1,628	203	11.1
$15,000	2,335	2,150	185	7.9
$17,500	2,898	2,760	138	4.8
$20,000	3,484	3,400	84	2.4
$25,000	4,796	4,700	96	2.0

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

$1,600	0	0	0	0
$2,300	$96	0	$96	100.0
$2,500	119	$26	93	78.2
$2,600	130	39	91	70.0
$3,000	179	91	88	49.2
$3,500	241	158	83	34.4
$4,000	303	228	75	24.8
$5,000	434	375	59	13.6
$7,500	801	751	50	6.2
$10,000	1,190	1,120	70	5.9
$12,500	1,611	1,521	90	5.6
$15,000	2,062	1,951	111	5.4
$17,500	2,548	2,405	143	5.6
$20,000	3,060	2,876	184	6.0
$25,000	4,184	3,951	233	5.6

2. AS PASSED BY THE SENATE

$1,600	0	0	0	0
$2,300	$96	0	$96	100.0
$2,500	119	0	119	100.0
$2,600	130	0	130	100.0
$3,000	179	$56	123	68.7
$3,500	241	126	115	47.7
$4,000	303	200	103	34.0
$5,000	434	354	80	18.5
$7,500	801	725	76	9.5
$10,000	1,190	1,114	76	6.4
$12,500	1,611	1,523	88	5.5
$15,000	2,062	1,974	88	4.3
$17,500	2,548	2,448	100	3.9
$20,000	3,060	2,960	100	3.3
$25,000	4,184	4,072	112	2.7

3. AS APPROVED BY THE CONFERENCE

$1,600	0	0	0	0
$2,300	$96	0	$96	100.0
$2,500	119	0	119	100.0
$2,600	130	$14	116	89.3
$3,000	179	70	109	60.9
$3,500	241	140	101	41.8
$4,000	303	215	88	29.0
$5,000	434	370	64	14.8
$7,500	801	744	57	7.1
$10,000	1,190	1,133	57	4.8
$12,500	1,611	1,545	66	4.1
$15,000	2,062	1,996	66	3.2
$17,500	2,548	2,473	75	2.9
$20,000	3,060	2,985	75	2.5
$25,000	4,184	4,100	84	2.0

[1] Exclusive of tax surcharge.
[2] Provisions effective for tax year 1972 and thereafter.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 10.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES [2] AS PASSED BY THE SENATE [3] AND AS APPROVED BY THE CONFERENCE [4]

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$3,000	0	0	0	0
$3,500	$70	0	$70	100.0
$4,000	140	$65	75	53.6
$4,200	170	91	79	46.5
$5,000	290	200	90	31.0
$7,500	687	576	111	16.2
$10,000	1,114	958	156	14.0
$12,500	1,567	1,347	220	14.0
$15,000	2,062	1,846	216	10.5
$17,500	2,598	2,393	205	7.9
$20,000	3,160	2,968	192	6.1
$25,000	4,412	4,170	242	5.5

TABLE 10.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES, [2] AS PASSED BY THE SENATE, [3] AND AS APPROVED BY THE CONFERENCE [4]—Continued

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME—Continued

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES—Continued

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$15,000	2,062	1,846	216	10.5
$17,500	2,598	2,393	205	7.9
$20,000	3,160	2,968	192	6.1
$25,000	4,412	4,170	242	5.5

2. AS PASSED BY THE SENATE

$3,000	0	0	0	0
$3,500	$70	0	$70	100.0
$4,000	140	0	140	100.0
$4,200	170	0	170	100.0
$5,000	290	$112	178	61.4
$7,500	687	501	186	27.1
$10,000	1,114	962	152	13.6
$12,500	1,567	1,391	176	11.2
$15,000	2,062	1,886	176	8.5
$17,500	2,598	2,398	200	7.7
$20,000	3,160	2,960	200	6.3
$25,000	4,412	4,184	228	5.2

3. AS APPROVED BY THE CONFERENCE

$3,000	0	0	0	0
$3,500	$70	0	$70	100.0
$4,000	140	0	140	100.0
$4,200	170	$28	142	83.5
$5,000	290	140	150	51.7
$7,500	687	514	173	25.2
$10,000	1,114	905	209	18.8
$12,500	1,567	1,309	258	16.5
$15,000	2,062	1,820	242	11.7
$17,500	2,598	2,385	213	8.2
$20,000	3,160	3,010	150	4.8
$25,000	4,412	4,240	172	3.9

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

$3,000	0	0	0	0
$3,500	$66	0	$66	100.0
$4,000	123	$65	58	47.2
$4,200	147	91	56	38.1
$5,000	245	200	45	18.4
$7,500	578	540	38	6.6
$10,000	962	904	58	6.0
$12,500	1,352	1,273	79	5.8
$15,000	1,798	1,699	99	5.5
$17,500	2,249	2,130	119	5.3
$20,000	2,760	2,600	160	5.8
$25,000	3,848	3,627	221	5.7

2. AS PASSED BY THE SENATE

$3,000	0	0	0	0
$3,500	$66	0	$66	100.0
$4,000	123	0	123	100.0
$4,200	147	0	147	100.0
$5,000	245	$112	133	54.0
$7,500	578	442	136	23.3
$10,000	962	810	152	15.5
$12,500	1,352	1,200	152	11.8
$15,000	1,798	1,622	176	9.2
$17,500	2,249	2,073	176	7.8
$20,000	2,760	2,560	200	7.8
$25,000	3,848	3,624	244	5.2

C. AS APPROVED BY THE CONFERENCE

$3,000	0	0	0	0
$3,500	$66	0	$66	100.0
$4,000	123	0	123	100.0
$4,200	147	$28	119	80.9
$5,000	245	140	105	42.9
$7,500	578	476	102	17.7
$10,000	962	848	114	11.9
$12,500	1,352	1,238	114	8.4
$15,000	1,798	1,666	132	7.3
$17,500	2,249	2,117	132	5.9
$20,000	2,760	2,610	150	5.4
$25,000	3,848	3,680	168	4.4

[1] Exclusive of tax surcharge.
[2] Provisions effective for tax year 1972 and thereafter.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 11.—EFFECT OF H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES, AS PASSED BY THE SENATE, AND AS APPROVED BY THE CONFERENCE, FISCAL YEAR RECEIPTS, 1970 AND 1971

[In billions]

Provision	As passed by the House of Representatives		As passed by the Senate		As approved by the conference	
	Fiscal year		Fiscal year		Fiscal year	
	1970	1971	1970	1971	1970	1971
Tax reform provisions (+):						
Corporation	+$0.4	+$1.0	+$0.2	+$0.9	+$0.2	+$0.9
Individual	+.3	+.6	(3)	(3)	(3)	+.2
Total, tax reform provisions	+.7	+1.6	+.2	+.9	+.2	+1.1
Tax relief provisions (−): Individual	−.7	−3.6	−1.7	−6.1	−.3	−3.1
Other provisions (+):						
Repeal of investment credit:						
Corporation	+.9	+1.9	+.7	+1.6	+.9	+1.9
Individual	+.4	+.6	(3)	+.1	+.4	+.6
Total, repeal of investment credit	+1.3	+2.5	+.7	+1.7	+1.3	+2.5
Extension of tax surcharge:						
Corporation	+.3	+.7	+.3	+.7	+.3	+.7
Individual	+1.7	+.4	+1.7	+.4	+1.7	+.4
Total, surcharge extension	+2.0	+1.1	+2.0	+1.1	+2.0	+1.1
Extension of excise taxes	+.5	+1.1	+.5	+1.1	+.5	+1.1
Total, other provisions	+3.8	+4.7	+3.2	+3.9	+3.8	+4.7
Total, all provisions	+3.8	+2.7	+1.7	−1.3	+3.7	+2.7

[1] Does not reflect the increase in tax receipts resulting from the imposition of increased penalties for failure to pay tax and make deposits when due.

[2] Does not reflect increase in tax receipts resulting from the imposition of increased penalties for failure to pay tax and make deposits when due; nor the increase in receipts resulting from the provisions regarding the reporting of medical payments for which data are not available.

[3] Less than $50,000,000.

[4] Does not reflect $200,000,000 reduction in receipts resulting from certification of nontaxability for withholding tax purposes.

TABLE 12.—EFFECT OF MAJOR SOCIAL SECURITY AMENDMENTS IN H.R. 13270

[In billions]

	1970	1971	1972	1973	1974
A. AS PASSED BY THE SENATE					
Calendar years: [1]					
Benefits (−)	−$5.7	−$6.4	−$6.4	−$6.4	−$6.4
Tax (+)				+6.7	+6.7
Total	−5.7	−6.4	−6.4	+.3	+.3
Fiscal years: [1]					
Benefits (−)	−2.6	−6.3	−6.4	−6.4	−6.4
Tax (+)				+.7	+6.7
Total	−2.6	−6.3	−6.4	−5.7	+.3
B. AS APPROVED BY THE CONFERENCE					
Calendar years: [1]					
Benefits (−)	−$3.9	−$4.4	−$4.4	−$4.4	$4.4
Fiscal years: [1]					
Benefits (−)	−1.8	−4.3	−4.4	−4.4	−4.4

[1] These estimates are at present levels.

Mr. MILLS. Mr. Speaker, I yield 15 minutes to the gentleman from Wisconsin (Mr. BYRNES).

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks and to include extraneous material.)

Mr. BYRNES of Wisconsin. Mr. Speaker, we approach the end of a long, arduous, and at times very frustrating journey.

I am finishing my 24th year on The Ways and Means Committee, and in that time we have had some major undertakings in the field of trade, social security, and taxes, but I do not know of any legislation that has consumed more of our time than the consideration of the arduous task we undertook almost a year ago.

We have had a number of major reforms in the Tax Code since it was originally enacted in 1913. The general revision of 1939 was followed 15 years later by the basic revisions of 1954. I was involved in the basic reform of 1954, and it took a considerable period of time to produce the final product. Now, 15 years later, we have accomplished this basic revision during the current year.

I suppose we might ask the question, have the frustrations and the long hours and all that went into it been worthwhile? While I must confess that I am not elated at the results, since I had hoped for more than has been accomplished, I must conclude that it has been a worthwhile undertaking. It may be that my hopes were exaggerated. There were those who told us last year and again earlier this year, that Congress would not undertake meaningful reform of the Internal Revenue Code, that it was an impossibility, that it was something that would always be deferred. We have accomplished something that many said was not within the capability of the Congress, so maybe I should be elated when it is put in that context.

I am disappointed, however, because we cannot, Mr. Speaker, say that no one with substantial income will escape taxes.

Mr. LANDRUM. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Georgia.

Mr. LANDRUM. Mr. Speaker, we have heard the gentleman from Wisconsin talk about his hopes being abridged and his appreciation for what has been accomplished, and about not as much being accomplished as he had hoped for. I think I can speak for the majority, or I think when I say this I will be expressing the feelings of the majority of the Ways and Means Committee, that except for the diligent efforts of the distinguished chairman, the gentleman from Arkansas, and the distinguished ranking minority member, the gentleman from Wisconsin, in keeping all the members of the committee and the staff at work day and night over a longer period of time than I have known a committee to be kept at work since I have been a Member of this House, this would not have been accomplished, and the monumental task that has been accomplished is due in no small measure to the combined efforts of the distinguished gentleman from Arkansas, and the distinguished gentleman from Wisconsin.

Mr. Speaker, I am glad to have been a part of the group that these gentlemen led to this accomplishment.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Arkansas.

Mr. MILLS. Mr. Speaker, certainly I do not want the gentleman from Wisconsin to conclude his remarks and take his seat without my having an opportunity to thank the gentleman from Wisconsin from the bottom of a very grateful heart for the very splendid and wonderful cooperation that he gave, as well as the members of the committee on his side and the members on my own side of the aisle in developing this bill, first of all, in the Ways and Means Committee.

Then, Mr. Speaker, I want to thank the gentleman from Wisconsin again for standing as he did, along with the other members of the conference, to see to it that we developed in conference a conference report that could take on at least the characteristics of fiscal responsibility and the characteristics of tax reform.

I thank the gentleman, because without him none of this would have been possible.

Mr. BYRNES of Wisconsin. I thank the chairman most deeply.

I suppose some of my disappointment

results from the fact that we cannot say that no one with substantial income will be able to escape the payment of his fair share of taxes, since there are areas we did not come to grips with for one reason or another.

One of them, mentioned by the chairman, is the use of municipal bonds. Also, we did not do as much as we had hoped to do or as the House did in the area of closing the use of intangible drilling costs to reduce taxes. Presently, we allow these costs to be expensed rather than capitalized.

Additionally, the continuation of the special 200 percent declining balance and sum of the years digit methods of real estate depreciation on residential housing leaves avenues open to reduce or escape taxation.

There are justifications for the conference action in relaxing the House bill in this area, because of the great need for an increase in housing in this country. But the point still remains that some of these avenues have not been completely closed.

It is also regrettable that the reform represented by rate changes which were contained in the House bill and in the Senate Finance Committee bill were scuttled in the conference argument. It is rate reform, I would tell my colleagues, that is needed if we are to provide an equitable change in the tax burden on our people.

It is rate reform that will provide equity for the great mass of Americans in the middle income group. There was a complaint about the bill as it originally passed the House committee, because we did not recognize the problem of the individual in the middle income level who pays high state and local taxes, meets high interest payments on his home mortgage, and incurs high medical costs that prevent him from benefiting from the increase in the standard deduction. Similarly, the middle income groups will not benefit from the low-income allowance.

After the bill was reported from the Ways and Means Committee we recognized this gap, and the committee met again after it filed its report to provide rate changes benefiting the middle income groups as well as all other taxpayers. I must report to you that those rate changes, which were also included in the bill that passed the Senate Finance Committee, have been eliminated from the bill.

On the other hand, I would not want my disappointments to indicate that all of the work and effort underlying this bill have not been worthwhile, because they have been. The great majority of devices used to reduce or escape taxation have been materially limited.

While I disagree with some of the details of our final proposal—particularly the deletion of any reform in the area of tax exempt bonds—I do recommend the final bill to the House of Representatives.

By and large it combines most of the better elements in both the House and Senate bills.

In this connection, it is appropriate to emphasize the singularly unstinting efforts throughout the last year of the dedicated and able chief of staff of the Joint Committee on Internal Revenue Taxation, Dr. Woodworth, and his fine staff, and the Assistant Secretary and Deputy Assistant Secretary of Treasury for Tax Policy, Mr. Edwin Cohen and Mr. John Nolan, and their staffs. At the same time, I want to emphasize the contribution made by Mr. Ed Craft and his staff in the House legislative counsel's office in working long hours in the difficult task of drafting this legislation and the conference report. For a solid year these people have been burning the midnight oil to assist both the Ways and Means Committee and the Senate Finance Committee, as well as the conference committee to produce this monumental legislation.

I will not go into great detail, as this is provided in the conference report that is available to all the members and since our able chairman has provided his usual thorough and accurate explanation of the details of this bill. As one who has worked long and hard for tax reform, I do want to point out that this bill does represent a real accomplishment in three fundamental areas.

First, it increases tax equity by substantially closing loopholes that have enabled some citizens to avoid paying their fair share of taxes while imposing unduly heavy burdens on other citizens. When the tax reform bill was before the House in August, I pointed out that comprehensive reforms were recommended in nearly every major area of our Federal income tax law. These reforms have enabled us to include a program of tax relief that will reduce the unduly heavy burdens borne by the average American taxpayer who has for too long carried more than his fair share of the load. The tax reforms recommended will, in the long run, raise $6.6 billion, and the relief provided will total over $9 billion. This relief includes improved tax equity for single people, a liberalized standard deduction, and a low income allowance that will remove over 5 million low-income individuals from the tax rolls. A phased-in increase in the personal exemption from its present level of $600 to $750 is also included. The personal exemption, which was last increased from $500 to $600 by a Republican Congress in 1948, has long been considered inadequate.

The conferees also retained a fundamental improvement in the relief provisions of the House tax bill that will ensure that no one will pay a higher marginal rate on their earned income than 50 percent. By ensuring that the Federal Government will not be more than an equal partner, in the income earned by our citizens, a substantial reduction in incentive to avoid taxes through loopholes and a fundamental improvement in equity was achieved.

Second, the final bill takes an important step in the direction of a goal that I have consistently worked for—simplification of our complex tax laws for the average taxpayer. The conference agreement includes provisions that were in the House bill for liberalizing the standard deduction for the first time since this provision was enacted a quarter of a century ago. The standard deduction permits an individual to file a very simple return, but present law limits the standard deduction to 10 percent of an individual's income, or $1,000, whichever is less. The final bill would increase these limitations in stages to 15 percent of adjusted gross income subject to a $2,000 ceiling. This will enable 8.4 million individuals who now itemize to utilize the standard deduction and file the simplified return. The percentage of taxpayers using the standard deduction will increase from 58 percent to 70 percent.

In recent years, the Ways and Means Committee has addressed itself to the problem of taxpayers with fluctuations in income from year to year, who under our progressive tax rate schedule bear an unduly heavy tax burden. In the 1964 Revenue Act, Congress attempted to alleviate this "bunched income problem," by enacting the income averaging provisions, which permit an individual to even out the fluctuations in income—to average out the "bunching."

For many individuals, however, income averaging represents the greatest complexity in the law. This complexity largely stems from provisions of present law that deny income averaging to capital gains and income from gifts. Instead of computing simple averages, a taxpayer must net out these items through elaborate computations in the base period and the current taxable year. The House bill extended income averaging to capital gains and income from gifts, and also made income averaging available to citizens with smaller fluctuations in income than is required by provisions of existing law. These improvements, which were retained by the conferees, will greatly simplify the tax forms and enable the typical individual with bunched income problems to utilize the income averaging provisions.

Third, the conference agreement includes amendments that will provide fundamental improvements in the administration of our tax laws as they affect the American taxpayer. The Tax Court of the United States will be made an article one court with powers to enforce its own subpenas and other improvements that will enable it to more efficiently discharge its growing volume of business. Additionally, a procedure for adjudicating small claims is provided that will be informal, expeditious, and inexpensive. This procedure will be available in many other areas beyond the 50 cities in which the Tax Court now holds hearings. Under present law the expenses of litigation, the judicial formality necessarily associated with a transcript and written opinions, and the inconvenience and expense of travel impose a burden on the average taxpayer that dissuades him from seeking an independent judicial hearing in view of the small amount of taxes that may be in controversy. The new procedure will provide every American with the opportunity to have his "day in court" when he feels he is being treated unfairly by the Internal Revenue Service.

Another provision of the final bill provides for an advisory committee to assist the Internal Revenue Service with diffi-

cult administrative problems in the area of farm losses. Relief is provided for students and other individuals who only work part of the year, and from whom taxes are withheld that cannot be recovered until they file their returns in the following year. Provision is made for voluntary wage withholding agreements where it is convenient for employees not covered by existing law, and improvements are included to ensure that the graduated withholding that was enacted several years ago will not result in some citizens having an excess amount of taxes withheld from their wages.

Mr. Speaker, these goals are accomplished under the conference agreement consistent at least in the short run with the paramount need to be fiscally responsible. In the long run, however, there will be a loss under the conference agreement of $2.5 billion. During fiscal years 1970 and 1971, which are critical to the President's efforts to introduce order into the fiscal chaos he inherited, the conference agreement on the tax reform bill will result in an increase in revenues of $6.4 billion, including the extension of the surcharge and excise taxes, which is slightly less than the $6.5 billion increase provided for the same period under the House bill. We should take note of the fact that this conference agreement is a substantial improvement over the Senate bill which would have resulted in a $1.3 billion loss in fiscal 1971, increasing in 1972 and beyond until a long range loss of $5.5 billion annually was attained.

The SPEAKER, pro tempore. The time of the gentleman has again expired.

Mr. MILLS. I yield the gentleman 5 additional minutes.

Mr. ZWACH. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Minnesota.

Mr. ZWACH. When this bill left the House it had a tax on cooperatives and changed the formula for co-op tax loss. Are they now under this conference report in exactly the same position as they were previously?

Mr. BYRNES of Wisconsin. The present law prevails. That was eliminated in the conference.

Mr. ZWACH. And, the investment tax credit has been entirely eliminated?

Mr. BYRNES of Wisconsin. We repealed the investment credit in another bill that passed the House earlier this year. We repeated that action in the tax reform bill, and the conference agreement includes this repeal.

Mr. ZWACH. Mr. Speaker, with reference to the old age security benefits, the floor is still at $64 as it was in the House bill?

Mr. BYRNES of Wisconsin. Insofar as the social security provisions of this legislation are concerned—which I think is entirely separate from tax reform—we do not change that item. Including the Social Security provisions in the conference agreement was a means of expeditiously providing for the 15-percent across-the-board increase in benefits which was passed by the House in a separate bill on December 15. It was accepted in this conference, not because it had a place in tax reform, but simply as a method of expediting action. We accepted what the House did with one minor exception. This minor exception involves a "pass through" provision for social security beneficiaries on welfare that was not part of the social security bill that passed the House. In the interests of administrative simplicity, the States will, in determining the needs of their old age assistance cases, be required to ignore the benefit increase attributable to January and February that will be payable by a separate check in April. Additionally, the States will be required to ignore the $4 of the monthly increase in benefits received in April, May, and June. While I have real reservations about requiring the States to treat social security differently from other income individuals on public assistance receive, this will give the Ways and Means Committee time to review the entire question when we consider Social Security amendments and welfare reform early next year.

(Mr. ZWACH asked and was given permission to revise and extend his remarks.)

Mr. BUSH. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Texas, a most valuable member of the Committee on Ways and Means.

(Mr. BUSH asked and was given permission to revise and extend his remarks.)

Mr. BUSH. I thank the gentleman for yielding.

I would like to ask the gentleman to enlighten the House if he would on the overall impact of this legislation on inflation. Since the social security legislation is included, I think many Members are confused as to exactly what the effects are. As I understand the situation the bill produces a surplus in the first year, is that correct?

Mr. BYRNES of Wisconsin. Yes. But let me make this clear. I think social security should be considered entirely apart from tax reform, as an item that stands on its own feet. The funds for social security are raised through separate taxes.

In my opinion the tax reform and tax relief provisions contained in this legislation should also be considered apart from the extension of the surtax and the excise taxes. We acted on these items, which were included in the budget submitted by President Johnson in January and the revised budget submitted in April by President Nixon, in a separate bill in the House earlier this year.

This bill is fundamentally a tax reform bill and on that basis reform and relief provisions of the bill do leave us in fiscal 1970 $1.2 billion more than we would have had if we had simply extended the surtax and the excise taxes.

The SPEAKER pro tempore. The time of the gentleman from Wisconsin has expired.

Mr. MILLS. Mr. Speaker, I yield 5 additional minutes to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Mr. Speaker, I thank the gentleman for the additional time.

Mr. Speaker, I think our problem concerns the situation that will develop as a result of the long-range impact of some of the provisions of this legislation that will take effect in 1972, in 1973, and 1974. In the long run there is the potential of inflationary problems because this bill, taken by itself, does produce deficits in those years which would not exist if this bill was not passed.

But I would call attention to the fact that the balance of reform and relief in this bill will produce $1.2 billion of additional revenue in fiscal 1970, and if we include the extension of the excise taxes and the extension of the surcharge on a reduced basis, the bill produces an additional $3.7 billion for fiscal 1970.

Mr. MILLS. Mr. Speaker, if the gentleman will yield at that point——

Mr. BYRNES of Wisconsin. I yield to our distinguished chairman.

Mr. MILLS. Mr. Speaker, I have a table here that I referred to earlier that was prepared by the staff, and the Joint Committee on Internal Revenue, which shows that when the bill passed the House, in fiscal 1970, we would pick up, as a result of all of the provisions, $3.82 billion for fiscal year 1970, and $3.8 billion in 1971.

As the conference report comes back in the House, for fiscal 1970 we pick up $3.7 billion and in fiscal 1971 we pick up 2.7.

So as the gentleman from Wisconsin says, why, in those 2 years in the House bill we would be satisfied with the income.

Mr. BYRNES of Wisconsin. Mr. Speaker, as far as fiscal 1970 and 1971 are concerned—even disregarding the surtax extension and the excise tax extension which we considered as a separate item in the House—we are better off from an anti-inflationary and budgetary standpoint with this bill than we would be without it.

Mr. BUSH. Mr. Speaker, will the gentleman yield for an additional question?

Mr. BYRNES of Wisconsin. I will in just one moment.

However, I have to express a different opinion as it relates to 1973 and 1974, because in these years the bill before us does result in a loan of revenue.

Now I will yield to the gentleman from Texas.

Mr. BUSH. Mr. Speaker, I thank the gentleman for yielding. I understand the point made by the gentleman about separating social security, and I think from a tax standpoint it is a valid observation. But one of the things that concerns many of the Members of the House is the fact that the President indicated that he might have to veto the bill. I think he was speaking largely to the other body, because of the inflationary effects of the legislation that they passed.

Let me ask this question of the distinguished ranking minority member, and perhaps he would want to have the chairman join in answering it.

My question is this: If in subsequent years it becomes evident that a tax cut would be fiscally dangerous, is there

anything that precludes the Committee on Ways and Means from reconsidering and making suggestions that would be more appropriate to the economic conditions prevailing at that time?

Mr. BYRNES of Wisconsin. No Congress can bind another Congress. Certainly whoever is here the year after next can do what they feel the circumstances at that time require, either changing provisions of this act or amending other provisions of the tax law. We should not make our judgment about this conference report on the basis that no changes can or will be made.

I anticipate that we will consider various other changes in our tax law. We deferred action in some areas because of their complexities, the desire to have further studies, and the time limitations we were working under. I refer particularly to the area of estate and gift taxation. We have asked that the Treasury Department study the entire area of deferred compensation, and studies are going forward relative to the taxation of foreign income. The Committee on Ways and Means and the Congress is going to continue its work on taxes.

It is also my hope that from here on the Internal Revenue Service and the Treasury will be more alert than in the past pointing out to us areas of tax evasion as they develop and are used by taxpayers so that we can act promptly instead of letting them accumulate over a 15-year period.

I certainly feel that further changes need to be made and I would hope they would be recommended by the Committee on Ways and Means.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. MILLS. The gentleman from Texas raises what I think is a very good question. But for the life of me I do not see how any of us, and you are better informed in this field than I am, could look only at the tax side of the total fiscal picture and decide that something is, or is not, inflationary.

This bill itself is not inflationary. It is the combination of all things that one has to consider.

If we must assume, and admit, and continue to allow expenditures to be made faster than you get an increase in the revenues—and if you know that that is going to happen down the road—then of course we would be making a mistake in reducing taxes ahead of time.

If we know that we are not going to stop, and if we are going to let them go just as it has been in recent months—at the same rate of speed—there will be no place or any time for the taxpayer to get any relief now or in the future.

But in so doing you are looking only at one-half of the whole picture and trying to make a decision as to whether looking upon this one-half, we are creating inflation or not creating inflation.

The expenditure side must be added to it. It is a total of all that mixture that determines. I have said repeatedly I think the Congress is just as much in the right to establish as a No. 1 priority the return of some of the increment in taxes to the taxpayers as it has to establish as a No. 1 priority the retention of all of that money for use in enlarged programs or new programs of Government.

What we are doing here is to say that some of this will be returned down the road to the American taxpayers.

Mr. UTT. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from California.

(Mr. UTT asked and was given permission to revise and extend his remarks.)

[Mr. UTT addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. JONAS. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. JONAS. Can the gentleman in the well inform the House what is the latest and most current estimate of revenues for the fiscal year? We can exercise some control over the expenditure level in appropriation bills, but we cannot exercise much control over the revenues if earnings decline or there is a business slowdown. Is it not true that there may be a sharp fall in revenues next June 30, and do we have a current estimate?

Mr. BYRNES of Wisconsin. Since the chief of staff of the Joint Committee on Internal Revenue Taxation who assists the committee is here let me inquire whether they have made a recent recomputation of revenues. I yield to the gentleman from Arkansas (Mr. MILLS).

Mr. MILLS. I can give you the latest staff estimate for the fiscal year 1970 but I do not have the figure for 1971 yet.

Mr. JONAS. The 1970 figure is the one I am interested in.

Mr. MILLS. That is $198.8 billion—almost $200 billion.

Mr. JONAS. How is that changed from the estimate in the budget submitted last January?

Mr. MILLS. You would add to this figure which the President included in his budget, and I believe you did, 5 percent—and the repeal of the 7-percent investment tax credit.

Mr. JONAS. If I might interrupt, he included a lot of other things that Congress has not enacted.

Mr. MILLS. This is only revenue I am talking about. You would not add those figures to this. They are already in here.

Mr. JONAS. I had reference to the postal rate increase.

Mr. MILLS. That is not included in this.

Mr. JONAS. In this fiscal year income tax payments were made in September, in October, and the December 15 payment I think can be carried over to January 15.

Mr. MILLS. January 15.

Mr. JONAS. We ought to be able to have a fairly responsible estimate. I wonder how the estimate compiled by the joint committee coincides or compares with Treasury estimates that have been prepared for the committee.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Arkansas.

Mr. MILLS. This estimate is higher than the prior estimates prepared by the staff of the joint committee. These estimates vary somewhat from the Treasury estimates. I do not know what the present Treasury estimate of revenue is, but there has always been some relation.

Mr. JONAS. I guess we will not be able to get the final Treasury estimates until the first of the year. But I thought the House might be interested in the best estimate the committee could provide now. I understand it to be about $198 billion in revenue.

Mr. MILLS. We said also, you will remember, early in the year we would not exceed $191 billion of spending, was it? If we had stayed with that, we would have a sizable surplus altogether.

Mr. JONAS. I was interested to know whether there has been any estimate relating to changes in receipts—not in balances or surpluses.

Mr. MILLS. They have gone up.

Mr. BYRNES of Wisconsin. I yield to the gentleman from Florida.

Mr. HALEY. I thank the gentleman for yielding.

I would like to propound a question or two of the gentleman in the well, who is one of the most able men in the House, next to the gentleman from Arkansas.

I would like to propound this question to the gentleman: If the raise of 15 percent in the social security fund is passed by the House, in the opinion of the gentleman would that in any way jeopardize the actual soundness of this fund?

Mr. BYRNES of Wisconsin. No, the chief actuary for the social security program has advised us that the taxes assessed under current law for the Old-Age Survivors and Disability Insurance System will finance a 15-percent across-the-board benefit increase.

Additional liberalizations will, since we are using the present surplus for this 15-percent across-the-board benefit increase, will require a change in either the tax base or the tax rates, or a combination of the two.

Mr. HALEY. Mr. Speaker, will the gentleman yield further?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Florida.

Mr. HALEY. So that I may propound the same question to the chairman of the full committee.

Mr. BYRNES of Wisconsin. I hope he does not disagree with me.

Mr. MILLS. If the gentleman will yield, I can forego repeating the answer to the question by saying I agree completely with the gentleman from Wisconsin with respect to your question. I just wish I could say as much about the actuarial soundness of the hospital trust fund.

Mr. HALEY. Mr. Speaker, if the gentleman will yield further, now we have the opinion of two of the most able men in that field in the Congress of the United States.

Mr. ANDERSON of Illinois. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. I, too, wish

to compliment the gentleman now in the well for his splendid statement and his contribution to this act. I was particularly interested in that portion of your discussion where you related the fact that when the bill passed the House, there had been no change in the individual exemption. As I understand it, on the floor of the other body there were two proposals, one offered by the senior Senator from Illinois and also the junior Senator from Kansas, and one by the senior Senator from Tennessee, on the subject of increasing the personal exemption.

I would be interested in having the opinion of the gentleman from Wisconsin as to which of those positions was adopted by the conference committee.

Mr. BYRNES of Wisconsin. Frankly, if I were to make a judgment I would have said the more appropriate way to provide reform at this time was to give all of our people tax equity through rate revision rather than the personal exemption. If the gentleman wants my opinion, I would take the lesser of the two proposals, although I did not agree with either one of them.

Mr. ANDERSON of Illinois. But my question really was, the conference committee in its final position came closer to which position?

Mr. BYRNES of Wisconsin. I am no student of all the actions the Senate considered. I cannot comment on all the various amendments and actions of the Senate in the last month or so, but let me allow the gentleman to make his own conclusion by saying the increase in the personal exemption to $750 is phased in over a period of time to avoid having an adverse impact on fiscal years 1970 and 1971.

Mr. ANDERSON of Illinois. Mr. Speaker, let me ask just one more brief question further to show the gentleman's opinion. However, if we were to give really effective income tax relief to the middle income tax or average income taxpayer, it would have to be in the area of rate reform rather than tampering with the personal exemption?

Mr. BYRNES of Wisconsin. I think that would be true, because that has a more direct impact on all taxpayers. An increase in the personal exemptions is great for a man like myself with seven dependents, but it does not provide the same true equity to a person with one or two exemptions, so I have serious doubts about it.

Mr. ANDERSON of Illinois. Mr. Speaker, I thank the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Mr. Speaker, let me conclude my remarks by saying that this is not the millenium by any means but it is considerable improvement. Justice Holmes once said, "I like to pay taxes, it is the price of civilization." While most Americans are probably not as enamoured as Justice Holmes with the privilege of paying taxes, the great success of our voluntary self-assessment system attests to the responsibility all our citizens feel for supporting our democracy. This kind of support is essential if we are to raise the necessary revenues to meet our citical problems without an oppressive tax system inimical to the fundamental precepts underlining our form of government.

Tax scholars have often remarked that a tax system is capable of producing a relatively high yield with maximum taxpayer cooperation if it is fundamentally fair, but a very low yield with a high degree of taxpayer resistance if it is rifled with inequities. The serious inequities on which Congress focused in this bill were eroding the confidence of our citizens in the integrity of our tax system. The bill produced by the Conference agreement is an important step towards restoring taxpayer confidence in our tax system and will provide the basis for further reforms in the future.

Mr. Speaker, I think the conference report should be adopted.

Mr. WATSON. Mr. Speaker, the 15-percent increase in social security benefits to our retired citizens is long overdue, and that accomplishment alone makes this extraordinary Christmas week session worthwhile.

For several years, I have advocated an increase in these benefits for our elderly and retired people, who have to bear the most serious impact of the alarming increase in the cost of living. Too long have we spent billions upon billions of dollars on so-called poverty programs while allowing those Americans on social security to exist on less than poverty payments.

While applauding this long overdue help for our social security recipients, I am equally disappointed that the conference committee did not retain the educational tax credit feature of the bill. The costs of education have skyrocketed, and this tax relief should be the least we can do for our overburdened parent taxpayer. It seems most inconsistent for the Federal Government to provide every conceivable program for the education of the underprivileged, and I believe in helping them, yet we should also show some consideration for the American parent who is trying to pay for the tremendous cost of educating his children.

Although I am disappointed that such was not included in this year's bill, I shall continue to fight for the passage of the measures I have introduced to give our citizens some help in this area.

Mr. ZWACH. Mr. Speaker, it was in my assessment an unwise move on the part of the conferees to eliminate all investment credit. The farm producers and their smalltown supplier have not shared in the increased incomes. Instead they have been the victims of inflation. The producer also must in the main sell on a world market and buy on an American market. To compete he must do so by modernization. Investment credit was an assist to countryside America. A credit of $10,000 to $15,000 should be retained.

Mr. Speaker, another matter in which I feel the conferees errored seriously was in not making a larger across-the-board increase for those receiving the minimum. The cost increases of these recipients have been the same as those in the higher brackets. Yet in dollars their increases are very small. I had hoped that the Congress would have made further increases on these floor amounts before applying a percentage increase.

Mr. BUSH. Mr. Speaker, in August, when we voted on the tax bill I voted "No." I set out in the minority views in the Ways and Means Committee report and on the floor of the House my reasons for voting against the bill.

Basically I was opposed to the disincentives built into this bill and the Senate bill and I was strongly opposed to the inflationary effects of the Senate bill. In addition, I felt there was an imbalance in the bill between punishing investment and favoring cosumption. I felt that this would result in fewer goods being chased by more and more money. I still have serious reservations about some of these points.

But now we have a different bill before us—in my view a better bill. It includes a needed increase in social security benefits to our older citizens—a group whose savings have been eroded away by the ravages of inflation. I support the 15 percent across-the-board increase. I would prefer to see legislation encompassing the President's recommendation for a built-in cost-of-living increase; but the social security increase, which is accomplished without an increase in taxes is sound. I am troubled, I will admit, by the fact that we are in fact pumping more money out through this measure, but on balance this increase is needed, and since it can be accomplished without higher taxes I favor it.

The bill before us today is better than the House-passed bill in several other ways, but let me quickly add it still is imperfect.

I was amazed to find many Members of Congress feeling that the tax free features on municipal bonds was a loophole. At a time when the country is literally crying out for decentralized answers—for the "new federalism" concept that President Nixon advocates—the House charged in and passed a bill which in effect considered tax-free municipal bonds as loopholes. The conference appropriately omitted the alternative tax on municipals that we passed in the House and appropriately left municipals alone as far as the minimum tax goes.

If our cities and local governments are to finance themselves—if they are to innovate and solve problems locally—it is important that the tax-free status of municipal securities be protected. This we are doing in the legislation before us.

I do not like the thought of some rich person escaping all taxation because of putting his money into tax-exempt securities, but it is essential that a sound method of decentralized financing not be torpedoed in order to get at a miniscule handful of people who in my opinion stupidly invest all of their funds in tax-exempt issues. I personally feel our committee should keep probing for ways to see that all people with significant incomes pay some tax. We should not forget all about it—but I commend the Conference Committee for not shooting the piano player just because they did not like one tune.

I still am very much concerned about many of the disincentives in the bill. I favor tax credits and tax incentives as the way to answer many of our problems as opposed to direct Government subsidy or starting some new bureau on the Potomac to try to solve all the Nation's problems.

In this regard the conference improved on the House-passed bill as far as natural resource taxation goes—but the bill is still imperfect in this regard. I do not want to whip a dead horse, but I do want to remind the House that we are faced in this country with declining gas reserves. Our reserve to consumption ratios are plummeting. The new FPC chairman recently reiterated his concern about growing shortages of natural gas. He warned that the consumers will be facing major shortages, but the Congress plows ahead terming depletion on oil and gas a giant loophole. The House cut depletion from 27½ percent to 20 percent. The Senate bill set it at 23 percent. The conference has recommended 22 percent. I do not know what the magic figure should be. Many countries directly subsidized their oil industries due to the extra risks involved and due to the importance to national security that oil and gas carry. All I can say is that we are unwise to cut incentives at all in the face of declining reserve to consumption ratios. I do not support the cut to 23 percent just as I did not support the cut to 22 percent. I am bitterly disappointed that the conference kicked out the provision that would have raised the 50 percent of net limitation on depletion to 65 percent for certain operators. The independent is usually the real wildcatter. This little recognized provision would have given him additional incentive in order to look for more reserves.

I commend the conference for not altering the tax treatment of intangible drilling costs—the conference apparently recognized that this provision is more fundamental to the acquisition of future reserves than any other provision of the tax law.

I must again speak up against the taxation of foundations. The answer to the foundation problem is already wisely in the bill; namely, the provisions to make the foundations pay out their funds for charitable purposes and to see them butt out of politics and remain in the area of helping out in charitable, educational, and scientific pursuits. The bill properly eliminates "self-dealing." It cracks down on asset hoarding and it does not permit foundations to be a device by which families perpetuate control of businesses.

Yes, the bill corrects abuses, and this is as it should be. These are excellent reforms, but I cannot see why there should be a foundation tax. A fee for policing "yes," but a tax "no." The tax moves us again away from pluralism, away from innovative decentralization, away from the diversity we need so badly in trying to find new ways to solve the lingering old problems. To the degree we levy a tax—to that degree the legitimate services performed by foundations will now either go unperformed or there will be some new bill, some new plea to Washington, D.C., to solve the problem. It has become fashionable to assail foundations, but for the most part, they have done an imaginative, creative job and have made fantastic contributions to the general welfare.

To summarize, a 4-percent tax is less onerous than a 7-percent tax, but I oppose the theory of taxing legitimate charities. Clean up the ball game, blow the whistle on those who cheat, or get involved in non-tax-exempt pursuits, but don't sideline the players. Under the conference-approved bill, foundations will be able to continue in operation, but they will be slightly hobbled, at a time when the country is crying more than ever for innovation and new ideas to help the problems of the cities and the poor and underprivileged.

One thing that causes me grave concern is the tendency on the part of some Members of Congress to treat capital gains the same as income. I will not dwell on this, but I would like to remind the House that it is the private sector that provides the jobs. It is the private sector that does far more than Government toward the alleviation of human suffering. It is indeed that very fact—that there is a difference between capital and income— that makes our system strong and progressive. And now we see some well-intentioned Members wanting to redistribute the capital, as it were, through moving toward taxing capital on the same basis as income. This is wrong for this country. The bill's provisions are admittedly not sweeping in this regard, but it is the trend, the direction that bothers me—the direction away from capital accumulation and investment.

I reiterate my opposition to the tendency to restrict the horizontal flow of capital through such devices as cracking down on the ability of a man in the farming businesses to charge off his losses against other income. The conference bill is far better than the Senate bill in this regard, but again I warn against the direction that this legislation will take us.

In real estate I fear by cracking down on the rapid depreciation provisions on news commercial and industrial real estate we may adversely affect the building goals that this country faces over the next 20 years.

The conferees in my view should be commended by this House. They worked grueling hours and came up with a piece of legislation far better than the Senate bill or House bill as far as I am concerned. The increase in the personal exemption is long overdue. I would not have been able to vote for it, as much as I would have liked to see it, had the bill had the horrible inflationary effects of the Senate bill. I am impressed this bill should enable us to stay out of the red, for we must stay out of the red. Should the inflationary pressures still be as great in 1971 and 1972, it seems to me that the Congress can take a new look at the overall tax structure. I for one would not feel wed to the tax relief provisions of the bill should these provisions throw us into tremendous deficits in the years ahead.

It seems to me we are now in a position of delicate balance. People are crying for tax relief—the bill provides this. We repeal the investment tax credit which will give us more income and which after all was placed on to "get the economy moving again." We extend the surtax for a very shortrun period. We must be very careful that we not move too far away from the incentive to invest. We must, to phrase it differently, guard against recession at the same time we try to come to grips with the pressures of inflation—no easy task, this. Should we need investment incentives in the future I would prefer to see these done through changes in depreciation schedules rather than through trying to put on an investment tax credit.

For this bill to work out in the long run just as it is now written, there must continue to be a growing gross national product and there must continue to be strong business in this country. Without these the bill could prove to be disastrous—certainly we would have to come back in and change some things. I think we will continue to enjoy considerable growth in this country. Though I deplore certain of the disincentives in the bill, based on the way in which the conference has handled the income versus the outgo, I can now support the legislation. I do it with some little enthusiasm because I feel so strongly in opposition to some of the specific disincentive provisions I discussed above. I have not dwelled as long on the parts of the legislation I approve—much has been said on them here today.

My congratulations to Chairman MILLS and to Representative BYRNES and the others who worked so long and so hard on this legislation.

These men took a gigantic can of wiggly worms from the Senate. They did not exactly convert the worms to caviar—it is more like C-rations—but at least we can live with it.

Mr. UTT. Mr. Speaker, I have requested this time from the chairman of the committee to briefly explain my position on the conference report covering the tax reform bill. I took part in a most strenuous conference committee and signed the conference report, believing it to be the best solution to the differences between the House and Senate versions. I wish to compliment the conference committee for its joint efforts, and especially I wish to express my deep appreciation to Chairman MILLS, who presided over the joint conference throughout its long days and nights.

There were many items not in conference which therefore could not be considered for solution. I signed the report with the expressed understanding that I reserved my options to vote against the bill and to point out certain deficiencies in the legislation, which will have a terrific collateral impact on the American system of free enterprise.

I do not intend to urge anyone to vote against the bill, as there is much present gain to be found in the legislation. In case there appears to be a motion to recommit with instructions. I shall offer a straight motion to recommit the bill to the conference committee, for the sole purpose of using the parliamentary privilege granted to the minority, to protect the bill.

In this legislation there is the opening move to implement the Marxian philo-

sophy enunciated in "Das Kapital," to wit, the theory that earned income should receive a high privilege over "unearned income" in the form of rents, issues and profit, together with the belief that the capital gains dollar should not receive any preferred consideration.

Most of the earned income, which now stands at the highest per capita level of any country in the world, as well as having reached the highest point in our own history, could not occur, if it were not that some people have been able to accumulate sufficient reserve funds to expend from $20,000 to $30,000 to create one single job. In 1970 there will be 1,400,000 additional men and women coming into the work force. To provide gainful employment it will take $28 billion in plant expansion, machinery, and tools of the trade, to provide gainful employment for these 1,400,000. If there are no reserves, from whence will this money come?

The source of these funds, while coming from an aggregate of small savings, also comes in a large part from those people who have had the incentive and the motivation to put capital to work.

In 1970, the economy will demand another $16.5 billion to provide new housing for our expanding population. The young marrieds have the right to expect financing to be available for this purpose. That money also comes from reserve savings.

It will take another $18 billion for the repair and upgrading of existing housing. This money also comes from reserve savings.

These last three figures total up to $62.5 billion. This figure does not include repair and replacement of obsolescent machinery in order to maintain production at a high and efficient level.

These are just the needs in the private economic sector. The past few years the Federal Government has been sopping up these reserves as the first and biggest hog at the trough, followed closely by the financial demands of the States, the counties, the cities, the school districts, and water districts, to name but a few. These public demands will reach $20 billion in 1970. Add that to the previous total and you have in excess of $82 billion needed in 1970.

In the last 2 years, total accumulations available for the above needs have been falling, to a point in 1968 of $65 billion, and they are currently running at the rate of just under $61 billion. This will deteriorate further next year, with a deficit in excess of $20 billion.

We are all concerned about the scarcity of money and the high interest rates. We act as if we did not know what caused this scarcity and these high interest rates. It is much like the woman who, after having ten children, finally discovered what was causing it. Apparently, we cannot comprehend what causes the shortage of money. The simple answer is Government. When there is a demand for $4 and a supply of $3, the one who bids the highest will get the money. That is Government.

The current trend toward the abolition of capital has been long in the making, but like the time lag between the lighting of a fuse and the explosion of the dynamite, there is also a time lag between the shortage of funds and the skyrocketing of interest rates.

The theory behind the destruction of private capital is the theory that government should own all productive capacity, and then the fruits of that production would be spread among the 200,000,000 people in America. That sounds good, but it does not work that way.

Let me give you just one example of a privately owned domestic water company whose service rates are lower than the municipally owned water system in the city of Los Angeles, the city of Santa Ana, and in fact lower than any city rate in Orange County, Calif., none of which pays any tax, local, State, or Federal, and yet this privately owned water company pays 20 percent of its gross revenue to the county, State, and Federal Governments. If this system were sold to the city, that city would pay no tax, and even though it would save 20 percent of the revenues, the history is that inefficient operation, political jobs, and so forth, would eat up that tax saving, and the consumer would not be benefited.

The Federal Government owns, controls and operates 17 percent of the total productive capacity in the United States. It is being operated on a tax-free basis, and the consumer is not benefited, because of inefficient operation. That inefficiency occurs because there is no profit motive in its operation and, if this 17 percent could be returned to the private sector, it would yield more than $10 billion a year in tax revenues.

There is one area that this administration should examine and implement as rapidly as possible. That is the value added tax. We are outmaneuvered and outtraded by nearly every country in the world, from the Common Market to Japan, simply because we do not modernize our tax structure to provide fair and equal competition with the other countries of the world. Until we do this, all the loopholes in the law, if they were plugged, would not equal this one item alone. Not only would such a tax put us on an equal competitive basis, but it would soon correct the imbalance of payments under which we have suffered for years.

Mr. MILLS. Mr. Speaker, I yield such time as he may consume to the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Speaker, as one of the conferees I want to say just a word about the chairman of our conference, the gentleman from Arkansas, one of the most able men to have served in this great body. He certainly demonstrated it in those many, many hours that we sat in conference. There is nobody who knows more about the tax problem, and nobody who is more dedicated to tax reform and tax equity than is our chairman.

I would say this is monumental legislation. As has been stated by the distinguished gentleman from Wisconsin, certainly there are compromises in this bill, and there are things that each one of us would do differently, but, when we look down the long road of tax equity, this, indeed, is monumental.

It is a monument to the gentleman from Arkansas, and his distinguished and able efforts in this field.

I want also to say a word about the ranking minority member, the gentleman from Wisconsin, who was equally dedicated to tax reform in the many months this committee had this matter before it, and in the conference. I know this bill would not have been possible without his efforts also.

I am pleased to have been a part of it. I am proud of the bill. None of us will know its consequences for many months, and even years, but I believe over the long haul we will look upon this piece of legislation as milestone legislation.

(Mr. ULLMAN asked and was given permission to revise and extend his remarks.)

Mr. MILLS. Mr. Speaker, I yield 5 minutes to the gentleman from New York (Mr. CONABLE).

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Speaker, if I may be forgiven a poetic allusion at this intensely practical moment in the life of the House, I should like to call up the words of the great Scotch poet who, when he scattered the nest of a mouse with his plow, said not only—

> The best-laid schemes o' mice an' men,
> Gang aft a-gley—

But also ended his poem with the the words—

> But, och! I backward cast my e'e
> On prospects drear.'
> An' forward, though I canna see,
> I guess and fear!

These lines have some relevance to the situation in which we find ourselves. There are many people, aware of the chances for plans to go awry, who expected after all this rumbling only a mouse would be brought forth by the Ways and Means Committee and by the conference committee. We may not have a tiger, but we certainly do not have a mouse.

I believe it is a great tribute to the distinguished chairman of our committee and to the ranking minority member of our committee that, leading the conferees, they preserved the spirit of the House measure and have brought us back a bill which has fiscal sanity and still preserves its reform aspects.

Also we have to admit as we look back to the beginning of this effort that the prospects were not very good. We can see it took a great deal of statesmanship and determination to arrive at this point.

Looking ahead, I say that we need not "guess and fear" because, having accomplished this very difficult task, it seems to me quite clear it is within the capacity of Congress to reform not only this central institution between the Government and the people, but many other aspects of Government which have fallen under the shadow of what we call a "credibility gap."

There are two points I believe must be made about tax reform at this stage. One of them is quite obvious, the other controversial.

I believe the gentleman from California (Mr. UTT) made this point very

clearly in his additional remarks in the original House report on tax reform; that is, the ultimate tax reform must be simplicity. We have not struck any blows for simplicity in this bill. Complexity raises an issue of credibility, I suppose, if it is going to be difficult for people to comply with the very complicated tax law we have generated over the years and have added to in the complexity of this measure.

But let us console ourselves with the thought that perhaps this bill itself will be one of the compelling motives toward that ultimate reform of simplicity.

The second and more controversial point which I think must be made relates to a statement made by the chairman of the committee at the outset of our effort when he said there was a head of steam behind tax reform in this country. That head of steam relates not just to the Federal level. As a matter of fact, if I were to guess, I would say people are upset about taxes more on the State and local level than they are on the Federal level simply because our State and local taxes are so inequitable and in many cases so regressive. We must accept as a part of our responsibility, I think, the relieving of some of the pressure on State and local taxes through some form of revenue sharing if we are going to eliminate the popular "head of steam" in favor of tax reform.

We have made a very good step here and one of which I think this body and the other body can both be extremely proud. We have a long way to go yet and we must face up to the issue of the burdens placed on State and local taxpayers if we are going ultimately to relieve the American people who are calling for greater equity in the total tax system.

Mr. Speaker, again I wish to express my thanks and my gratitude to the conference committee for the excellent work they have done in bringing this bill back in its present form for today's very gratifying moment of truth.

Mr. ULLMAN. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts (Mr. BURKE).

(Mr. BURKE of Massachusetts asked and was given permission to revise and extend his remarks.)

Mr. BURKE of Massachusetts. Mr. Speaker, I rise in support of the conference report.

I wish to commend our distinguished chairman, the Honorable WILBUR MILLS, the ranking member of the minority the Honorable JOHN BYRNES, all the Members on both sides of the aisle who serve on the House Ways and Means Committee including the gracious gentlewoman from Michigan (Mrs. GRIFFITHS), the able member from Illinois, DAN ROSTENKOWSKI; PHIL LANDRUM, of Georgia; CHARLES VANIK, of Ohio; RICHARD FULTON, of Tennessee; JACOB GILBERT, of New York; OMAR BURLESON, of Texas; JAMES C. CORMAN, of California; WILLIAM GREEN, of Pennsylvania, and SAM GIBBONS, of Florida. Every one of these members of the House Committee on Ways and Means gave unstintingly of their time and effort to bring about this far-reaching legislation before us today.

They deserve the thanks of the American people for the action that is taking place today.

Mr. Speaker, the conference report before the House represents many months of arduous and dedicated labor and effort on the part of the Committee on Ways and Means, this House, and the congressional staffs. It will be recalled that tax reform was the initial major order of business before the committee in this session of Congress.

Only time will tell, but I am convinced that we have done a workmanlike job on this measure, and at the outset of my remarks, I wish to commend Chairman MILLS for his unsurpassed leadership in the development of this bill. I also wish to commend the ranking minority member, Congressman JOHN W. BYRNES, of Wisconsin, and Members from both sides of the aisle, who have contributed to the development of this monumental piece of legislation. As I have said on other occasions, without the spirit of team effort, the moment at which we have presently arrived would not have been possible.

Again, let me say that I am not stating that the bill is perfect in every respect, and there are provisions of it that I would change, if it were in my power to do so. We cannot overlook the fact, however, that the bill is unprecedented in the generosity of its relief provisions for our low-income citizens, and for that reason, if for no other, the conference report deserves prompt approval by the House. The provision which has the greatest salutary impact on those at or near the poverty level is the low-income allowance in the bill, which will remove some 5.2 million returns from the tax rolls in 1970.

Looking at the bill as a whole, as approved by the conference committee, it would on the average reduce the tax liability of those in the lowest adjusted gross income class, that is, those with incomes up to $3,000, by nearly 70 percent; those with incomes of between $3,000 to $5,000 would on the average enjoy a tax reduction of over 33 percent. Those with incomes between $5,000 and $7,000 would on the average enjoy a tax reduction of approximately 20 percent. Appropriately, therefore, the bill gives proportionately greater relief to people with low and moderate incomes than to people with high incomes.

Mr. Speaker, there is one provision of the bill about which I am particularly gratified, and I hope that Members of the House will pardon my pride of authorship with respect to it. I am speaking of the liberalization in the deduction for moving expenses. Members of the House know that I have introduced bill after bill on this subject, seeking to expand the tax treatment of legitimate, job-related employee moving expenses. The foundation for the provision in this bill was laid by my successive bills that have been introduced in this and preceding Congresses. I am not saying that the conference provision is perfect or that it is as generous as we would have desired. It is, however, a significant move in the direction of recognizing that moving expenses are really a cost of earning income and that the mobility of labor is an important and necessary part of a healthy, growing economy.

Mr. Speaker, I am also very much gratified that this bill contains a provision to increase social security benefits across-the-board. By supporting this measure, however, I am not by any means stating that the 15 percent increase is adequate. As members of the House know, I have introduced a bill, H.R. 55, which, among other things, would increase benefits across the board by 50 percent. In view of the time element, it is obvious that if we are going to bring to the deserving senior citizens of this Nation word of an increase before Congress adjourns and during this blessed Christmas season, it must be done now in this legislation. I am advised that social security and welfare revision will be a subject high on the committee's priorities for consideration early in the next session of Congress. At that time, we can make other determinations and judgments respecting needed changes in these programs.

Mr. Speaker, again I wish to reiterate that this measure does not represent the end of tax reform. This will be a continuing responsibility of the Congress to see that every person shares in the burden of the costs of running the Federal Government proportionate to his ability. We have closed many of the unconscionable loopholes of present law; we have granted very considerable tax relief benefits, especially to those in the low-income brackets; and we have provided a much-needed increase in social security benefits as an interim measure looking toward more extensive revision in social security and welfare next year. These elements make this a well-balanced measure deserving of the support of every Member of the House. I urge prompt approval of the conference report.

Mr. ULLMAN. Mr. Speaker, I yield 5 minutes to the gentleman from Ohio (Mr. VANIK).

Mr. VANIK. Mr. Speaker, the chairman of the Ways and Means Committee, the distinguished gentleman from Arkansas (Mr. MILLS) has led the Ways and Means Committee, the House, and the House-Senate conferees in accomplishing a great public service in developing this tax bill. For this monumental task, he has the gratitude of every member of this body and every taxpayer of America. Every Member of Congress must share some pride in the fact that this proposal originated in the Congress. There was no other clarion call to action—but the indignation of the taxpayer.

A bill of this magnitude cannot satisfy every citizen. But it does take a step toward tax justice—and in so far as it does, it is a step in the right direction and should be enacted.

The provisions in this bill to reduce the depletion allowance to 22 percent are perhaps the most glaring concessions to privileged interests.

Under circumstances in which the oil and gas industry can utilize only 23 percent of the 27½-percent depletion allowance, the bill provides a light touch on a force in our economy which has exer-

cised a heavy hand on the consumer, the Government and politics in America. The industry can rejoice on its political muscle—but the taxpayers of America have served notice that they will not stand back and continue to take it.

This bill continues the extension of the depletion allowance to foreign-produced oil. It is regrettable that the conferees dropped the House provision which completely eliminated the depletion allowance on foreign oil. There never was a justification for extending the depletion allowance to foreign production. Nor does one exist today. Some American investments in foreign oil and mineral development enjoy several depletion allowances. One from the U.S. Government and one from the host country. When the depletion allowance or allowances are combined with the foreign tax credit, the tax obligation of American investors in the foreign development of oil and minerals is negligible. The Federal Treasury, under this bill, will gain very little tax revenue from these American resource developments in foreign countries. And yet these operations in foreign countries have involved our Government in foreign policies and actions which would never occur if it were not for the economic pressure of the oil and mineral development interests.

This bill will still permit certain American taxpayers of high income to escape taxation or pay much less than their fair share. As long as there is taxation, there will be avoidance. In the final analysis, the taxpayer retains considerable discretion as to whether he pays his fair share.

The pride with which some citizens escape taxation borders on tax treason. It would serve tax justice if the Ways and Means Committee and the Congress were to consider a more frequent perusal of the tax structure. High density utilization of tax avoidance should be publicized and exposed. Loopholes must be closed as rapidly as they are discovered.

Although this bill provides the first extensive review of the tax laws in 15 years, I hope that tax laws can be reviewed in every Congress—so that the burden of extensive tax review may be lessened—so that action in revising our tax laws can be calm, deliberate, and less subject to a hasty timetable.

This bill is not the end of tax reform—it is only a good beginning.

This bill settles the controversy on the capability of the social security fund to provide a 15-percent increase across-the-board in social security benefits. The administration and the President sought to hold the increase to only 7 percent, placing the full burden of curing inflation on the elderly. The senior citizens of America who need increased benefits to survive are the victors by this action for a 15-percent across-the-board increase which originated in the Congress.

The President and the administration resisted every effort to increase dependency exemptions. No citizen can be expected to support his dependents on a dependency exemption of $600 per person. The gradual increase to $750 is not realistic, but it does begin to recognize the problem of family support.

Following are tables prepared by the Joint Committee on Internal Revenue and Taxation which outlines the effect of the new law on the taxpayer:

TABLE 1.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER THE TAX REFORM BILL OF 1969.—CALENDAR YEAR TAX LIABILITY

[In millions of dollars]

	1970	1971	1972	1974	Long run
Tax reform program under conference bill	+1,150	+1,430	+1,660	+2,195	+3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief under conference bill	−1,441	−4,927	−7,269	−9,134	−9,134
Balance between reform (+) and relief (−) under conference bill	+2,209	−507	−2,619	−3,849	−2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	−1,819	−3,849	−2,514

THE TAX REFORM BILL OF 1969

TABLE 2.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER THE TAX REFORM BILL OF 1969—CALENDAR YEAR TAX LIABILITY

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Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief:					
Low-income allowance	−625	−1,592	−2,057	−2,057	−2,057
Increase in standard deduction [1]		−1,207	−1,355	−1,642	−1,642
Increase in exemption	−816	−1,633	−3,267	−4,845	−4,845
Maximum 50-percent rate on earned income		−75	−170	−170	−170
Income tax relief—Continued					
Tax treatment of single persons		−420	−420	−420	−420
Total tax relief under conference bill	−1,441	−4,927	−7,269	−9,134	−9,134
Balance between reform (+) and relief (−) under conference bill	+2,209	−507	−2,619	−3,849	−2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	−1,819	−3,849	−2,514

[1] 1971: 13 percent, $1,500 ceiling; 1972: 14 percent, $2,000 ceiling; 1973: 15 percent, $2,000 ceiling.

TABLE 3.—INDIVIDUAL INCOME TAX LIABILITY—TAX UNDER PRESENT LAW AND AMOUNT AND PERCENTAGE OF CHANGE UNDER REFORM AND RELIEF PROVISIONS UNDER THE TAX REFORM KILL OF 1969 WHEN FULLY EFFECTIVE

Adjusted gross income class	Tax under present law (millions)	Increase (+) decrease (−) from reform and relief provisions: Amount (millions)	Percentage
0 to $3,000	$1,169	−$816	−69.8
$3,000 to $5,000	3,320	−1,101	−33.2
$5,080 to $7,000	5,591	−1,112	−19.9
$7,000 to $10,000	11,792	−1,859	−15.8
$10,000 to $15,000	18,494	−2,327	−12.6
$15,000 to $20,000	9,184	−791	−8.6
$20,000 to $50,000	$13,988	−$715	−$5.1
$50,000 to $100,000	6,659	−128	−1.9
$100,000 and over	7,686	+557	+7.2
Total	77,884	−8,294	−10.6

TABLE 4.—TAX RELIEF PROVISIONS UNDER TAX REFORM BILL OF 1969 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE, BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS

Adjusted gross income class	Reform provisions	Relief provisions					Total relief provisions	Total, all provisions
		Low income allowance	$750 exemption	15-percent $2,000 standard deduction	Maximum tax on earned income	Tax treatment of single persons		
	(millions)							
0 to $3,000	+$6	−$682	−$140				−$822	−$816
$3,000 to $5,000	−6	−719	−366	−$10			−1,095	−1,101
$5,000 to $7,000	−4	−458	−612	−31		−$7	−1,108	−1,112
$7,000 to $10,000	−5	−198	−1,244	−366		−45	−1,853	−1,858
$10,000 to $15,000	+6		−1,407	−858		−68	−2,333	−2,327
$15,000 to $20,000	−7		−480	−242		−62	−784	−791
$20,000 to $50,000	+56		−462	−125	−$5	−179	−771	−715
$50,000 to $100,000	+54		−104	−8	−30	−40	−182	−128
$100,000 and over	+740		−30	−1	−135	−17	−183	+557
Total	+840	−2,057	−4,845	−1,642	−170	−420	−9,134	−8,294

TABLE 4A.—INDIVIDUAL INCOME TAX RELIEF UNDER THE TAX REFORM BILL OF 1969, CALENDAR YEARS 1970–73

	1970	1971	1972	1973
Minimum standard deduction	[1] $1,100–1:2	[2] $1,050–1:15	$1,000	$1,000.
Percentage standard deduction		13 percent—$1,500	14 percent—$2,000	15 percent—$2,000.
Personal exemption	$650 from July 1	$650	$700	$750.
Maximum tax rate on earned income [3]		60 percent	50 percent	50 percent.
Tax treatment of single persons		Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.

[1] This low-income allowance, or minimum standard deduction, is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,100) by $1 for every $2 of adjusted gross income in excess of the 1970 nontaxable level.

[2] This minimum standard deduction is "phased out" by reducing the additional allowance difference between the 1969 minimum standard deduction and $1,050) by $1 for every $15 of adjusted gross income in excess of the 1971 nontaxable level.

[3] Under the House bill the specified maximum marginal rate is applicable to earned income; under the conference bill the specified maximum marginal rate is applicable to earned income less preference income over $30,000 in the current year or the average tax preferences in excess of $30,000 for the current year and the prior 4 years, whichever is greater.

TABLE 5.—TAX REFORM PROVISIONS UNDER THE TAX REFORM BILL OF 1969 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS

Adjusted gross income class	Change alternative tax on long-term gains [1]	Capital loss limitation	Pension plan provision	Life estates provision	Averaging including capital gains and 120 percent	Charitable deductions	Interest deduction	Reduced percentage depletion	Accumulation trusts (millions)	Moving expenses	Farm losses	Real estate	Tax free dividends	Tax on preference income	Citrus grove costs	Total
0 to $3,000		+$5	[2]		[2]			[2]	[2]	−$1		[2]	[2]	+$2		+$6
$3,000 to $5,000		+3	+$1		[2]			+$1	+$1	−12		[2]	[2]	[2]		−6
$5,000 to $7,000		+5	+2		[2]			+1	+1	−14		[2]	+$1	[2]	[2]	−4
$7,000 to $10,000		+9	+3		[2]			+1	+1	−26		+$5	+2	[2]	[2]	−5
$10,000 to $15,000		+15	+8		−$5			+3	+4	−32		+10	+3	[2]	[2]	+6
$15,000 to $20,000		+8	+5		−30			+3	+5	−11		+10	+3	[2]	[2]	−7
$20,000 to $50,000	+$1	+16	+14	[2]	−110			+11	+27	−12		+42	+17	+48	+$2	+56
$50,000 to $100,000	+7	+4	+8	+$5	−105			+7	+28	−2	+$5	+47	+19	+28	+3	+54
$100,000 and over	+267	[2]	+19	+5	−50	+$20	+$20	+13	+48	[2]	+20	+131	+35	+207	+5	+740
Total	+275	+65	+60	+10	−300	+20	+20	+40	+115	−110	+25	+245	+80	+285	+10	+840

[1] Assumes ½ of effect as compared with bo change in realization. [2] Less than $500,000.

TABLE 6.—TAX BURDEN ON THE SINGLE PERSON UNDER TAX REFORM BILL OF 1969

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$900	0	0	0	0	$7,500	$1,168	$1,031	$136	11.7
$1,700	$115	0	$115	100.0	$10,000	1,742	1,530	212	12.2
$1,750	123	0	123	100.0	$12,500	2,398	2,059	339	14.2
$1,800	130	$7	123	94.6	$15,000	3,154	2,702	452	14.3
$3,000	329	185	144	43.8	$17,500	3,999	3,442	556	13.9
$3,500	415	267	147	35.5	$20,000	4,918	4,255	663	13.5
$4,000	500	357	143	28.5	$25,000	6,982	5,895	1,087	15.6
$5,000	671	547	124	18.4					

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$900	0	0	0	0	$7,500	$1,031	$984	$47	4.6
$1,700	$114	0	$114	100.0	$10,000	1,530	1,458	72	4.7
$1,750	120	0	120	100.0	$12,500	2,092	1,965	127	6.1
$1,800	126	$7	119	94.5	$15,000	2,734	2,509	225	8.3
$3,000	286	185	101	35.4	$17,500	3,460	3,094	366	10.6
$3,500	361	267	94	26.0	$20,000	4,252	3,722	530	12.5
$4,000	439	357	82	18.6	$25,000	6,025	5,140	885	14.7
$5,000	595	547	48	8.0					

[1] Exclusive of tax surcharge.

TABLE 7.—TAX BURDEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER TAX REFORM BILL OF 1969
A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$1,600	0	0	0	0	$7,500	$915	$786	$128	14.0
$2,300	$98	0	$98	100.0	$10,000	1,342	1,190	152	11.3
$2,500	126	0	126	100.0	$12,500	1,831	1,628	203	11.1
$2,600	140	$14	126	90.0	$15,000	2,335	2,150	185	7.9
$3,000	200	70	130	65.0	$17,500	2,898	2,760	138	4.8
$3,500	275	140	135	49.1	$20,000	3,484	3,400	84	2.4
$4,000	354	215	139	39.3	$25,000	4,796	4,700	96	2.0
$5,000	501	370	131	26.2					

TABLE 8.—TAX BURDEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER TAX REFORM BILL OF 1969
B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$1,600	0	0	0	0	$7,500	$801	$744	$57	7.1
$2,300	$96	0	$96	100.0	$10,000	1,190	1,133	57	4.8
$2,500	119	0	119	100.0	$12,500	1,611	1,545	66	4.1
$2,600	130	$14	116	89.3	$15,000	2,062	1,996	66	3.2
$3,000	179	70	109	60.9	$17,500	2,548	2,473	75	2.9
$3,500	241	140	101	41.8	$20,000	3,060	2,985	75	2.5
$4,000	303	215	88	29.0	$25,000	4,184	4,100	84	2.0
$5,000	434	370	64	14.8					

TABLE 9.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW AND UNDER TAX REFORM BILL OF 1969
A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$3,000	0	0	0	0	$10,000	$1,114	$905	$209	18.8
$3,500	$70	0	$70	100.0	$12,500	1,567	1,309	258	16.5
$4,000	140	0	410	100.0	$15,000	2,062	1,820	242	11.7
$4,200	170	$28	142	83.5	$17,500	2,598	2,385	213	8.2
$5,000	290	140	150	51.7	$20,000	3,160	3,010	150	4.8
$7,500	687	514	173	25.2	$25,000	4,412	4,240	172	3.9

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$3,000	0	0	0	0	$10,000	$962	-848	$114	11.9
$3,500	$66	0	$66	100.0	$12,500	1,352	1,238	114	8.4
$4,000	123	0	123	100.0	$15,000	1,798	1,666	132	7.3
$4,200	147	$28	119	80.9	$17,500	2,249	2,117	132	5.9
$5,000	245	140	105	42.9	$20,000	2,760	2,610	150	5.4
$7,500	578	476	102	17.7	$25,000	3,848	3,680	168	4.4

Mr. BURLESON of Texas. Mr. Speaker, will the gentleman yield?

Mr. VANIK. I yield to the gentleman from Texas.

(Mr. BURLESON of Texas asked and was given permission to revise and extend his remarks.)

Mr. BURLESON of Texas. I thank the gentleman for yielding.

Mr. Speaker, I notice the gentleman emphasizes oil and gas when speaking on the subject of depletion. This seems to be a general practice.

As a matter of fact, as the gentleman well knows, there are well over 100 minerals which receive some percentage of depletion. It seems to me it would be more proper to use the term mineral depletion rather than simply refer to oil and gas alone.

Under the provisions of the conference report before us, 41 minerals out of the 105 or 106 receving the depletion allowance will have the same depletion as oil and gas. I do not complain of the depletion allowance on other minerals because I think it is well justified, both when first allowed and at the present time. I do not believe, however, that it can be successfully agreed that the risk capital which goes into oil and gas exploration is not much greater than any other mineral and, hence, the reason for it heretofore having had a higher depletion than any other mineral.

If the gentleman will yield further, let me further point out that the provisions of the conference report, as I understand it, further reduce the 22-percent figure for oil and gas by imposing a 10-percent surcharge under a formula relating to tax preferences. Theoretically, this could mean another 10-percent reduction on the 22 percent, or result in an allowance depreciable rate of 19.8 percent.

Now, Mr. Speaker, for the first time in the history of our country natural gas is in short supply. The explorer does not go out and look for gas or oil, but drills for either. The incentive for risk capital in these ventures is already greatly reduced because of prices, foreign oil imports and inflation. Reducing it further will invetiably result, finally, in shorter supplies, which will mean higher prices to the consumer. This is the direction in which we are headed and I fear on down the line we will see the mistake of this action.

One thing further, if the gentleman will further yield. I doubt if there is any such thing as fairness in the tax structure or that we can ever equalize the tax burden on everyone and every industry. We must, however, work toward fairness, equality, and justice in the taxing process. Equally important is to exercise a more careful judgment in the expenditure of these revenues.

This conference report is going to pass this House overwhelmingly. No changes can be made in the provisions of this bill at this stage of its consideration. As all of us know, it is a matter of taking it or leaving it, since we have reached the point of no return. Certainly, this measure is not going to please a great many people affected by it and

I fear it holds out some false hopes in tax relief, but it is the best that can be done at this time and I must join with others who have expressed their appreciation for the diligence and arduous hours of work devoted to producing this legislation by the leaders of the Ways and Means Committee, and particularly the conferees.

The SPEAKER pro tempore (Mr. HOLIFIELD). The time of the gentleman from Ohio has expired.

Mr. ULLMAN. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. BURLESON of Texas. I appreciate the gentleman yielding and I shall take just one other second.

It is a dramatic thing that for the first time in the history of our Nation we are short of natural gas. You do not go out and look for gas alone. You go out and look for oil and you may get gas. You cannot separate the two. When the day comes that the incentive of risk capital to search for oil and gas puts us in a deficit position to depend upon foreign-owned imports—and this is another problem that is now pending—and the price to the consumer is going to inevitably increase, this country can be placed in a dangerous position because today with oil and gas furnishing more than 87 percent of all energy, what will our Nation do if we find ourselves in a deficit position?

So I know when the gentleman from Ohio is talking about oil and gas that he wants to look at this from an overall picture and consider all of the minerals. But I do not complain about the depletion allowance because I think it is justified by its great historical background.

The SPEAKER pro tempore. The time of the gentleman from Ohio has expired.

Mr. ULLMAN. I yield 1 additional minute to the gentleman from Ohio.

Mr. VANIK. Mr. Speaker, I thank the gentleman for yielding me the additional time.

Mr. Speaker, I would like to respond to the gentleman from Texas by saying that I understand the economic force that oil and gas are in his community. But I must agree with the gentleman from Wisconsin that we did not touch intangibles, we did not touch drilling costs, we did not touch bookkeeping practices, and we did not touch a great many privileges enjoyed by the extraction industry.

I would like to say this: that in recent years there has been a tremendous effort on the part of mineral and oil producing industries to suppress information on their reserves so that they do not have to pay taxes on known reserves. However, I think that this is a debate that we can better carry on next year when time will permit a more extensive discussion as to the effect of the depletion allowance, and the availability of oil and gas reserves.

Mr. ULLMAN. Mr. Speaker, I yield such time as he may consume to the gentleman from Tennessee (Mr. FULTON).

(Mr. FULTON of Tennessee asked and was given permission to revise and extend his remarks.)

Mr. FULTON of Tennessee. Mr. Speaker, passage of the conference report today on the Tax Reform Act of 1969 will mark a significant step forward in our efforts to provide for more equity in our tax laws.

Today's vote will climax days and hours of strenuous effort which began almost 11 months ago when the Ways and Means Committee of the House opened public hearings on tax reform.

In the intervening months we have seen tax reform move from a concept long overdue and frequently denied to a concrete and meaningful piece of legislation.

This bill has its weaknesses and imperfections, to be sure. For my part, I was particularly disappointed that the House approved a reduction in the oil depletion allowance to only 20 percent. This disappointment was heightened by the conference committee's decision to cut back this reduction to 22 percent.

Also, it was a disappointment to me and to an overwhelming majority of the near 5 million small businesses in the country that the conference committee eliminated the Senate amendment to exclude the first $20,000 of annual capital investment per firm from the elimination of the investment tax credit. This would have been a great assistance to the small businessman who, in today's money market, finds investment funds hard to secure and very costly to borrow.

It is heartening to see the 15 percent across-the-board social security benefit increase in this bill. However, this does not finish the work of the 91st Congress on social security. When the second session of the Congress reconvenes in January, we must consider further needed changes in the social security law such as reduction of age requirements for benefit eligibility and liberalization of the outside earnings limitation which, at $1,680 a year, is far too low. I also feel that by next July the Congress should increase social security benefits by at least another 10 percent.

On balance, the positive aspects of the tax reform bill far outweigh the negative ones.

The House conferees accepted, with important modification, the Senate's action to increase the personal exemption. Unfortunately, the ultimate $750.00 figure did not match the $800 which was passed by the Senate, but the conferees, by this slight reduction and by phasing out the ultimate impact of the exemption increase, eliminated from the bill a very strong inflationary impact.

In addition, the bill provides meaningful relief for the poor and near poor. About 5 to 5½ million persons in these categories will be removed from the Federal tax rolls by this bill while the impact of taxation on millions of other middle income taxpayers will be reduced.

Also, because of the minimum income tax provisions, the average taxpayer can be assured that all taxpayers except the poor, will pay some tax on income.

Mr. Speaker, time does not permit an item-by-item discussion of the provisions of the bill. I have attempted here to touch on some of the highlights. However, I feel the bill is a genuine accomplishment and step forward. It was a privilege and pleasure to sit on the Ways and Means Committee during the hearings and writing of the House version. I recommend favorable consideration of the conference report of the Tax Reform Act of 1969.

Mr. ULLMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Montana (Mr. MELCHER).

(Mr. MELCHER asked and was given permission to revise and extend his remarks.)

Mr. MELCHER. Mr. Speaker, the tax reform bill, which has been reported by the conference committees, does a serious injustice, which can have serious consequences to the whole Nation, to two categories of citizens who most need tax relief instead of a tax increase—farmers and ranchers and small business.

The bill will increase taxes for 1969—the present year—for these two groups of people, and it will continue to assess higher tax bills against them, in spite of some relief in the rate schedules, in the years ahead.

The bill repeals the 7 percent investment tax credit as of April 18, 1969, and the Senate amendment to allow a $20,000 exemption has been discarded.

This is both inequitable and inadvisable.

The big corporations and the biggest operators with continuous investment requirements all undoubtedly used up $20,000 or $100,000, or a million dollar investment credit in the first 3½ months of the year or have salted it down with valid contracts by the April 18 cut-off date. They will get theirs.

But farmers and small business would not have started making their investments in new equipment, building improvements, modernization of their business operations in the winter months.

They generally wait until later in the calendar year to determine whether they will have the money in their business, or the chance of a crop, before investing in new machinery and equipment which might be delayed another year.

Sales of farm machinery are much higher in the final quarters of the year than in the first quarter. Sales of farm machinery are insignificant in the first 3 months compared to the last 9 of the year.

The investment tax credit for the farmer-rancher and small businessmen in 1969 will be almost nil. They will find themselves confronted with unexpectedly high tax liabilities when they make out their income tax returns on the 1969 income next month, while their larger competitors have gotten considerable advantage out of the credit as a consequence of their continuing programs of expansion, improvement and modernization and doubtless also as having had the advantage of consultation with able tax counsel who foresaw, because of earlier public discussion, the probable termination of this tax advantage.

The repeal as of April 18 is clearly discriminatory, and the discrimination can only be eliminated by the inclusion of an exemption which will extend the credit, on a reasonable amount of investment. I think the Senate chose a good level—$20,000—but even if that were reduced to $15,000 to reach the most hard-pressed farmers and small businessmen, it would promote equity.

Make no mistake—this is an instant tax increase for virtually all of the 3 million farmers in America, and for millions of small business establishments. This is an increase in the 1969 taxes—the income taxes they will be figuring and paying next month.

It is also an increase in their tax burden for 1970, 1971, 1972 and ensuing years, but the first shock of this highly touted tax reform bill comes for these struggling people—all faced by giant competition just a few days after we write this measure into law, if we do.

It is a case of: "Merry Christmas, your taxes are up. Happy new year, your taxes are going to stay up."

We have been losing about 100,000 farm units a year for the past two decades. The decline ran over that in the fifties. It has been under for most years in the sixties, but I predict that it will rise again if this tax bill passes as the conference has reported it and you will find more and more farmers, ranchers and rural residents migrating to your overcrowded cities to find some sort of economic opportunity.

I am not talking about just the smallest farmers—the 400,000 that the Department of Agriculture says may one day be provided for under President Nixon's family welfare plan.

I am talking about farmers who are producing $25,000 to $60,000 or more in products, whose adjusted gross income runs in the $3,000 to $7,000 range, and above that.

I am talking about people who average age is 53 years, who pay high property taxes to the county, the schools, and the State to maintain education and necessary local services, who is now confronted with 9 percent interest on the operating loans he needs, and who has to anticipate that the prices for the products he sells will average less than 80 percent of parity, and probably a good deal less than that.

He has been staying on the land only because his wife is a full, working partner, who drives the tractors when necessary, the trucks, runs the errands for parts and supplies, keeps the records, cooks the meals, and keeps the household running.

The loss of this investment tax credit—even though most of the farmers and ranchers will only use $4,000 to $5,000 of it on an average, will not be made up by reductions in personal tax rates.

For those whose incomes are $3,500 or below, who have no business investments to make, there is substantial help in the bill.

But for the farmer who handles $20,000 to $60,000 in products each year, and has to keep up his equipment, build and maintain barns and outbuildings, fences—operators whose annual investment to remain efficient enough to stay in business, the loss of the investment tax credit on his likely $5,000 annual yearly investments will be $350. For those with larger operations, but still commercial family farms, investment may easily run $10,000 to $15,000 yearly, and their tax loss under this bill $700 to $1,000 although their net, and their offsetting savings from rate reductions, in only a fraction of that. For the small businessman struggling to keep his business progressing and solvent, he, too, needs this tax tool.

This bill will definitely speed up the outmigration, not just from the farms and ranches of the Nation, but from the rural communities and larger trading centers, to the overcrowded urban areas.

Recently I put in the RECORD a newspaper article about the jump in farm closing out sales in eastern Montana. The sellouts and the migration is already at an alarmingly high level because of the diminishing margin of returns to agriculture as farm prices stay around 20-year-ago levels and farm costs continue rising. A couple of weeks ago the railroads increased freight rates, across-the-board, by 6 percent, but the agriculture producers or small business raise their prices to absorb that increase; indeed, it will come out of their pocketbooks for the farm price of commodities is always the urban price, less freight, whatever that may be. And the competitive position of small businessmen is shakey, so it comes out of their pocket, too.

High interest, high credit, skyrocketing operating costs and now higher Federal income taxes are going to start a migration out of the rural areas of this Nation that will plague us next year, and for many years to come.

The surtax has not controlled inflation.

High interest has not curtailed inflation—it is fueling the fire in most instances.

Repeal of every cent of the investment tax credit—the omission of the Senate's $20,000 exemption—is not going to make or break inflation control.

But it is going to trigger trouble for our whole economy and society, in my opinion, and is a mighty sorry sort of Christmas package to present to the Nation—and especially farmers and small business—on Christmas eve.

I can understand why this tax reform bill is welcomed in some quarters: there is relief in some instances. There is a little but probably wholly inadequate shift back to progressive taxation in some instances.

But I cannot welcome a measure which will increase the tax burden of a major segment of my people and will, in my judgment, do an unjustified overall economic injury to my district and my State.

In spite of the rush to adjournment, we have the time to send this bill back to conference with instructions to accept the exemption for the small operators of this Nation to help keep them in business or in agriculture.

THE TAX SCHEDULES UNDER THE TAX BILL FOR FARMERS, RANCHERS, AND SMALL BUSINESS (EFFECT ON A FAMILY OF FOUR)

Income	1970 tax	Savings due to new rates	Estimated investment by farmers, ranchers, and small businessmen	Loss due to investment credit repeal	Net tax increase
$3,500	None	$70			
$5,000	$275	15	$3,000	[1] $210	$195
$7,500	685	71	4,000	[1] 280	209
$10,000	1,122	103	5,000	[1] 350	247
$15,000	2,091	177	6,000	[1] 420	243

[1] In nearly all instances this sum will be lost on 1969 income tax returns as well as in all future years due to Apr. 18, 1969 repeal of the investment tax credit—a date in advance of normal farm and small business buying season.

Note: Data on 1970 tax and savings from Joint Committee on Internal Revenue Taxation.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri. (Mr. RANDALL).

Mr. RANDALL. Mr. Speaker, it was not until this morning that there was delivered to each of our offices the 346-page conference report that accompanies H.R. 13270 being the bill which started out in the House several months ago as the Tax Reform Act of 1969. Until the receipt of this copy of the conference report we have had to rely on hearsay or press accounts of the actual agreement reached by our conferees. The actual content of what we are going to be called upon to vote for or against was not in our hands until a few hours ago. For that reason I ask at this time to propound some questions either to the chairman of the committee or to some member who was a conferee.

In recent weeks while the Senate was considering this measure, and during the time of the conference our mail was heaviest on such subjects as taxation of municipal bonds; the taxation of professional service corporations; the treatment of lump sum distributions under pension plans; the tax treatment of dividend distributions of cooperatives, and the amount of the reduction of taxable income that can be kept as a reserve for bad debts by savings and loan associations. Accordingly, I hope I can make a record on exactly what is contained in the conference report with respect to these separate provisions.

I ask the gentleman from Oregon (Mr. ULLMAN) whether the only change as to taxation of the income from municipal or State bonds is in the requirement that there be an arbitrage charge and that the formula of the House to tax the income from municipal bonds is not a part of this conference report?

Mr. ULLMAN. The only provision as to municipal bonds is on arbitrage. All the other provision of taxation of municipal bonds under the House version have been deleted.

Mr. RANDALL. Now, if I may ask the gentlemen from Oregon a question concerning the professional service corporations that have been set up by dentists and doctors which were organized to relieve them from being subject to the limitations of the Keough Act. As I understand it there was nothing in our bill

as it went to the Senate to effect the tax treatment of these professional corporations. As I understand it the Senate Finance Committee subjected these corporations to the same limitations as the Keough Act and this change by the Senate Finance Committee was knocked out on the Senate floor. I want to be sure that there is nothing in this conference report that would change the present tax treatment of these professional corporations?

Mr. ULLMAN. That is correct—these corporations are not dealt with in any way in the conference report.

Mr. RANDALL. Now if I may ask the gentleman from Oregon a question with reference to any changes in the tax treatment of lump sum distribution under company pension plans. I refer to the situation where a pensioner elects to take a lump sum settlement of his pension plan when he may need these funds for some investment purpose. I received a lot of mail complaining against the change which made these distributions taxable at ordinary tax rates instead of capital gains rate. As I recall it, our bill passed by the House provided that the payment of taxes on this lump sum distribution could be averaged out over a 5-year period. That is, the tax on such distribution could be paid in five installments. Now I understand that the agreement of the conferees contained in this conference report provides taxes may be paid over a period of 7 years. In other words, whatever amount a distributee may receive may be divided by seven and pay one-seventh of the tax each year? I am asking you for the record if that is what is contained in the conference report?

Mr. ULLMAN. That is correct.

Mr. RANDALL. There is another question which has generated some mail from our constituents and that is the provision concerning taxation of the portion of dividends retained and not paid out by cooperatives. If my memory serves me correctly the House version provided these dividends were required to be paid out within 15 years. As I read the portion of the conference report which concerns this subject, I cannot find any reference to the House version. Is it true that the House requirement that dividends had to be paid out in 15 years was knocked out by the Senate and the House receded and at the present time there is no provision in the conference report concerning the taxation of dividends of cooperatives. Is that right?

Mr. ULLMAN. That is correct.

That provision as to cooperatives was taken out of the bill completely.

Mr. RANDALL. One final question which although last in the order of my inquiries should not be construed to be the least important. I have received mail from our savings and loan people who feel the method of taxing their reserve for bad debts is being unfairly treated. My recollection is the House version of H.R. 13270 reduced the amount of taxable income that can be kept by savings and loan associations as a reserve for bad debts from 60 percent to 30 percent. In other words, after all deductions have been made, a savings and loan could set up only 30 percent of its taxable income to take care of its bad debts. As I remember it the Senate reduced this from 60 percent to only 50 percent. The point that I must have clarified in order that I may be able to report to the several savings and loan associations in our congressional district is the final figure agreed to by the conferees. In other words is it true the conferees have compromised the difference between 30 and 50 percent and have in effect reduced the amount these associations can set aside for bad debts from 60 percent to only 40 percent?

Mr. ULLMAN. That is correct, 40 percent.

Mr. RANDALL. I am grateful to the gentleman from Oregon who as one of the conferees has provided me with such clear and accurate answers to my several questions.

Mr. STEIGER of Wisconsin. Mr. Speaker, I shall support the adoption of the conference report on H.R. 13270, the Tax Reform Act of 1969.

The House of Representatives can be proud of this effort and I particularly want to pay tribute to the chairman, the gentleman from Arkansas (Mr. MILLS), and the ranking Republican, the gentleman from Wisconsin (Mr. BYRNES).

The product of the conference is a major step toward greater tax equity. But it should be clear that there remains much yet to be done since this bill has not touched all areas.

I am particularly pleased, Mr. Speaker, with the adoption of an income in the personal exemption from $600 to $750 over a period of time. This significant improvement in distributing the burden of taxation coupled with changes in the taxation of single persons, in the standard deduction and in the adoption of a low-income allowance are valuable. While I still believe a further increase in the personal exemption is desirable a start on this road has been made.

I remain concerned about the treatment of foundations contained in this report which parallels the House version. Those in the private sector deserve better at this critical time in our history than efforts to limit their role. I fear a greater reliance on Government which is not, at this point, appropriate.

This conference report represents both reform and relief. It also contains an increase in social security benefits which is desperately needed as well as a continuation of the surtax at 5 percent for the first 6 months of 1970, which is also needed.

Thus, Mr. Speaker, the overall concept of tax equity has been maintained by this bill and since its inflationary impact has been seriously lessened in fiscal years 1971 and 1972 I believe the conference report should be passed.

Mr. TUNNEY. Mr. Speaker, passage of the tax reform bill will do much to restore the faith and confidence of millions of Americans in the fairness of our system of taxation. I hope that we give this bill our overwhelming support.

Our belief in the principle that taxes should be assessed on the basis of ability to pay has been strained to the limit by reports of wealthy taxpayers who pay no tax at all. It is acutely clear that the progressive tax rate has been a myth for thousands of privileged taxpayers. Now, because of the marathon efforts of Members in both bodies, those less privileged will no longer be forced to bear the major share of Federal taxes, while the wealthy shield their incomes from any significant tax bite.

Some have called this bill a tax giveaway program, citing the generous relief afforded low- and middle-income citizens. I raise strong objection to these charges that tax relief and tax reductions undermine the purposes of tax reform.

Too often we speak of tax reform and tax relief as if they were two separate things. I believe that tax relief is at the heart of comprehensive tax reform. Tax justice demands not only that we tighten restrictions on the availability of tax loopholes, but also that we lighten the burdens which low- and middle-income citizens have borne for so long.

There is merit to the complaint that revenues lost as a result of tax relief will exceed revenues gained as a result of narrower loopholes. My answer to that is a simple one. If there is a genuine fear that lost revenues are excessive, we can, and should, do more to place a fairer share of the tax burden on the select few who receive sheltered income. Municipal bond interest is still tax free. Taxpayers can still arrange to protect substantial earnings through oil depletion allowances.

The failure of the tax reform bill to incorporate the House proposals to place some tax on income from tax-exempt bonds is a glaring omission. The tax-exempt bonds that are owned by individuals are concentrated in the hands of the wealthiest 2 percent of the population. The reason is easy to understand. A 6-percent return from a tax-free bond, for a person in the 70 percent bracket, puts as much money in his pocket as a taxable investment bearing 20 percent interest. There are taxpayers with income from tax-free bonds in excess of $1 million who pay no tax at all, and who do not even have to file a return. And because they pay no tax, they pay no surtax.

Last January I introduced a tax reform bill which would have imposed a minimum tax of 10 percent on all income. This minimum tax would have reached income presently sheltered by depletion, accelerated depreciation and the exclusion of one-half of all long-term capital gains, as well as income from tax-free bonds. I will be happy to see adopted the mechanism of a minimum tax, which I feel goes further to assure that tax preference income will not escape tax entirely, than did the original House proposal. The exclusion of tax-free bond income in the conference bill, however, leaves millions of dollars of income completely immune from tax. It will still be possible for a select few to receive vast amounts of tax-free income, while persons with incomes of one-hundredth the size will be taxed at effective rates of 20 to 30 percent. This is not tax justice, and we will be making a mistake if we think that we can sit comfortably back, after the passage of this bill, and wait

another 50 years before the cry for reform is heard again.

I strongly urge support for this bill as a dramatic, albeit a first step toward comprehensive tax reform.

Mr. KLEPPE. Mr. Speaker, farmers and small businessmen will be especially disappointed that the conference report on the Tax Reform Act of 1969 does not include the Senate amendment exempting investments up to $20,000 in eligible property from the investment credit repeal.

This might have been fully justified had no special concessions been made to some other groups in the treatment of investment credit. I do not object to the provisions affecting amortization of certain railway rolling stock, pollution control facilities, and coal mine safety equipment; but I believe that an equally strong case could be made for at least a limited tax credit on equipment purchases by farmers and small businessmen.

With farm machinery prices continuing to move sharply higher, while most farm prices remain at generally depressed prices, American agriculture is in a tighter cost-price squeeze than any other segment of the economy. The typical commercial farmer has far more than $20,000 invested in machinery and equipment which must be replaced periodically if he is to maintain an efficient operation. This hard economic fact deserves recognition in the Federal tax structure.

From a safety factor alone, farmers should be encouraged to replace obsolete and other dangerous equipment. More farmers and agricultural workers are killed or injured every year in on-the-job accidents than in any other industry. Many of these tragedies could be averted with newer and safer farm equipment. Even a modest tax incentive would encourage farmers to replace obsolete and dangerous equipment at a much faster rate.

Mr. BINGHAM. Mr. Speaker, there is no question but that the pluses in this enormous tax bill outweigh the minuses.

Tax relief is provided, increasingly over a period of years, for those income groups that most need it.

A small increase is provided in social security benefits—far too small but better than nothing.

While the bill does not go nearly as far in the direction of closing tax loopholes as many of us would have liked, it still goes further than any of us could surely have predicted a year ago.

Today's New York Times contains an excellent summary by Eileen Shanahan of the tax reform aspects of the bill, which I insert herewith:

FOR MOST WEALTHY NONTAXPAYERS, NEW BILL ENDS FAVORED STATUS

(By Eileen Shanahan)

WASHINGTON, December 21.—How many of that well-publicized group of 155 individuals who pay no Federal income taxes, although they have incomes in excess of $200,000 a year, will have to start paying taxes now?

The answer is most, and possibly every one of them, assuming that the tax reform bill now awaiting final congressional action and Presidential approval does, as expected, become law. To say that the new tax reform bill might eliminate the nontaxable status of all 155 overstates the amount of reform, however.

The reason is that the figure of 155 always drastically understated the true number of high-income persons who paid no taxes. The only ones who made the famous list were those who had "adjusted gross income" of $200,000 or more, and many oilmen, real estate operators and owners of municipal bonds did not have any such amount of "adjusted gross income," even though their real, economic income may have been in the millions. The reason has to do with the mechanics of the way income—and tax-avoidance devices—is reported on tax returns.

Leaving aside the deficiencies of the number 155, the bill really does go most of the way toward blocking the routes for escape of all Federal taxes on sizable amounts of income.

STILL NO BOND TAX

Owners of municipal bonds can continue to pay no tax at all, if their sole income is from the interest on such bonds. Despite the reduction in the depletion allowance that the bill contains, some, and possibly many, oilmen will be able to arrange their affairs so that they can legally continue to avoid all Federal income tax.

But for other zero taxpayers, on or off the list of 155, the party is over. Or, more precisely, it will be shortly, once some transitional provisions of the bill have run their course.

It is the new "minimum tax" contained in the tax reform act of 1969 that will do the most toward eliminating complete tax avoidance by wealthy individuals (and by economically profitable corporations, as well, it should be noted.) The minimum tax stands as the most striking feature of the new legislation, the one that seems likely to earn for the 1969 act a place in the record books as the most significant tax reform bill since the inauguration of the income tax in 1913.

EFFECT ISN'T CERTAIN

This is true, even though no one is precisely sure how the minimum tax will work out in practice. The concept and mechanics of the tax are completely novel, and experienced tax lawyers tend to feel that it will probably produce some inequitable results, as between different individuals and different companies, and will need some amending in the future.

Basically, the minimum tax lumps together a long list of current provisions of the tax law—the depletion allowance is one, rapid depreciation of buildings is another—and commands the taxpayer to add up all of his income that is sheltered from tax by the operation of these various devices. If the total amount so sheltered exceeds $30,000, plus the amount of tax the individual is paying on his other income, he must pay the minimum tax on the amount of the excess.

The rate of tax on income subject to the minimum tax is only 10 per cent, compared with the rates on other income that go as high as 70 per cent. This is a defect in the minimum tax, in the view of ardent tax reformers.

STARTING WITH LOW RATE

But many others feel that a relatively low, flat rate of tax is a good way to start, particularly when no one knows exactly how the complex idea of setting levies on tax-sheltered income that exceeds taxes otherwise due will actually work out.

While the minimum tax may be the most striking single feature of the reform bill the measure contains countless other sections that also make its title "tax reform act" no misnomer. Some of these have almost been lost sight of recently because they have stirred relatively little controversy.

In this category come the provisions taxing, for the first time, the income that churches receive from ownership of businesses. Similarly noncontroversial but significant are extensive new statutory rules aimed at preventing individuals from creating and operating allegedly charitable foundations solely or partly for personal financial benefit.

FOUNDATION PROVISIONS

The other provisions of the bill involving tax-exempt foundations are highly controversial, and even some vigorous tax reformers do not necessarily regard them as improvements in the tax law. There is general agreement, however, that the new restrictions on politically oriented activities of foundations, the requirement that foundations pay out 6 percent of their income annually for their stated purposes, the audit fee they will pay the Government, the limitations on their ownership of businesses, and the restrictions on making grants to individuals on an arbitrary basis—that all of these are requirements the foundations can, in fact, live with.

One of the most significant sections of the bill affects both corporations and individuals—the one dealing with real estate. The measure cuts back drastically on the amount of rapid depreciation that can be deducted from income before any tax is calculated, and also limits to $21,000 a year the interest reductions that can be taken, unless the interest payments lead to profits or capital gains.

The combination of these provisions is expected to put many real estate operators in the taxpayer category for the first time in years.

The interest provision by itself will also reduce the zero taxpayer list to about half its present size, with most of those eliminated being either real estate men or speculators in securities.

Successful securities speculators and many other persons with large amounts of capital gains will be paying heavier taxes because of two or three different provisions of the bill.

However, for those who realize a big capital gain only occasionally, over a lifetime, the advantages of averaging would be granted.

FEW NEW PREFERENCES

But persons with an occasional big capital gain would be among the few to be better off under the reform provisions of the 1969 act. The relief provisions are another matter. For the legislation is emerging from Congress remarkably free of new tax preferences, although there are a few such as the increase in the depletion allowance on molybdenum, even though it is already in surplus supply.

There are four other major new tax preferences in the bill: tax incentives (which is what preferences always are at their birth) aimed at stimulating the installation of antipollution equipment, the modernization of railroad equipment, the rehabilitation of old residential housing, and the adoption of safety devices in coal mines. But all of these preferences contain an unprecedented feature: an automatic termination date five years hence.

EFFECT IS UNCLEAR

One of the great unknowns concerning the tax bill is its economic impact, because of both its reform provisions and its relief provisions. The tax reductions contained in the bill will reduce Government collections by billions in the years ahead. These are considerably more billions than the $9-billion figure usually cited, which, among other things, contains no allowance for increased income over the years that is a result of normal economic growth.

It is not yet clear just how this reduction in revenues, which would be phased over a period of years through 1973, will affect the economy. It depends on what shape the economy is in at the time.

Even more interesting is the question of how the various tax reform provisions will

affect business activity. There should be considerably less building of office buildings and shopping centers and other forms of nonresidential construction; there might be more building of apartment houses. There could be relatively more investment in the oil industry which had its tax preferences cut back a bit, but relatively little compared with other areas of past tax avoidance, such as real estate.

The repeal of the investment credit, and the concentration of tax relief in the hands of those who spend all their money, rather than save and invest, might have some depressing effect on investment.

Finally, there is another interesting question. Will the bill make people stop trying so hard to find tax-avoidance routes? Plain old earned income—salaries, commissions, professional fees—would be taxed at a top rate of 50 percent under the act. If that is the top rate (rather than the 70 percent it is now, or the 91 percent it was until 1963), is it really going to be worthwhile to pursue, for example, income that is taxed as capital gains, just by definition under the tax laws, and taxable at a maximum 35 percent? Will it be worthwhile to pursue income that would be subject just to the 10 percent minimum tax?

The Assistant Secretary of the Treasury for tax policy, Edwin S. Cohen, hopes and believes that one of the most beneficial effects of the legislation will be a lessening of the amount of energy and intelligence that is devoted to chasing after avoidance devices, Mr. Cohen's Democratic predecessor, Stanley S. Surrey, now of the Harvard Law School, advocated a somewhat different version of a maximum tax on earned income, but he believed the same thing.

Most other tax lawyers seem to think that Mr. Cohen and Mr. Surrey are wrong, that a 35 percent tax is better than a 50 percent and that the pursuit of tax preferences will continue unabated.

Mr. SEBELIUS. Mr. Speaker, I should like to comment on a most disturbing fact involving the Tax Reform Act of 1969.

I do not think it is equitable or right for the economic problems of the small businessman and farmer to increase as a result of measures taken to combat inflation in the economy as a whole.

I am speaking about the repeal of the 7 percent investment tax credit. The small businessman and the farmer should be the beneficiaries, not the victims of anti-inflationary policy.

This tax provision is a key factor in stimulating growth and economic development in our rural and smalltown areas. Certainly any successful effort to stimulate new jobs in rural America will serve the national interest. It has become apparent that the crisis in urban America is related to and in many cases due to our problems of rural migration.

I also want to stress this repeal will be a crushing blow to many farmers and small businessmen who have just managed to keep their heads above the waters of bankruptcy. While those of us vitally interested in rural America fully understand the obvious need for inflationary control, we were hopeful that at least this tax credit would be retained up to $25,000. Just this morning I received a call from a dryland farmer who was forced to sink new wells this summer or simply give up his investment and call it quits. He and his bnaker informed me the repeal of the 7 percent investment tax credit made his operation extremely marginal—dependent entirely upon how much more money he could borrow to avert financial ruin.

Mr. Speaker, I am most hopeful that future tax proposals and future proposals for revitalizing rural and smalltown America as well as plans to aid our cities can include special tax credits in this area. Once again I think we have cut off the farmer's nose in an effort to save the Nation's fiscal face. The investment tax credit was in effect an investment in future revenue, an investment we need desperately in rural America.

Mr. BURTON of California. Mr. Speaker, while I am delighted that the conference approved in part, amendments that Senator HARRIS and I prepared and which were vital to assure some measure of equity for our Nation's needy on public assistance—I must note with regret, that about 1.5 million aged, blind, and disabled who do not receive social security must rely on the States for any benefit under this bill.

I must further note that many of the 1.4 million who benefit under the Burton-Harris amendments will still have $5.50 or more a month of their small social security increase taken away from them if they are currently on public assistance.

However, some progress in this area is better than none at all.

The following reflect the results of the adoption of those portions of the Burton-Harris amendments agreed to by the conference committee:

Increased amounts received as a result of the Burton-Harris "pass-on" and "retroactive payment" amendments

California (285,000 persons receive increase as result of Burton-Harris amendments):	
Retroactive payment [1]	$5,700,000
Pass-on amendment [2]	3,420,000
Subtotal	9,120,000
Retroactive payment AFDC [3]	472,500
Total	9,592,500
Nationwide (1.4 million persons receive increase as result of Burton-Harris amendments):	
Retroactive payment amendment [1]	28,000,000
Pass-on amendment [2]	16,800,000
Subtotal	44,800,000
Retroactive payment AFDC [3]	3,510,000
Total	48,310,000

[1] Retroactive amendment requires the states to ignore for purposes of computing income of public assistance recipients the lump sum payment (averaging about $20) which will appear as a back payment for Jan. and Feb. in their April Social Security checks.

[2] Pass-on amendment requires the states to ignore for purpose of computing income of public assistance recipients $4 per month for March, April and May of the increase in benefits enacted in the Social Security Amendments of 1969.

[3] Retroactive payment AFDC represents 130,000 families nationally (17,500 Calif.) with combined AFDC/SS income—average SS income per family $90 per month—plus 15% increase for Jan. and Feb.=average retroactive payment of $27 for each family.

CALIFORNIA

	Public assistance recipients as of October 1969	April 1970 projections: Percent also receiving social security	April 1970 projections: Number public assistance recipients also receiving social security (rounded)
Aged	311,691	75	234,000
Blind	13,173	45	6,000
Disabled	157,091	27	45,000
Total	481,955		285,000

Note: In addition 17,500 families receive concurrent aid to a milies with dependent children/social security benefits.

Mr. Speaker, the following is the latest available information on the varying ways the different States have acted—or failed to act—on the 1967 social security legislation permitting the States to disregard $7.50 per month and as a result, increase payments to aged, blind, and disabled public assistance recipients by that amount.

My colleagues will note that in California, Governor Reagan's administration has failed to act to provide this $7.50 per month increase.

The Congress in 1967 urged the States to enact the increase because of the great savings to the States in welfare cost as the result of the 1967 social security amendments.

The only group in Califorina who received the benefit of this $7.50 increase were the blind, under an amendment I offered to State legislation which was enacted in 1963.

I hope, but am not optimistic, that the States are more compassionate in dealing with the 1969 amendments, than they were with the 1967 Social Security Amendments.

THE 1965–67 AMENDMENTS
(Effective October 1, 1965; January 2, 1968)

OAA, AB, APTD and AABD: Disregarding some amount of income received from any source prior to disregarding of other amounts, as reported September 30, 1969:

Provision in effect [1]: *26 Jurisdictions.*

A. Not more than $5 a month (1965): *13 Jurisdictions.*

Connecticut [2]	New Hampshire
Delaware [3]	Ohio
Georgia [4]	Pennsylvania
Guam	South Carolina [2]
Indiana	South Dakota
Missouri	Virgin Islands
Nevada [5]	

B. Not more than $7.50 a month (1967): *13 Jurisdictions.*

Alabama [6]	Maine
Arizona [2]	Massachusetts [6]
California [5]	Mississippi
Hawaii [7]	Montana
Idaho	Texas [2]
Iowa	Wyoming [8]
Kentucky	

[1] Plan material approved for all jurisdictions except Connecticut.

[2] OAA only. *Connecticut*—Disregards $2.50.

[3] *Delaware*: OAA and APTD—up to $5. *AB*—up to $7.50.

[4] AABD—up to $5 a month.

[5] OAA and AB. State has no APTD program. Plan material submitted for 1967 amendment.

[6] AB only. Will not implement at present for other categories. *Massachusetts DPW*—Needs legislation.

[7] OAA and APTD only.

[8] OAA, AB, APTD—adults only.

Not in effect; plan material submitted: *0 Jurisdictions.*

Plan material in preparation: *0 Jurisdictions.*

Legislation enacted: *0 Jurisdictions.*

Legislation in process: *0 Jurisdictions.*

Interested or intend to use: *2 Jurisdictions.*

Oklahoma.

Tennessee.

Will not implement at present: *26 Jurisdictions.*

Alaska	New Mexico [12]
Arkansas *	New York *
Colorado	North Carolina
D.C.	North Dakota
Florida [10]	Oregon [13]
Illinois	Puerto Rico [14]
Kansas [11]	Rhode Island
Louisiana [13]	Utah [11]
Maryland	Vermont [10]
Michigan	Virginia
Minnesota [11]	Washington [11]
Nebraska [11]	West Virginia
New Jersey	Wisconsin [11]

Mr. OBEY. Mr. Speaker, I intend to vote in favor of the tax reform bill which is before us for a final vote today.

With the enactment of this legislation, I think the Congress will take a long first step in making our tax laws more equitable for all our people.

I am particularly happy that the bill contains increases in social security benefits for our senior citizens, without increasing the earnings base on which social security taxes are paid. Although I would have been happier if the bill did more for those receiving minimum payments, there is no doubt that further social security reforms are needed. Surely it is incredibly difficult for anyone, let alone an elderly person with large medical expenses, to live on $64 a month, the minimum benefits contained in the bill. Nor does the bill contain automatic cost-of-living increases or provisions assuring pensioners that increases in social security will not result in a disproportionate decrease in veterans or other types of retirement benefits. So, in this area, while we have made a start, much remains to be done.

I am disappointed also because this bill does not contain some of the provisions regarding the 7-percent investment credit which had been adopted by the Senate. While I generally support the repeal of the 7-percent investment credit, I doubt the economy would have been injured if the credit had remained available to small businessmen and farmers up to say $10,000 or $15,000 per year.

The provisions regarding tax loss farming could also be improved upon. The provisions adopted in this bill would only pertain to tax-loss farmers with nonfarm income over $50,000 per year, and then only if their losses exceeded $25,000. As Secretary of the Treasury David Kennedy said when he testified before the Senate Finance Committee, "In practice this exclusion renders the bill ineffective."

Mr. Speaker, tax-loss and hobby farmers do injury to the principle of tax equity, and pose a great threat to the family farmer in this country and the tax reform bill is deficient in dealing with them.

On the plus side, the bill does delete the provisions inserted by the House regarding cooperatives. The House bill—which would have required cooperatives to revolve out patronage dividends within 15 years—would have proved a significant hardship on agricultural cooperatives. The conference committee bill calls for a study of the taxation of cooperatives some time before January 1, 1972, and I am pleased to see that no action has been taken before this matter is studied thoroughly.

Mr. Speaker, some of the provisions inserted by the Senate to benefit specific industries have wisely been deleted. We will have a minimum tax which will make it more difficult for any high-income persons to avoid all Federal taxation as they have in the past, although the interest earned on individual investment in municipal bonds will still be exempt from taxation.

Although I think it is still too high, the oil depletion allowance has been decreased from 27½ to 22 percent. There will be a minimum tax on all earned income. The standard deduction has been increased, and will reach 15 percent or $2,000 in 1973. Income tax exemptions will be increased $150 over a 3-year period, from $600 to $650 on July 1st, to $700 in 1972, and to $750 in 1973.

Overall, as the chairman of the Ways and Means Committee has pointed out, our low-income wage earners who need tax relief the most, will be able to get it. Under the bill, it is estimated that those with an income less than $3,000 will have a 70-percent reduction in taxes. Those with incomes between $5,000 and $7,000 will have their taxes reduced 20 percent. Those who make $10,000 to $15,000 will have a 10 percent reduction. Those making $15,000 to $20,000 will have an 8½ percent decrease. Those making $20,000 to $50,000 will have a 5 percent reduction. Those with an income of $50,000 to $100,000 will have a 1½ percent reduction, and those who make over $100,000 will probably be paying more in taxes than they do today.

Mr. Speaker, I am sure all of us here would change parts of this bill if we were given the opportunity to do so. There are other faults which I have not mentioned. Nonetheless, I believe this legislation provides a foundation on which to build more tax equity in future years and I intend to vote for it.

I am very hopeful too that President Nixon will not decide to veto this legislation. In 1970 the bill will increase the revenue coming into the Treasury by $6.4 billion and in 1971 there will be a $315 million surplus. If the inflationary impact of this legislation was the President's major concern when he threatened to veto it several weeks ago, it seems to me that this has been taken care of. The Members of both Houses of Congress, especially the House Ways and Means and the Senate Finance Committees, are to be congratulated for the reforms we have achieved in this legislation. A veto of this measure by the President would only be a step backwards in efforts to get as just a tax system as we can for the people in this Nation.

Mr. MILLER of Ohio. Mr. Speaker, the House has overwhelmingly approved the conference report on the tax reform and social security legislation with only two dissenting votes. This measure is commendable in that it will grant long overdue tax relief to most low- and middle-income taxpayers and will increase social security benefits by 15 percent across the board, effective January 1.

The legislation as finally approved will tighten up a number of special tax advantages available to specified industries and individuals with certain sources of income. The end result is that these groups will be paying more taxes under the reformed laws. In some cases it is proper and fair that loopholes be closed, but at the same time I was not satisfied that proper consideration had been given to such features as abolishing the investment tax credit for small farmers and changing the tax treatment on income derived from employee pension plans.

The procedural rules in effect during original consideration of the House tax reform measure precluded floor amendments and therefore prevented individual House members from amending the bill to correct the unfair or unwise provisions. After the Senate passed legislation with major variations from the House measure, the conferees hastily compromised the differences and we were then asked to approve the conference report less than a day later after only 2 hours of debate.

The tax reform legislation has its good points, but the entire measure could have been much better if additional time had been available to study its impact on various sectors of the economy. The opportunity for comprehensive review of the tax system comes along very rarely; we should insure that truly wise and equitable legislation is enacted so that our hard-working, taxpaying businesses and individuals will retain their confidence in the fairness of the Federal tax structure.

Mr. DONOHUE. Mr. Speaker, I most earnestly urge and hope that the House will promptly and overwhelmingly accept this compromise conference tax reduction and reform report now before us.

Even though it does not eliminate every loophole, correct every discrimination, and project the full reductions that so many of us sponsored and desired, it still represents the first substantial effort in a good many years to fundamentally revise, and reform, our tax system and redistribute the heavy tax burden being imposed upon the people of this country. Let us clearly emphasize that this measure is not intended to be an ending; it is only a promising beginning. We know that it has had the indication of a presidential veto hanging over it, which we trust has been averted.

Of course, a conference report, by its nature, is an accommodation of a wide range of differences; such an accommodation is inevitably and always far from perfect. However, as it stands, this bill does represent a responsible, earnest and long overdue attempt toward placing our tax system back where it belongs on the

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*As of June 30, 1969. No report received for Sept. 30, 1969.

[9] AABD—Deleted effective March 1, 1968.

[10] Plan material withdrawn. Provision in AABD terminated June 30, 1966.

[11] Needs legislation.

[12] Expects to disregard larger amount when funds are available.

[13] Insufficient funds.

[14] Plan withdrawn. Ceiling on Federal financial participation a deterrent.

foundation principle of "ability to pay." It moves closer to this principle, through its provisions to remove the impoverished from the tax rolls, raise personal exemptions and deductions, exact heavier taxes from the very wealthy, restrict special privileges, lessen the disproportionate burdens of the middle income and single head-of-household taxpayers, and in general more equitably distribute the overall tax load.

It is obvious that, under the existing circumstances, this is the most progressive compromise of all the varied viewpoints that can be accomplished. Let us, then, accept it in that spirit and realization, while we pledge to persevere in our common efforts toward early, further accomplishment of urgently needed tax relief to parents for college tuition and expenses, to persons over 65 for full medical expenses, to the handicapped, to small business, and in so many other areas where extraordinary economic distress is being unjustly and disproportionately experienced, by both individuals and organizations.

Mr. PICKLE. Mr. Speaker, at 10 o'clock this morning, we received the massive conference report on the tax reform bill. Some 3 hours later, we began debate—debate that lasted only 2 hours.

I am distressed that we were forced to consider this crash legislation, under these circumstances. The members of the conference committee did an admirable job in informing Congress in detail via their conference report. But the sad fact of life is that only a handful of men, the House and Senate conferees, have had the opportunity to develop any expertise in this, one of the major legislative items of the 90th Congress. I recognize and understand this political reality, but I cannot say I concur with the principle.

For example, today I spent a large part of the morning calling tax attorneys, businessmen, accountants, farmers and just folks in an attempt to gain deeper insights into the multifaceted provisions of the tax reform bill. When the bill was first voted earlier this year you will recall I offered the motion to recommit the tax bill. My concern then, as it does now, stems from the alarming fact that we were not given ample time to analyze this legislation.

I recall when the bill first faced the House, we were only given 2 or 3 days to investigate a highly technical document that had taken the committee months to prepare. The Senate, by contrast, spent almost a month on a measure that we passed in just days.

I repeat—this is crash legislation and we were faced with the alternative of accepting or rejecting major legislation almost completely on blind faith and newspaper accounts.

I am pleased that the bill we passed today is more palatable, in many respects, than either the House or Senate version. There are trouble areas; some trouble areas, I suspect, will not surface until we have the opportunity to really dig into this bill. Too, this bill within a year or two may increase government deficits.

There are certain areas that I think a better solution could have been found and I anticipate that I—and others—will be offering amendatory legislation at the first of the next session.

But basically, the bill we passed today is a sound compromise. The most telling arguments for supporting the bill comes from the provisions giving overdue tax relief to the middle- and low-income taxpayers.

Additionally, we instituted substantial reform. Probably we did not go far enough in some reform measures and too far in others.

Perhaps, if we had been allowed more time, we could have voted a cleaner bill. But still, this is the first major tax reform bill passed by Congress in 50 years.

Mr. REID of New York. Mr. Speaker, I am voting for the conference report on the Tax Reform Act of 1969 but I recognize that it is a very close question. Certainly the bill does contain the danger of yet greater inflation. Yet it is extremely difficult to foresee the effect of this bill in our present inflationary period, characterized by some recessionary trends. Those most familiar with the measure disagree as to whether there will be a net revenue gain to the Government in 1970 of $6.5 billion or a net loss of $8 billion. Similarly, for 1971, some estimate a revenue gain of $315 million while others predict a loss of $13.5 billion. It is simply impossible to predict with any degree of accuracy what will happen to the GNP and the net revenue picture as a result of this legislation. However, should the bill prove to be inflationary, the administration and the Congress have a special responsibility to take appropriate fiscal and monetary actions to offset this effect.

I would hope, however, that such actions will not include further reductions in urgently needed social and urban programs which are already grossly underfunded. There are other ways for the administration and the Congress to curb Federal spending through the reordering of national priorities—postponement of an unnecessary SST; meaningful, rather than token, cuts in the defense budget; elimination of the ABM, to name just a few.

There are, however, certain limited steps toward tax equity in this bill and a number of flagrant loopholes have been closed. It was unconscionable that some 155 very wealthy persons paid no tax at all in prior years; the minimum tax and list of tax preferences should foreclose this opportunity. Equally, the decrease in the oil depletion allowance from 27½ percent to 22 percent is a step in the right direction but far too modest. The low-income allowance is a long-needed action to remove the poor from the tax rolls but there is some question whether this benefit will be offset by inflation.

In particular, there are benefits in the tax bill for some middle-income families. Principally, their tax obligations will be somewhat lower as a result of the increase in the personal exemption to $650 this year and ultimately to $750, and from the increase in the standard deduction. The provisions affecting deductions for moving expenses are also broadened to include certain other kinds of costs associated with relocating a family, including pre-move house hunting, but the move must now be at least 50 miles from the present location to qualify, instead of 20 miles as in existing law. Self-employed persons would be eligible for moving expenses deductions for the first time.

Single persons have won a major victory in this bill; starting in 1971, certain single persons over 35 will qualify as heads of households and their tax rates will accordingly be adjusted so that they will be no more than 20 percent above the tax for married couples with the same income.

The 15-percent social security increase is, I believe, also a necessary expenditure. Perhaps the cost of living has only risen 9 percent since the last social security increase, but far too many older citizens live bleak lives, surrounded by malnutrition, ill health and fear, because they lack adequate incomes.

There are, however, a number of special interest provisions in the tax bill which are cause for some concern. First, while much can be said from the point of view of controlling inflation for repealing the investment tax credit, I think we should bear in mind its importance to new plant and equipment in a competitive world market.

Second, I am gratified that the law was left unchanged with regard to gifts of appreciated stock or personal property to educational institutions. To impose an onerous tax burden on gifts of this nature would have been to jeopardize the future of higher education which is already in a precarious financial position and largely dependent on individual private bequests. I am concerned, however, that while the law affecting gifts of personal property to charities was left unchanged, a full charitable deduction can no longer be taken for the short-term appreciation on gifts of appreciated property to charity. This action may vitiate the philanthropy on which some hospitals and other social and humanitarian charities rely, without any evident means of replacement.

Finally, I am deeply concerned about the limitations in this bill on foundations. While foundations are not immune to some criticism for certain of their actions, their endeavors in the main have been excellent, and this bill is punitive rather than constructive.

In sum, Mr. Speaker, I think that greater tax equity will be achieved by the passage of this bill than by its defeat, although it is not without some potentially serious inflationary dangers. Stern measures may yet be required to offset this danger and there should be no hesitation in applying them. Lastly, however, let it be clear that a real job of major tax reform yet lies ahead, particularly for the middle-income family; the bill we are approving today is just a beginning.

Mr. RANDALL. Mr. Speaker, when the roll is called I suppose I will vote in favor of the conference report on H.R. 13270. That should not mean I agree with all of its provisions. In a separate colloquy with one of the conferees, the gentleman from Oregon (Mr. ULLMAN) I tried to make

a record about the changes in tax treatment of income from municipal bonds; what changes if any were provided for the taxation of professional service corporations; the tax treatment of the lump sum distribution of proceeds under employment pension plans; the requirement for the taxation of undistributed dividends of cooperatives, and the reduction in the percentage of taxable income for savings and loans to be exempt as a reserve for bad debts.

I am grateful for his answers and his cooperation in attempting to make clear the provisions of the conference report on these matters. I recognize that this bill does have some meritorious provisions. There is some long needed tax reform. Some tax loopholes have been closed. There has been a reduction of the disparity or gap between those that are taxed on earned income, and those who seek the enjoyment of tax shelters from capital gains treatment. I recognize there has been some important reforms. Certainly tax equity and fairness are necessary in a voluntary system such as ours.

Last summer I was delighted to be able to call the attention of my people to tax reforms in the measure we sent to the other body. In that bill there were actually some reductions on rates. Now it comes back to us and about all we have is an increase in the per capita exemption. I doubt if many of us are happy with the slight increase in these exemptions but I know we all recognize that we can ill afford to operate our government under large deficits occasioned by the loss of revenues at a time of inflation. The House bill, is not inflationary. Through the combination of the reform and the reduction provisions our bill will not contribute to inflation. As much as I would prefer a larger reduction there is still some tax relief for the middle-income groups. Of course everyone must recognize that we cannot both increase personal exemptions and at the very same time lower the tax rates. Either procedure is costly in terms of revenue but both together would create such a revenue loss as to be unacceptable in our present fiscal condition. That brings us down to the hard choice. While the House provided rate cuts the Senate version and the conference report provides for exemption increases, and we are forced to accept the latter.

Mr. Speaker I shall not take the time to express myself on each of the provisions of the conference report. That would be impossible. I received a copy of the report barely just a few hours before the House considered this voluminous tax bill. You will recall the bill which passed the House several months ago contained 363 pages. The Senate bill contained 600 pages. Today, by an extraordinary relaxation of House rules we will have 2 hours for explanation of this bill instead of the usual 1 hour. Then as representatives of the people we are expected to cast an enlightened vote.

Let us not forget that back in August we debated a bill in this House which contained more sweeping changes in our tax law than at any time since 1913. Even that debate took place under a rule which barred the rank and file of the members from offering any amendments to the bill.

Only last week we passed an important bill to adjust the social security benefits for our older citizens in the declining years of their lives. We were allowed to debate that bill for 40 minutes under a procedure which barred the offering of amendments. Today we consider these two bills combined as one and once again we will have only one vote—"yes" or "no"—on final passage.

Mr. Speaker this kind of a situation demonstrates the crying need for some congressional reorganization or congressional reform. Perhaps it is impossible in a body as large as ours that each member should be permitted to offer multiple amendments but at least there should be a rule for separate roll call votes on a limited number of motions to recommit with instructions, or else some other parliamentary procedure which will give us a chance to express ourselves. We deserve more than to have to swallow this whole package without an expression of our displeasure at some of its provisions. True, it is a complex and complicated bill. Yet, we should have a chance to show our constituents how we stand on the more important provisions when the roll is called. As it is we are denied that prerogative.

To say what we have just said is not to lessen our confidence in the Great Ways and Means Committee. But neither is it to say that 410 Members of the House who are not members of that committee are incapable of making reasonable recommendations to be incorporated in tax legislation. Over on the other end of the Capitol the other body enjoyed virtual carte blanche on the legislation we now debate. One of the Eastern papers said they had "fun" with the bill and they went "wild" with their changes. But at least they had the right to make the changes. We the Members of the House of Representatives or the body closest to the people and most answerable to them have only the right of giving this conference report either the rubber stamp approval or vote it down. If we routinely adopt this conference report then we are surrendering rights and to a degree abdicate our responsibilities to the country. On the other hand if we vote the conference report down then the benefits in the form of tax reform, tax breaks for the disadvantaged, and increases in payments to social security beneficiaries may be indefinitely postponed or denied.

It is interesting to note in the limited time that I have had to examine the conference report, that the agreement of the conferees followed the Senate amendments 111 times. That means in 111 instances this bill was written over in the other body in spite of article I section VII of the Constitution which clearly states bills to raise revenue shall originate in the House. If we approve this conference report today then we are put in a position of legislating after the fact in an area of responsibility specifically reserved to this body by the Constitution.

Mr. Speaker, I have said before and let me repeat at this point the way we are proceeding today is no way to legislate upon such an important subject as taxes. The House actually provided a percentage reduction in the tax table in the bill which we passed. But now we see substituted for that a woefuly inadequate increase in personal exemption. It makes you wonder what effort was made to relieve the tax burden on middle income America. Today under the present rules of the House governing consideration of tax bills and conference reports we must accept this slight relief or get nothing at all.

If there was one reason I would vote against this bill it is because it makes the burden heavier which our small family farmer must bear. For that matter, it makes the burden for the small businessman heavier because of the elimination of the 7-percent investment tax credit. This percentage of investment credit was one of the few things left for our family farmer. Now that has been taken away. It is even possible that to offset the small savings due to the new rates when considered against the loss of the investment credit repeal, there could be no tax relief at all for our farmers, ranchers and small businessmen. Certainly this will be true in 1970 although there could be reductions in the years to follow.

In the bill which we must approve or disapprove after 2 hours of debate with all of its massive provisions, we find those who had the special privilege to write our tax legislation have ordained that the surtax will be continued at 5 percent through next June 30. I have already voted against the surtax upon at least four or perhaps five occasions. I wish it were possible to vote against it again without sacrificing the benefits contained in this bill.

Finally, we come to social security. The bill does provide for a 15-percent increase in benefits paid to social security annuitants. I approve of that 15-percent increase. Last May I introduced my own bill which would grant an across-the-board increase of 15 percent. In my bill these increases would apply to the first quarter following the enactment of the bill. In other words, my proposal would have gone into effect last July 1 granting at least six additional months benefits. My bill would have been less miserly by increasing minimum benefits to $80 instead of $64. My bill would have protected the elderly against erosion from inflation by carrying a provision for automatic increases in benefits when the cost of living rose 1 percent for 3 consecutive months.

It may be repetition but I repeat once again when we get a printed copy of a conference report just a matter of 3 to 4 hours before we have to vote on that conference report the only conclusion can be this is no way to run a railroad. Certainly there should be a rule included in whatever congressional reorganization or reform that we enact in the future that such a conference report cannot be finally considered until at least 5 days after a printed copy is in the hands of Members.

I recall so well my vote against the gag rule when we considered the House

version of this bill last August. I appeared before the Rules Committee urging at least a modified closed rule. I recognize the Ways and Means Committee have their specialists and staff technicians but the time should never come when the general membership of the House has to accept the work of the members of this committee or their staff on faith alone.

As we come to vote on this conference report we are faced once again with the hard fact of having to swallow the surtax. On the other hand, this conference report provides increased benefits for about 25,000,000 of our older and most deserving citizens. If we oppose this increase because of our abhorrence to the surtax or if we vote against the conference report because of its shabby treatment of our family farmers or the new and less than fair treatment of lump sum distributees of pension funds and the damage done to our small businessmen for loss of their investment credit then of course we have to vote against the benefits for our 25 million deserving senior citizens. The truth is there is not enough time left to explain to these folks why we had to oppose their new benefits just to try to do tax justice to a few others.

For those who may think that they know all the provisions in this 346-page conference report let me respectfully suggest that in all likelihood just before the next congressional election someone will raise an embarrassing question that may be hard to explain.

If there is one way to describe the situation that many find ourselves in as we come to a vote on this massive measure, it is to say we are all held hostage because of the long-over-due and richly deserved social security increases for our 25,000,000 senior citizens. There are some benefits in the conference report but not nearly enough in tax reform or tax reduction. To accept these shortcomings is the ransom that we must pay for being held hostage because of the social security increases. Such a situation today should provide the strongest reason for congressional reorganization to give the Members of the House a few of the rights enjoyed by the other body.

Mr. MILLS. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken, and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. MILLS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 381, nays 2, not voting 50, as follows:

[Roll No. 351]

YEAS—381

Abernethy	Diggs	Kazen
Adair	Dingell	Kee
Adams	Donohue	Keith
Addabbo	Dorn	King
Albert	Dowdy	Kleppe
Alexander	Downing	Kluczynski
Anderson, Calif.	Dulski	Koch
	Duncan	Kuykendall
Anderson, Ill.	Dwyer	Kyl
Anderson, Tenn.	Eckhardt	Kyros
	Edmondson	Landrum
Annunzio	Edwards, Ala.	Langen
Arends	Edwards, La.	Latta
Ashley	Eilberg	Leggett
Aspinall	Erlenborn	Lennon
Ayres	Esch	Lloyd
Baring	Eshleman	Long, La.
Barrett	Evans, Colo.	Long, Md.
Beall, Md.	Fallon	Lowenstein
Belcher	Fascell	Lujan
Bell, Calif.	Feighan	Lukens
Bennett	Fish	McCarthy
Betts	Fisher	McCloskey
Biaggi	Flood	McClure
Biester	Flowers	McCulloch
Bingham	Flynt	McDade
Blackburn	Foley	McDonald, Mich.
Blanton	Ford, Gerald R.	
Blatnik	Ford, William D.	McEwen
Boggs		McFall
Boland	Foreman	McKneally
Bow	Fountain	McMillan
Brademas	Fraser	Macdonald, Mass.
Brasco	Frelinghuysen	
Bray	Frey	MacGregor
Brinkley	Friedel	Madden
Brock	Fulton, Pa.	Mahon
Brooks	Fulton, Tenn.	Maillliard
Broomfield	Fuqua	Mann
Brotzman	Galifianakis	Marsh
Brown, Calif.	Gallagher	Mathias
Brown, Mich.	Garmatz	Matsunaga
Broyhill, N.C.	Gaydos	May
Broyhill, Va.	Gettys	Mayne
Buchanan	Giaimo	Meeds
Burke, Fla.	Gibbons	Melcher
Burke, Mass.	Gilbert	Meskill
Burleson, Tex.	Gonzalez	Michel
Burlison, Mo.	Goodling	Mikva
Burton, Calif.	Gray	Miller, Ohio
Burton, Utah	Green, Pa.	Mills
Bush	Griffin	Minish
Button	Gross	Mink
Byrne, Pa.	Grover	Minshall
Byrnes, Wis.	Gubser	Mize
Cabell	Gude	Mizell
Camp	Hagan	Mollohan
Carter	Haley	Monagan
Casey	Halpern	Moorhead
Cederberg	Hamilton	Morgan
Chamberlain	Hammer-schmidt	Morton
		Mosher
Chappell	Hanley	Murphy, Ill.
Chisholm	Hanna	Murphy, N.Y.
Clancy	Hansen, Idaho	Myers
Clark	Hansen, Wash.	Natcher
Clausen, Don H.	Harrington	Nedzi
	Harsha	Nelsen
Clawson, Del	Hastings	Nichols
Clay	Hathaway	Nix
Cleveland	Hawkins	Obey
Cohelan	Hays	O'Hara
Collins	Hechler, W. Va.	O'Konski
Conable	Heckler, Mass.	Olsen
Conte	Helstoski	O'Neill, Mass.
Corbett	Henderson	Ottinger
Corman	Hicks	Passman
Coughlin	Hogan	Patman
Cowger	Holifield	Patten
Cramer	Horton	Pelly
Crane	Hosmer	Pepper
Culver	Howard	Perkins
Cunningham	Hungate	Pettis
Daddario	Hunt	Philbin
Daniel, Va.	Hutchinson	Pickle
Daniels, N.J.	Ichord	Pike
Davis, Ga.	Jacobs	Pirnie
Davis, Wis.	Jarman	Podell
de la Garza	Johnson, Calif.	Poff
Delaney	Johnson, Pa.	Pollock
Dellenback	Jonas	Preyer, N.C.
Denney	Jones, Ala.	Price, Ill.
Dennis	Jones, N.C.	Price, Tex.
Dent	Jones, Tenn.	Pryor, Ark.
Derwinski	Karth	Pucinski
Devine	Kastenmeier	Purcell
Dickinson	Kee	Quie
Dingell	Keith	Quillen
Donohue	King	Railsback
Dorn	Kleppe	Randall
Dowdy	Kluczynski	Rarick
Downing	Koch	Reid, Ill.
Dulski	Kuykendall	Reid, N.Y.
Duncan	Kyl	Reuss
Dwyer	Kyros	Rhodes
Eckhardt	Landrum	Riegle
Edmondson	Langen	Rivers
Edwards, Ala.	Latta	Roberts
Edwards, La.	Leggett	Robison
Eilberg	Lennon	Rodino
Erlenborn	Lloyd	Roe
Esch	Long, La.	Rogers, Colo.
Eshleman	Long, Md.	Rogers, Fla.
Evans, Colo.	Lowenstein	Rooney, N.Y.
Fallon	Lujan	Rooney, Pa.
Fascell	Lukens	Rosenthal
Feighan	McCarthy	Roth
Fish	McCloskey	Roudebush
Fisher	McClure	Roybal
Flood	McCulloch	Ruppe
Flowers	McDade	Ruth
Flynt	McDonald, Mich.	Ryan
Foley		St Germain
Ford, Gerald R.	McEwen	St. Onge
Ford, William D.	McFall	Satterfield
	McKneally	Saylor
Foreman	McMillan	Schadeberg
Fountain	Macdonald, Mass.	Scherle
Fraser		Scheuer
Frelinghuysen	MacGregor	Schneebeli
Frey	Madden	Schwengel
Friedel	Mahon	Scott
Fulton, Pa.	Maillliard	Sebelius
Fulton, Tenn.	Mann	Shipley
Fuqua	Marsh	Shriver
Galifianakis	Mathias	Skubitz
Gallagher	Matsunaga	Slack
Garmatz	May	Smith, Iowa
Gaydos	Mayne	Smith, N.Y.
Gettys	Meeds	Snyder
Giaimo	Melcher	Springer
Gibbons	Meskill	Stafford
Gilbert	Michel	Staggers
Gonzalez	Mikva	Stanton
Goodling	Miller, Ohio	Steed
Gray	Mills	Steiger, Ariz.
Green, Pa.	Minish	Steiger, Wis.
Griffin	Mink	Stokes
Gross	Minshall	Stratton
Grover	Mize	Stubblefield
Gubser	Mizell	Stuckey
Gude	Mollohan	Symington
Hagan	Monagan	Taft
Haley	Moorhead	Taylor
Halpern	Morgan	Teague, Calif.
Hamilton	Morton	Thompson, Ga.
Hammer-schmidt	Mosher	Thompson, N.J.
	Murphy, Ill.	Thomson, Wis.
Hanley	Murphy, N.Y.	Tiernan
Hanna	Myers	Tunney
Hansen, Idaho	Natcher	Udall
Hansen, Wash.	Nedzi	Ullman
Harrington	Nelsen	Utt
Harsha	Nichols	Van Deerlin
Hastings	Nix	Vander Jagt
Hathaway	Obey	Vanik
Hawkins	O'Hara	Vigorito
Hays	O'Konski	Waggonner
Hechler, W. Va.	Olsen	Waldie
Heckler, Mass.	O'Neill, Mass.	Wampler
Helstoski	Ottinger	Watson
Henderson	Passman	Watts
Hicks	Patman	Weicker
Hogan	Patten	Whalen
Holifield	Pelly	Whalley
Horton	Pepper	White
Hosmer	Perkins	Whitehurst
Howard	Pettis	Whitten
Hungate	Philbin	Widnall
Hunt	Pickle	Wiggins
Hutchinson	Pike	Williams
Ichord	Pirnie	Wilson, Bob
Jacobs	Podell	Wilson, Charles H.
Jarman	Poff	
Johnson, Calif.	Pollock	Winn
Johnson, Pa.	Preyer, N.C.	Wold
Jonas	Price, Ill.	Wolff
Jones, Ala.	Price, Tex.	Wyatt
Jones, N.C.	Pryor, Ark.	Wydler
Jones, Tenn.	Pucinski	Wylie
Karth	Purcell	Wyman
Kastenmeier	Quie	Yates
Kazen	Quillen	Yatron
Kee	Railsback	Young
Keith	Randall	Zablocki
King	Rarick	Zion
Kleppe	Reid, Ill.	Zwach
Kluczynski	Reid, N.Y.	
Koch	Reuss	
Kuykendall	Rhodes	
Kyl	Riegle	
Kyros	Rivers	
Landrum	Roberts	
Langen	Robison	
Latta	Rodino	
Leggett	Roe	
Lennon	Rogers, Colo.	
Lloyd	Rogers, Fla.	
Long, La.	Rooney, N.Y.	
Long, Md.	Rooney, Pa.	
Lowenstein	Rosenthal	
Lujan	Roth	
Lukens	Roudebush	
McCarthy	Roybal	
McCloskey	Ruppe	
McClure	Ruth	
McCulloch	Ryan	
McDade	St Germain	
McDonald, Mich.	St. Onge	
	Satterfield	
McEwen	Saylor	
McFall	Schadeberg	
McKneally	Scherle	
McMillan	Scheuer	
Macdonald, Mass.	Schneebeli	
	Schwengel	
MacGregor	Scott	
Madden	Sebelius	
Mahon	Shipley	
Maillliard	Shriver	
Mann	Skubitz	
Marsh	Slack	
Mathias	Smith, Iowa	
Matsunaga	Smith, N.Y.	
May	Snyder	
Mayne	Springer	
Meeds	Stafford	
Melcher	Staggers	
Meskill	Stanton	
Michel	Steed	
Mikva	Steiger, Ariz.	
Miller, Ohio	Steiger, Wis.	
Mills	Stokes	
Minish	Stratton	
Mink	Stubblefield	
Minshall	Stuckey	
Mize	Symington	
Mizell	Taft	
Mollohan	Taylor	
Monagan	Teague, Calif.	
Moorhead	Thompson, Ga.	
Morgan	Thompson, N.J.	
Morton	Thomson, Wis.	
Mosher	Tiernan	
Murphy, Ill.	Tunney	
Murphy, N.Y.	Udall	
Myers	Ullman	
Natcher	Utt	
Nedzi	Van Deerlin	
Nelsen		
Nichols		
Nix		
Obey		
O'Hara		
O'Konski		
Olsen		
O'Neill, Mass.		
Ottinger		
Passman		
Patman		
Patten		
Pelly		
Pepper		
Perkins		
Pettis		
Philbin		
Pickle		
Pike		
Pirnie		
Podell		
Poff		
Pollock		
Preyer, N.C.		
Price, Ill.		
Price, Tex.		
Pryor, Ark.		
Pucinski		
Purcell		

NAYS—2

Ashbrook	Landgrebe

NOT VOTING—50

Abbitt	Evins, Tenn.	Moss
Andrews, Ala.	Farbstein	O'Neal, Ga.
Andrews, N. Dak.	Findley	Poage
	Goldwater	Powell
Berry	Green, Oreg.	Rees
Bevill	Griffiths	Reifel
Bolling	Hall	Rostenkowski
Brown, Ohio	Harvey	Sandman
Caffery	Hébert	Sikes
Cahill	Hull	Sisk
Carey	Kirwan	Smith, Calif.
Celler	Lipscomb	Stephens
Collier	McClory	Sullivan
Colmer	Martin	Talcott
Conyers	Miller, Calif.	Teague, Tex.
Dawson	Montgomery	Watkins
Edwards, Calif.	Morse	Wright

So the conference report was agreed to.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Hall.
Mr. Moss with Mr. Berry.
Mr. Andrews of Alabama with Mr. Brown of Ohio.
Mr. Evins of Tennessee with Mr. Martin.
Mr. Rostenkowski with Mr. Collier.
Mr. Teague of Texas with Mr. Watkins.
Mr. Morse with Mr. Edwards of California.
Mr. Celler with Mr. Cahill.
Mr. Wright with Mr. Findley.
Mr. Montgomery with Mr. Reifel.
Mr. Sandman with Mr. Colmer.
Mrs. Griffiths with Mr. McClory.
Mr. Sisk with Mr. Smith of California.
Mrs. Green of Oregon with Mr. Talcott.
Mr. Andrews of North Dakota with Mr. Miller of California.
Mr. Sikes with Mr. Goldwater.
Mr. Carey with Mr. Harvey.
Mrs. Sullivan with Mr. Lipscomb.
Mr. Stephens with Mr. Caffery.
Mr. Bevill with Mr. Abbitt.
Mr. Farbstein with Mr. Conyers.
Mr. Kirwan with Mr. Powell.
Mr. Rees with Mr. Dawson
Mr. O'Neal of Georgia with Mr. Hull.

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may have 5 legislative days in which to revise and extend their remarks in the RECORD just prior to the vote on the conference report, and to include extraneous material.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

PERSONAL EXPLANATION

Mr. BROWN of Ohio. Mr. Speaker, I take this time to indicate that I just missed the vote on the tax reform measure, because I was in the television gallery making a tape on how I voted on the tax reform measure. I would like to state that had I been present and not making that tape, I would have voted in favor of the tax reform measure.

PERSONAL EXPLANATION

Mr. TALCOTT. Mr. Speaker, on the vote on the tax reform bill H.R. 13270, which was just concluded, I was unavoidably detained, so I did not vote, but if I had been here I would have voted "yea."

THE TAX BILL

Mr. LONG. Mr. President, I am informed that the House has agreed to the conference report on the tax-reform bill and that the papers will come to the Senate very shortly. That being the case, I think I shall present a statement on the conference report at this time and call up the conference report when it arrives.

Shortly after this session of the Congress began, the hue and cry for tax reform reached its peak. The Congress responded in full. It has taken this entire session for both Houses of the Congress to complete action on this bill. Although a year may seem like a long period of time, it is incredible that a bill so comprehensive has been completed in the space of 1 year.

The usual course on a measure of this sort is for the House to pass it one year and for the Senate to pass it the following year. Considering the fact that this is virtually a redrafting of the Internal Revenue Code as far as income taxes are concerned, as well as a major social security bill, as well as extension of major excise taxes, one may say that Congress has acted in about one-half the time it normally would take for a revenue bill of this breadth and significance.

In discussing the conference report, I want to direct your attention initially to the tax-relief provisions and the fiscal implications of the bill.

As all Senators know, the bill which the Senate passed increased personal exemptions from $600 to $800. I fought hard for the Senate provision, as that was my responsibility as a Senate conferee, even though I voted against the proposal in the Finance Committee and on the Senate floor.

The Senate conferees prevailed at the end, and the conference agreed to raising the personal exemption to $750. I am proud to say that we were able to retain three-quarters of the Senate-approved $200 increase. In achieving this result, the conference significantly shifted the major share of tax relief to the low- and middle-income taxpayers. The conference bill distributes 87 percent of the net tax reduction to the income levels below $15,000. Actually, because of other features, this gives a slightly larger share of the net tax reduction to those taxpayers than the 85.9 percent provided in the Senate bill.

The major share of the credit for our success in retaining this provision belongs to the senior Senator of Tennessee, my good friend, ALBERT GORE. He introduced the provision for an $800 exemption during the Finance Committee's executive session, where he lost by a tie vote. Then he brought it to the Senate floor where his powers of persuasion convinced a majority of Senators to put the provision in the bill. In the conference, he directed his persuasive powers to the

House conferees, and he won them over to his side.

The Senate conferees did agree to a slower rate of increase in the exemption. This concession, however, was made in the face of the obvious fiscal needs of the Federal Government. The Senate conferees saw no choice other than spreading the increased personal exemption more gradually over a 4-year period.

The theme of fiscal responsibility dominated the discussion. It was vitally important that the conference produce a bill that showed surpluses in the first 2 years and as small a deficit as possible in the third year. Those years are critical in the fight against the inflationary pressures that still persist in the economy.

The fiscal responsibility in the conference agreement is evident if the Senators examine the figures. In the conference bill, there is a net surplus of $6.5 billion in 1970. This is the result of the tax-reform provisions, the extension of the income tax surcharge and excise taxes, and moderation in the amount of tax relief provided in 1970. Even in 1971 there is a surplus of some $293 million. While this may be a small surplus, it is a significant revision from the $4.8 billion deficit in 1971 in the bill passed by the Senate. Although the bill still shows a deficit in 1972 of $1.8 billion, this too is a substantial reduction from the $6.3 billion deficit in the Senate bill.

Another measure of the substantial degree of fiscal restraint represented in the conference bill can be seen by comparing it with the administration's program presented by the Secretary of the Treasury to the Finance Committee this fall. The administration's proposals showed a net surplus of $7.1 billion for 1970; the $6.5 billion in the conference report comes close to this, representing a difference of less than $600 million. In 1971, the Secretary's program showed a net surplus of $615 million, while the conference bill has a net surplus of $293 million—a difference of only $322 million.

The most significant fact, however, is the comparison of the figures for 1972. The conference report actually shows a deficit of $1.8 billion in 1972, which is $480 million below the $2.3 billion deficit in the administration's proposals. This means for the 3-year period the difference in the fiscal impact of the conference report and the administration's proposal is less than $500 million.

Let me turn now to a brief examination of the major relief provisions in the conference agreement. The Senate bill provided a minimum standard deduction that would become a flat $1,000 per tax return in 1971. That is also the final level reached in the conference report.

The Senate bill also assured that single persons would pay an income tax no more than 20 percent above the tax paid by a married couple with the same taxable income. That, too, the Senators will find in the conference report.

One feature of the House bill carried over to the conference agreement was an increase in the standard deduction that reaches its maximum level in a 3-year period. This was removed by the Senate when it adopted the Gore amendment without much specific consideration. The discussion at that time was largely on the question of the relative merits of the personal exemption increases and the rate cuts.

Actually, this provision complements the $750 personal exemption and $1,000 minimum standard deduction in simplifying the filing of an income tax return by taxpayers with relatively low incomes. Presently, many of these taxpayers find it necessary to go through the laborious process of keeping records to itemize their deductions. A standard deduction of 15 percent, with a ceiling of $2,000, coupled with the minimum standard deduction, means that many taxpayers will be able to shift to the simpler standard deduction—some 11 million taxpayers.

For the relatively small additional revenue cost of $1.6 billion, it will be possible under these provisions for us to increase from 58 percent to 73 percent the portion of our taxpayers using the simple standard deduction.

The final feature of the conference agreement in the area of tax relief may be viewed by some with mixed feelings. However, the House conferees were insistent on the adoption of the maximum tax rate on earned income that was in the House bill and which had been deleted by the Finance Committee. They viewed it as essential, in view of the absence of all other rate reductions. Senators should note, however, that this is substantially different from the House version, since the income subject to this preference is reduced by all of a taxpayer's tax preferences over $30,000.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws.

The message also announced that the House had passed a bill (H.R. 15071) to continue for 2 additional years the duty-free status of certain gifts by members of the Armed Forces serving in combat zones, in which it requested the concurrence of the Senate.

TAX REFORM ACT OF 1969—CONFERENCE REPORT

Mr. LONG. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

(For conference report, see House proceedings of today.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. LONG. Moreover, there are characteristics of the maximum tax that even the most robust tax reformer should admire. By limiting the maximum tax rate applied to earned income to 50 percent—beginning in 1972—the high-income taxpayer who is willing to forego the benefits of tax preferences, is encouraged, as his income rises, to continue devoting his energies to productive pursuits—rather than to a search for tax shelters—by the opportunity to retain half of his earned income. The Senate conferees were persuaded that this provision would substantially decrease the inducement for these taxpayers to waste their energies in seeking tax shelters.

Let me turn now to the tax reform measures which after all took most of the time in conference. The conferees spent about 45 hours in conference last week—including one session which began at 9:30 in the morning and lasted until 3 a.m. the next morning. About 40 of those hours were devoted to the tax reform provisions. I want to discuss now with the Senators the major features of the compromises we ironed out in these areas.

In the private foundation area, most of the Senate measures were preserved. First, the conference preserved the Senate provision requiring foundations to pay out annually an amount equal to at least 6 percent of the value of their assets.

Second, the House bill contained strict stock divestiture rules that applied to existing foundations as well as those established in the future. The Senate amendment, however, reduced the severity of the rules that applied to existing foundations, and the conference retained much of the Senate rules in this respect.

Both the Senate and the House bills levied taxes on foundations, the Senate primarily to defray the costs of annual audits of foundations and their activities. The purpose of the audit is to assure that all foundations, without exception, act in conformance with their ex-

empt purposes. The audit-fee tax of the Senate bill after the first year would have equalled about 2 percent of investment income. The House, on the other hand, would have imposed a 7½-percent tax on foundation income. Obviously, they were interested in something more than an audit-fee tax. The conference agreed upon a 4-percent excise tax measured on income which is much closer in this respect to the Senate version than to the House version.

In the area of charitable contributions, the Senators will be glad to learn that the Senate conferees succeeded in preserving the Senate provisions relating to gifts of tangible personal property to such exempt organizations as museums. The House bill would have taxed the appreciated value of such gifts as paintings, art objects, and collections of books, and as a result would have substantially discouraged them. The House receded with respect to this provision with an amendment limiting the gifts qualifying in this manner to those related to the exempt function of the donee institutions.

In the area of charitable contributions of estates and trusts, the Senate conferees also prevailed with respect to virtually all of the Senate amendments. These amendments restored the deduction for income of trusts and estates set aside for charity. They also restored the deduction for investment pool arrangements under which the public charity pays the donor the income attributed to the value of the contribution for his life so long as the pool accumulates capital gains for the benefit of charity.

In the area of farm losses, the Senate conferees prevailed with respect to all but one of the amendments on this subject. Under firm resistance from the House conferees, the Senate conferees agreed to the House provision that requires an excess deductions account for farm losses in excess of $25,000 for taxpayers who receive more than $50,000 of nonfarm income. The House conferees preferred their provision because it makes the full deduction available currently and only later converts capital gains into ordinary income. I am sorry we did not prevail on this because I think we had the simpler and more logical provision, but we can consider reviving this in the future.

The Senate deleted from the House bill a provision that would have limited the deduction for interest expenses to an amount equal to the sum of the taxpayer's net investment income, long-term capital gains and an additional $25,000. The House conferees were quite insistent on this provision, so we had to compromise our differences. Instead of being denied the interest expense deduction when it exceeds the limit placed in the House bill, the taxpayer will continue to be able to deduct 50 percent of this excess. Moreover, this does not go into effect until after 1971. The conferees also agreed to other ameliorating amendments in this area.

The Senate minimum tax provision was preserved largely intact. Only minor modifications were made. I am glad to say the House receded from its complicated proposals for a limit on tax preferences and allocation of deductions. The conference accepted a tax of 10 percent on income preferences reduced by a $30,000 exemption and Federal taxes.

As to the tax preferences under this tax, they are largely the same as under the Senate bill. We did make some improvements, however. Interest expenses in excess of net investment income, for example, will be removed from the tax preference base in 1972 when the limit on the deductibility of the interest expense goes into effect. Accelerated depreciation on net leases will not be a tax preference item for corporations, but it will continue in the preference income base for individuals. Intangible drilling expenses also were deleted from the base for the minimum tax, but the excess of depletion over cost remains as a source of preference income. The seven other items in the Senate base for the preference income tax were accepted by the conference.

In the general area of capital gains, the Senate conferees preserved most of the Senate's provisions. We refused to go along with any extension of the holding period and preserved an important part of the alternative tax. We yielded some ground in this area but the conference report keeps the 25-percent alternative rate for the first $50,000 of capital gains. Moreover, by going along with the House and including capital gains in income averaging, we prevented much of the hardship which can arise where large amounts of capital gains are realized in single year.

The Senate and the House tightened the provisions relating to accumulation trusts, and I think it is safe to say they no longer will be useful instruments for tax avoidance. Probably most important, the amendment added by the Senate was preserved; namely, that relating to capital gains although it was necessary for us to yield on the interest charge on deferred tax payments.

Controlled groups of multiple corporations also lose their opportunities for tax avoidance through multiple use of surtax exemptions. The major differences between the Senate and House bills were the length of the transition period affecting the elimination of the surtax exemption. This difference was compromised, and the transition period will begin in 1970 and end in 1975—1 year later than provided in the Senate bill.

In the area of corporate mergers, the Senate modified considerably the harsher aspects of the House provision. The Senate conferees did recede with respect to the House provision that would disallow the interest deduction when the ratio of debt to equity of the acquiring corporation is more than 2 to 1 and where earnings are not expected to be at least three times the annual interest expense. However, the earnings to interest ratio rule was modified to recognize the fact that interest charges can be paid out of depreciation charges as well as earnings. Moreover, the Senate amendments to the remaining provisions in the section on corporate mergers were preserved.

The House provision on the taxation of stock dividends was retained. Transitional rules are available under limited conditions but a corporation will not lose the benefit of these rules if it issues any type of stock under a conversion right contained in other stock which it was permitted to issue under these rules.

The subject of foreign tax credits also was one of the difficult ones for the conferees to resolve. However, the Senate conferees succeeded in retaining the more important provision—one that continues the offset of losses incurred abroad against domestic income. The conference did, however, comprise the provision regarding excess foreign tax credits arising from depletion deductions. The new provision contains most of the characteristics that the Senator from Wisconsin (Mr. PROXMIRE) sought to introduce with his floor amendment.

Financial institutions represented another area of compromise. The Senate provision that reduced the reserves for bad debts of commercial banks to 1.8 perment of eligible loans was preserved for the first 6 years. After that time, the level provided by the House bill will be reached in two steps at 6-year intervals. As a result, only after 18 years will the commercial banks be required to base their reserves upon their actual experience. The gradual transition certainly should allow commercial banks to adjust to the treatment generally applicable to other taxpayers without disruption to their activities.

Additions to bad debt reserves of mutual savings banks and savings and loan associations also were revised, and the conference agreement here, too, reflects a compromise position. Both types of savings institutions will be required to compute their allowable bad debt reserve as a percentage of taxable income. Present law permits a reserve based on 60 percent of taxable income, and the conference reduced this percentage to 40 percent which must be reached gradually over a 10-year period. The Senate had reduced the percentage to 50 percent over 4 years and the House to 30 percent in a 10-year period. Both versions of the bill eliminate the choice of computing the bad debt reserve as 3 percent of qualifying real property loans.

Both versions of the bill terminate the present treatment of capital gains and losses on bonds held by financial institutions after transition periods of different lengths. The conferees found a compromise position that provides a significantly more desirable transition procedure. Present law will apply to capital gains and losses on bonds that accrued between the time of acquisition and the effective date of the provision. This portion of the capital gain will be measured as the proportion that the time between acquisition date and effective date is of the time between acquisition date and date of maturity. The portion of capital gains and losses that accrue after the effective date will be treated as ordinary income.

The Senate conferees preserved the essential feature of the Senate version of the bill as it affects the depreciation allowed regulated industries. The Senate bill would permit a regulated utility to

shift to straight-line depreciation, or possibly normalization from the flow-through method of depreciation for all its facilities without permission of the utility within 180 days after enactment. The conference report accepts that principle but applies it only to new facilities that increase the capacity of the utility to serve its customers. All but one of the remaining Senate amendments were preserved.

In the area of percentage depletion, as Senators might suspect, there were problems in resolving our differences. At the end, I think, the Senate conferees succeeded in preserving the major characteristics of the natural resource provisions of the Senate bill. Apart from oil and gas, which were reduced from 27½ percent to 22 percent, the conference reduced percentage depletion rates in two categories by only 1 percentage point. All the others remained unchanged. Natural resources which presently receive a 23-percent depletion allowance will receive a 22-percent depletion allowance in the future. Oil and gas wells now are also included in this category. The conference also restored the 22-percent depletion allowance for foreign deposits of oil and gas.

Minerals presently receiving a 15-percent depletion allowance will be reduced to 14 percent, except for five minerals where the depletion rate was not in conference becaues the House had earlier decided that these possessed certain critical characteristics. These are gold, silver, oil shale, copper, and iron ore from domestic deposits.

The House conferees also agreed to the Senate provision permitting percentage depletion on minerals taken from saline perennial lakes—but of course do not intend that any inference as to present law be drawn from this action.

The Senate conferees did, however, yield on the two Senate amendments which would have increased the 50-percent income limitation for gold, silver, and copper to 70 percent and to 65 percent for relatively small-scale producers of oil and gas. The Senate conferees regretted having to recede with respect to these provisions, but the House members were unwilling to raise the net income limitation above 50 percent.

The House conferees insisted on taxing distributions from qualified pension plans as ordinary income to the extent they represented compensation paid directly by the employer. An averaging provision was restored to the bill, however, that permits averaging over a 7-year period of the portion of the distribution subject to taxation. Actually, the pensioner with modest distributions will find his taxes reduced below present law treatment.

The floor amendments by Senators SPARKMAN and TOWER with respect to real estate depreciation were the major issues in conference in the area of depreciation. While the Senate conferees found it necessary to accept modifications of these amendments, they preserved the significant provisions that it is hoped will encourage increased investment in housing. The conference report allows 125 percent declining balance depreciation on used residential housing with a remaining useful life of 20 years or more. Where the House bill provides for full recapture of the excess of accelerated depreciation over straight-line depreciation with respect to all real property, the Senate conferees limited the recapture on residential property that has been held more than 100 months.

The Senate's recognition of the present critical state of the municipal bond market prevailed in the conference. The House with considerable reluctance receded from its provision for a subsidy on the voluntary issue of taxable bonds by State and local governments. In order to avoid further upsets in the municipal bond market, the conference also agreed to delete the provision that requires persons who receive interest on tax-exempt bonds to file an information return. The conference also preserved the Senate version of the provision relating to arbitrage bonds, with only a minor amendment.

In the conference, the House conferees refused to consider any exceptions to repeal of the investment credit. They insisted that the repeal be absolute and further objected on the grounds that the floor amendments by Senators HARTKE and STEVENS would lose too much revenue at a time when revenue is critical for the anti-inflationary policy.

The Senate conferees preserved all but one of its transition amendments, however. Instead of the House provision which decreases the investment tax credit on a month-by-month basis for equipment placed in service after 1971, the conference provides that the credit will be available for eligible property placed in service before 1976 without this phaseout.

All of the four provisions providing for rapid amortization were preserved. The Senate versions of the amortization of pollution control facilities was accepted by the conference without amendment. The 5-year amortization for the railroads also was changed significantly by the Senate but was accepted with only one amendment; namely, that limiting 50-year amortization to expenses for railroad grading and tunnel bores incurred on or after January 1, 1969. The rehabilitation expenditures for housing had not been changed by the Senate. Senator COOPER'S floor amendment to provide 5-year amortization for certified coal mine safety equipment was incorporated into the conference bill with a termination date of January 1, 1975.

Senators will remember that many floor amendments were added to the bill. The Senate conferees were successful in preserving many of them—in fact, an unexpectedly large number. There are too many to be discussed separately, so I shall try only to highlight a few of them.

Many of the additional income tax provisions also were accepted, but unfortunately several with substantial merit could not be preserved because they would have increased the revenue loss in the bill far beyond responsible limits. Among the provisions deleted for this reason were the removal on deductions for medical expenses and medicines for taxpayers 65 years or over and the tax credit for college tuition and fees. The provision for deduction of transportation expenses of the handicapped was deleted because the conferees were given information that State rehabilitation agencies are starting programs to meet these problems. The Senate provision to put an end to the ability of corporations to engage in tax-free exchange of appreciated property for their own stock and our provision in general was preserved.

Furthermore, we were successful in having the amendments by the Senate making the Tax Court a legislative court and authorizing a small claims division in the Tax Court retained without amendment. This is something for which many of us have fought long and hard.

Authorization for the President to impose import quotas and other nontariff limitations on imports from countries that discriminate against U.S. exports was deleted from the bill. The House conferees insisted that this provision was not germane to the objective of tax reform, and stated that the subject will be considered by the Ways and Means Committee when other legislation dealing with tariffs and import legislation is being considered.

The conferees agreed to a 15-percent social security benefit increase with a $64 minimum benefit, compared to a $100 minimum benefit in the Senate bill. The increase would be effective January 1970, but because of the time required to process the increase, the first check with the higher amount will be sent early in April. Another check mailed in April will include the increases not included in the earlier checks.

The House was adamant in its refusal to accept the $100 minimum benefit we voted on in the Senate. They explained that they intended to consider this matter along with many other proposals affecting the social security program as their first order of business during the next session of Congress. For the same reason, they refused to accept the Senate amendment to lower from 62 to 60 the age of eligibility for social security benefits following a Presidential proclamation.

We were able to get the House conferees to agree to important provisions, based on a Senate amendment, which will insure that those social security beneficiaries who also receive public assistance will get some benefit from the social security increase. About 1.4 million welfare recipients also receive social security benefits.

First, the conferees agreed to require States, in determining need for welfare, to disregard the retroactive social security increase check mailed to benficiaries in April.

Second, the States will be required, in determining need for welfare payments to the aged, blind and disabled, to disregard $4 of the social security increase during April, May, and June 1970. This will allow time for the Congress to consider more comprehensive changes in the welfare programs.

Under the conference agreement, almost all States will realize sufficient welfare savings from the social security

increase to raise payments to assistance recipients who do not get social security by $4 a month. The conferees would hope that all States would do so.

Mr. President, this completes the summary of the conference report. It has been long, but this is inevitable when we are considering the most important tax bill in the decade. In my opinion, this is a fine bill and it represents comprehensive tax reform. Hardly a major tax preference remains untouched. Interest income from tax-exempt municipal bonds is the only exception, but in the case of this provision other serious considerations are involved.

Congress began this session intent upon tax reform. That objective has been realized. I urge the Senate to adopt this conference report.

I want to pay my highest respect to the Senators who served as conferees on this important tax reform bill. They defended the position of the Senate vigorously, and on those occasions when we had to recede, it was generally done reluctantly.

The major amendment in conference, as well as a number of others are properly referred to as the Gore amendments. So much so that it would be fair to refer to the Senate version of the bill as the Gore bill. His approach of cutting taxes by increasing the personal exemption rather than by reducing rates was accepted by the House conferees. Most of the Gore amendment remains in the conference report. Knowing as I do how jealously the House conferees look after House amendments in our conferences with them, I can appreciate more than most people how significant it was that no serious thought was given to reviving the House approach of tax reductions through rate changes.

The junior Senator from Georgia (Mr. TALMADGE) was particularly helpful and persuasive in resolving most of the more difficult problems in the bill. His contribution is always significant, whether it comes on the Senate floor or in committee sessions. He is an invaluable asset to the committee.

I regret that Senator ANDERSON, who was named as a conferee on this bill, was ill and unable to attend the conference. However, he was consulted with respect to a number of compromises being worked out, and he advised me that he approved of the conference agreement that was worked out.

Senator ANDERSON has always been a stalwart in our conferences, and I must say that I personally missed him very much this year. I am pleased that he has endorsed the conference agreement that we have before us today.

I would be remiss if I failed to recognize the tremendous contributions of the senior Senator from Utah (Mr. BENNETT). Senator BENNETT led the Senate Republican members in conference, and I might say that without his excellent cooperation, it would not have been possible for us to get this conference report back to the Senate in a single week. Senator BENNETT was always well prepared to deal with every problem raised in the conference, and he dealt with them in the best tradition of Senate conferees.

I want to also applaud the tremendous effort by the Senator from Nebraska (Mr. CURTIS), and the Senator from Iowa (Mr. MILLER). They approached their work on this conference with a dedication unmatched by new conferees on a major tax bill at anytime in my recollection. Time and again they added materially to the discussions on the various provisions of this most intricate bill, and I might say that the bill we have before us today is a better bill because of their contributions. In addition, I must note the importance of the efforts of Senator MILLER to make the minimum tax more equitable. That the bill presently contains a minimum tax. His suggestion was a substantial improvement of the minimum tax as originally reported.

It has been a long time since I have seen Senate conferees stand as united as this group of conferees did on the tax reform bill. The Senate can and should be very proud of the work that they did and of the compromise that they have worked out.

Mr. BENNETT. Mr. President, the latest program of tax reform and tax reduction has now come to the Senate for what I am sure will be the last and final step in a process that began more than a year ago in the House. I hope the Senate will take that step by approving the conference report now before us and do it without prolonged debate.

This bill, like every other major tax legislation, has certain inevitable weaknesses.

First, it does not create even-handed equity for every taxpayer—no tax bill ever does—and if that ideal could conceivably be met for the day a new tax law went into effect, its equality would soon break down under the pressure of economic change and the ingenuity of smart tax lawyers.

This is a "Robin Hood" bill—it takes from the rich and gives to the poor, with the middle income groups, as usual, in the middle. It accomplishes the seemingly impossible when it increases the benefits to the unmarried taxpayer, and to the one with a large family at the same time. By increasing the standard deduction, it gives a bigger tax break to the person who avoids home and community responsibility and who makes no actual deductible contributions rather than to encourage home ownership and charitable generosity. Its tax reductions benefit the consumer while some of its tax reforms penalize the investor and producer who supply the jobs on which the consumers support themselves.

But these inequities were not the product of the conference. In some form or other these were built into the bill in the earlier legislative steps and particularly by what the Senate did to it here on the floor. The conference version now before us is much better balanced than the Senate bill—thank heaven.

Second, all of us should be deeply concerned about the potential effect of the final tax bill and the current fight to control inflation—particularly in the near future.

In September, when the Senate Finance Committee began its work, Treasury asked for a bill that would produce $3.1 billion new revenue for fiscal 1970. This bill, which will produce $2.1 billion, will be $1 billion short. But the Senate-passed bill would have been $4 billion short and created a critically dangerous inflationary force.

The Treasury's September recommendations would have led to a half-million deficit for fiscal 1971. That year's deficit under the Senate's version would have been $8.3 billion—and made further inflation almost irresistible. The 1971 shortfall, under the conference bill, is estimated to be $2 billion—large, but livable.

When we look at 1972, the Treasury's expected September deficit of $6.5 billion is slightly higher than the conference version's $6.1 billion, but only half as much as the Senate estimated loss of $12.9 billion.

By the end of fiscal 1972, the Treasury was prepared for a net shortfall of $3.9 billion. The Senate-passed bill would have increased that more than five times, to $22.1 billion. The conference bill holds it to $6 billion—an increase of 50 percent instead of the 350 percent in the Senate-passed bill.

All the figures I have quoted include the social security increase, and are Treasury estimates which take into account the growth in the economy. In this respect, they differ from the figures in the report which do not take growth into account. Estimated on the no-growth basis, the 3-year effect of the conference bill would be a revenue plus of a little less than $5 billion—as against a revenue loss of a little more than $8 billion for the Senate bill.

To restate the differences as totals for the 3-year period 1970 to 1972, inclusive—when growth is not considered—the Senate bill would have produced about $14 billion less than the conference bill. With the Treasury's growth estimate included, the difference would rise to about $16 billion, but either loss of revenue would have had catastrophic results.

The chairman, the Senator from Louisiana (Mr. LONG), has given us an excellent general overview of the features of the conference bill so there is no need for me to add to his presentation, except to make the obvious comments that some taxpayers will think it is better than the House or Senate bills. Others will think it worse. Because the Finance Committee held hearings on the House bill, it was able to write many amendments which strengthened and clarified the intent of the House bill. The conference kept nearly all of these amendments. On differences of broad policy, the inevitable conference process of adjustment and compromise operated and the resulting revenue pattern shows that here the House prevailed more often than the Senate.

But, most important of all, most of the more than 50 hours of conference were marked with earnest objectivity whose value in the long run may temper the political motivations that seem to be inescapable even in a tax bill.

Even though every one of us can find things in this bill he does not like and, therefore, can rationalize a vote against the report, each of us can also find off-

setting proposals he can support. For me, the positive values overbalance those I would criticize, and I will vote for the bill, knowing that this is not the first tax bill the Congress has considered nor will it be the last.

The things in the bill which we do not like and which some of us feel may turn out to be serious and dangerous policies will probably be the reason for the next tax-reform bill somewhere down the road.

I hope that my colleagues will take the same position so that the report can be adopted quickly.

TAX REFORM ACT OF 1969—CONFERENCE REPORT

The Senate continued with the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. FULBRIGHT Mr. President, I compliment the Senator from Louisiana, the chairman of the Committee on Finance, of which I have the honor to be a junior member, upon bringing back to the Senate a bill which I believe is excellent. In view of the great difficulties which have been encountered in this matter, not only recently but also earlier this year, on controversial matters, I think the Senator from Louisiana has done a first-rate job. I compliment him on his patience and ingenuity and whatever else it takes to get a bill through this body and a conference with the House.

While I am on this subject, I want to say that when I think about the difficulties we had earlier this year, in July and August, with regard to the extension of the surtax and tying it in with this bill, I believe the judgment of the majority leader in holding it up until we got the tax reform bill contributed greatly to the satisfactory result we now have before us; and I do not anticipate that there will be any serious question about it.

I am sure there never has been a tax bill with which everyone has been happy. Everyone is touched by it. There is a natural tendency for everyone to feel that someone else should pay his taxes, or more than he pays. I did not support a number of measures in this bill for various reasons, some a matter of judgment, some a matter of interest to one's constituents—all these matters go into making up the various judgments we

make; but, on the whole, while it has many compromises in it, I believe it is a first-rate bill.

I should like to ask the Senator from Louisiana about one minor matter. I sent it to the committee. It so happens that this matter does not affect my constituency. It is purely a labor of love, because my wife happened to play a part in the local thrift shop. Will the Senator allow me to ask one or two questions?

Mr. LONG. Yes.

Mr. FULBRIGHT. I ask the Senator whether the conference report contains an amendment by the Senate affecting the taxation of organizations, such as thrift shops, which sell merchandise received as gifts or contributions. As the Senator knows, all profits from the Thrift Shop in the District of Columbia inure to the benefit of Children's Hospital, St. John's Child Development Center, Columbia Hospital, the Hospital for Sick Children, and the Child Health Center—all of which are charitable institutions in the District of Columbia. This amendment is discussed on page 70 of the Finance Committee report on H.R. 13270.

Would the Senator comment upon the effect which this amendment may have upon tax liability of such organizations in prior years?

When I introduced this amendment at the request of the local charitable organization, I intended it to be effective not only for future years, but also to affect, I think, the last 4 years in which this liability was suggested. They never before believed that they were subject to it at all.

Am I correct in believing that this amendment corrects an unintended result of existing law, and to this extent has a retroactive effect?

Mr. LONG. The provision by its terms is not retroactive, but I think it is clear that Congress believes prior law should be interpreted as covering this situation. I would hope that the Treasury would apply our rule to the past as well as the future.

Mr. FULBRIGHT. I thank the Senator. This certainly was my intention in introducing it. Since this Thrift Shop is run entirely by voluntary services and these gifts are made by anybody, it certainly would be a great disservice, I think, to all those institutions if it were not interpreted as the Senator believes it was intended it should be; and I hope that the Treasury will follow that advice.

I appreciate the Senator's assurances, and I know that those who volunteer their services and make gifts to the Thrift Shop, as well as those who benefit by these contributions, will be grateful.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. MAGNUSON. I am a director of the Goodwill Industries. They get various articles and put them together and make them workable, and then sell them for charitable purposes. Would it apply to that organization?

Mr. LONG. There is nothing in this bill that adversely affects the Goodwill Industries.

Mr. MAGNUSON. I mean that type of agency—such as the Salvation Army and Goodwill Industries.

Mr. FULBRIGHT. I think the distinction is this: If Children's Hospital itself engaged in this activity alone, it never would have arisen. The difficulty has been caused because this particular agency services four children's hospitals—and this has created in the mind of one of the employees of the Treasury what I consider an imagined difference which has caused him to make this adverse ruling. I do not think it was intended by Congress, as the Senator from Louisiana has said; and while that is a formal distinction, it is not a substantive one, in my view.

Mr. LONG. It does not apply to the situation suggested by the Senator from Washington.

Mr. FULBRIGHT. I congratulate the Senator from Louisiana and the other members of the conference. I think they have worked under unusual difficulties. They have reached a very equitable result, and I think the country will benefit greatly by it.

Mr. LONG. In behalf of myself and the other members of the conference, I thank the Senator from Arkansas for his gracious comments.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. HOLLAND. Mr. President, I am indeed happy to support the adoption of the conference report on the tax reform bill, which may now truthfully be referred to as a tax reform measure rather than a tax relief bill. I congratulate warmly all the conferees from both Houses, headed by the distinguished Senator from Louisiana (Mr. LONG) and the distinguished Representative from Arkansas (Mr. MILLS) on the very fine and completely necessary pruning job which they did on the bill as it passed the Senate after having been loaded down by many hurtful floor amendments.

In particular, I am happy to note that instead of heavily reducing revenue for the fiscal years 1970 and 1971, the most critical years as we fight inflation, as was done by the bill which passed the Senate, the conference bill actually increases revenue for both of those critical years. As reported from the conference, and as shown in the report by the staff of the Joint Committee on Internal Revenue Taxation, dated December 22, 1969, on revenue estimates relating to the House, Senate, and conference version of H.R. 13270, Tax Reform Act of 1969, the bill shows actual increases in revenue by $6.479 billion for 1970 and $293 million for 1971. In addition, the conference bill cuts off some reductions in revenue voted on the Senate floor which would have been large and hurtful in years following 1971.

Likewise, the conference bill reduces very greatly the loss that would have come from the so-called Gore amendment—which would have raised the personal exemption for 1970 from the existing level of $600 to $700 and for 1971 to $800—in the following way: The conference bill increases the personal exemption by $50 beginning July 1, 1970, which is further increased to $700 for 1972 and by an additional $50, to $750, for 1973. This action accomplished the needed reduction from the amounts included in the so-called Gore amendment, which I opposed, and the needed reduction from the so-called Percy amendment, which I also opposed. The conference committee is to be especially commended for their action in this important field. I am glad that we will have an increase in personal exemptions—the first since 1948, which I strongly supported—but I am particularly relieved that the increase is not so large or so immediate as to bring disaster to our fiscal situation.

So far as the 15-percent increase in the social security payments is involved, the conference committee is to be commended for deleting from the Senate action on this subject the amendments which were voted on the Senate floor by which the total amount of social security payments would have been sizably increased beyond 15 percent. I am glad that as a result of the action of the conference committee those many citizens who receive social security will receive an added 15 percent to their current payments after January 1, 1970, which increase is in an amount that can be justified without doing damage to the pool from which social security payments are made.

May I also express my appreciation to the distinguished Senator from Louisiana, the distinguished Senator from Utah, and our other conferees because they retained the two modest amendments which I offered during debate, one of importance to our citrus industry, not only in the State of Florida but also in Texas, Arizona, and California, and the other that prohibits levying on that part of a taxpayer's earnings, required by judgment of a court of competent jurisdiction, entered prior to the levy by the Internal Revenue Service, to contribute to the support of his minor children.

It is a pleasure indeed to be able to vote for this important measure, because of the very fine work that has been done by the conference committee in correcting most of the unsound actions that were taken on the floor of the Senate. The hard-working conferees are entitled to the grateful thanks of our entire Nation for a hard job splendidly performed.

I thank our conferees warmly.

Mr. MILLER. Mr. President, the Tax Reform Act of 1969 has been passed by the House of Representatives by a vote of 381 to 2.

As one of the conferees who signed the report, I believe that, on balance, this report should be agreed to by the Senate.

In a bill running some 550 pages in length, it is understandable that each of us would approve many items while, at the same time, be opposed to others. One has to balance the good with the bad and make a judgment on which weighs more favorably.

The two items on which I believe the Congress has fallen down the worst are: First, the increase in the personal exemption from $600 to $750—phased in over several years, with an effective in-

crease for 1970 of $25. The increase is to $650 effective July 1, which means a $25 increase for the year as a whole; and second, the 15-percent increase in social security benefits without also providing an automatic increase in cost of living to protect our social security recipients from the hardship of future inflation, if it occurs.

As I pointed out on the Senate floor during debate on the bill, increases in the personal exemption give wealthy, high tax bracket taxpayers the major tax benefits; while those in the low income tax bracket receive relatively small tax benefits. Thus, the $25 increase in the exemption for calendar year 1970 will give a person in the 15-percent tax bracket a tax benefit of $3.75 per exemption; whereas the person in a 70 percent tax bracket will receive a tax benefit of $17.50 per exemption. When the increase from $600 to $750 becomes effective in 1972, the low-income person in a 15-percent tax bracket would receive a tax benefit of $112.50 per exemption; whereas the person in a 70-percent tax bracket will receive a tax benefit of $525 per exemption.

This is regressive taxation, and at the time a majority of my colleagues voted for the so-called Gore amendment, I warned that they were, in effect, voting themselves a pay increase, because, on an average, Senators are in a 50-percent tax bracket. This means that under present law, with a $600 exemption, they receive a tax benefit of $300 per exemption; and with a $750 exemption, they would receive a $375 tax benefit.

For this reason, Mr. President, I wish to serve notice that I shall be trying with all my power to persuade the Congress to repeal the Gore amendment before 1972 and to have this obsolete, unfair personal exemption replaced with either a tax credit, which will give every child in this country, whether in a low-income family or a high-income family, equal recognition in the eyes of the tax law; or have a ceiling placed on the tax benefit which flows from the personal exemption. I might add that if this were done, we could save over $1 billion of revenue loss which will arise when the Gore amendment is fully implemented; and that revenue loss could well be used for higher priority items such as increases for education or for tax credits for college education expenses, and the like.

For years, those in control of the Congress have engaged in political gimmickry with our older Americans receiving social security benefits. First they run our Federal Government billions of dollars deeper into debt. This lays a foundation for inflation which shrinks the purchasing power of the dollar and puts social security recipients in a hardship condition. Then, usually in an election year, those in control of the Congress vote increases in social security benefits to "relieve" the hardship they, themselves, have created; and hope that our older Americans will respond favorably at the polls. Meanwhile, between the last social security benefit increase and the new one, these older people have had billions of dollars in purchasing power taken away from their social security checks.

The way to handle this situation is to stop making political footballs out of our older Americans and to provide in the law for an automatic increase in social security benefits—and Railroad Retirement Act benefits—to meet increases in the cost of living, so that if there is inflation, these people will be protected from it. This is what the Congress did for civil service retirees in 1962, and I have introduced legislation to do this for social security and Railroad Retirement Act beneficiaries in every Congress since that time. This proposal was unanimously adopted by the platform committee of the National Republican Party in Miami in August 1968, and was approved by the convention. In turn, President Nixon endorsed the proposal and requested Congress for a 10-percent increase in social security benefits plus the automatic cost of living increase provision. Instead, our Democratic friends, who control the Congress, insisted on a 15-percent increase—although 10 percent was all that was needed to offset inflation which has occurred since the last benefit increase—and no automatic cost of living increase provision. Apparently our older Americans must continue to look forward to being political footballs.

I wish to serve notice that I shall keep trying to have the automatic cost of living increase provision put into the social security and railroad retirement laws.

Apart from these two serious defects in the Tax Reform Act of 1969, as presently before us in the conference report, there are numerous improvements in the tax law. This bill contains the greatest tax reform ever written into a bill since our income tax laws were placed on the books. Numerous tax loopholes and tax minimization or tax avoidance provisions in the law have either been eliminated or considerably reduced, thus providing a much more fair overall base against which to apply the income tax—both individual and corporation. Some of these reform provisions may well have gone too far, and, if they have, the average taxpayer, who is also the average consumer, will find that consumer costs will increase. But overall, we now have the fairest base for the income tax in history.

This is a most important consideration, because if Congress has gone too far in revenue losing, tax relief action, we may be faced with a need to resort to another surcharge in 1971 or 1972 to prevent budget deficits and put a stop to inflation and high interest rates. If this should happen, the surcharge would be applied against a much fairer tax base than has been the case with the 10-percent surcharge. Indeed, the 5-percent surcharge which continues for the next 6 months will apply to a fairer tax base than has heretofore been the case.

My order of priorities this year has been to have a modest tax reduction for those in the low- and middle-income groups and to have sufficient revenue pickup from the tax reform bill to enable us to do more for education, health, hunger and malnutrition, and other pressing national needs. Instead, those in control of the Congress have placed first priority on—not modest tax relief but, in my opinion, excessive tax relief, and second priority for expanded Federal programs for education, health, hunger and malnutrition, and other pressing national needs.

Those who voted for the Gore amendment, for example, should fully realize and be held accountable for this ordering of priorities. And it will not do for them to say that we can do both without inflation and high interest rates, because this is just repeating the old "guns and butter" economic philosophy of the previous administration which brought on the inflation and high interest rates our people now suffer from.

Finally, I think the American people should appreciate the terrible time limits placed upon the Senate Finance Committee, the conference committee, and the staffs of the Finance Committee, the Joint Committee on Internal Revenue Taxation, and the staff of tax experts from the Treasury Department. Anyone familiar with the deeply complex tax field knows that all of these people should have had at least twice as much time as they did to get the job done. In this respect, there will undoubtedly appear some defects in the bill which would not have occurred had there been more time for analysis and reflection. Under the circumstances, however, an almost impossible task has been accomplished.

I am gratified that the conference accepted by minimum income tax approach, which my colleagues in the Senate so strongly supported. It is relatively simple and will go a long way in making sure that high income individuals will pay substantial Federal tax to support the operations of their Federal Government. As we know, interest from tax-exempt bonds issued by States, municipalities, and school districts is not included in the list of tax preferences for purposes of the minimum income tax. This resulted from the overwhelming opposition by the Governors of the 50 States, the mayors, and county commissioners, and other affected organizations. It was pointed out that to tax these securities would force these governments to increase the interest yield which, in turn, would force an increase in property taxes needed to pay holders of the securities. Moreover, by making some changes in the Federal estate tax law later on, I believe we can probably make up for this deficiency in the income tax law. Aside from this, however, tax preferences will not enable people to escape paying tax.

Bearing these observations in mind, I hope my colleaques will join with me in voting for the conference report.

Mr. MOSS. Mr. President, I intend to vote for the conference report and I shall do so gladly just as I voted for the bill that the Finance Committee brought before the Senate when we passed it and sent it to conference.

I wish to commend the chairman of the Finance Committee and its members, especially the conferees who sat in the conference with the House in a most difficult situation.

Besides the two very complex bills to be brought together, each about as thick as a small telephone book, the committee was also laboring under pressure of time and the threat of a veto which had been issued. As a matter of fact, some Members of this body have indicated

that they would support a veto. So that the conferees were under great pressure. For them to labor as well and as long and diligently as they did, and then to come out with a conference report of this kind, is a great accomplishment and I compliment them.

Mr. President, I think that the bill which has been achieved is a great step forward.

It has been said, and I repeat, that this is of course the greatest overhaul we have ever made of the Federal income tax structure since it was instituted in 1913. It is a monumental overhaul. Those who have chosen to say that this is a do-nothing Congress are answered eloquently in just this bill alone. Had this Congress accomplished nothing but the enactment of this bill, the 91st Congress would have gained a reputation for being an effective Congress—certainly not a do-nothing Congress in that sense of the word.

I invite the attention of the Senate to the wisdom of the leadership of the majority leader in insisting, earlier in the session, that we proceed to consider tax reform this session, when the surtax was sent up to us with the President requesting the extension. He asked, and many supported him, that we should proceed with the surtax, and put off until next year, perhaps long thereafter, study of the question of tax reform; but the majority leader said that we will proceed with tax reform at the same time we proceed with the surtax extension. That was done.

What we have done has been to extend the surtax. The second part of it is contained in the conference report. We have achieved a good measure of tax reform. I suppose every Senator would write the bill a little bit differently if he had the chance to do so. What we have had to do is operate in a legislative situation, with many sources of input, many objections, and many pressures; and of course we are a bicameral legislature, and thus we deal with the other body and with its points of view. But out of all this has come a bill that does give tax relief to those who are most in need of it. We have plugged up some of the loopholes and done away with some of the inequities. The bill will bring in additional revenue to the Treasury Department, especially in the short term when it is so important, as we have been told, in trying to control inflation.

Finally, it seems to me that two of the great changes made by amendment on the floor of the Senate have remained in the bill and they are of the greatest importance.

One is the 15-percent increase in social security benefits effective the first day of January 1970. In view of the continued inflation we are having, this is certainly overdue. We did not have to wait until April 1. We did not have to scale it down to 10 percent. We gave the relief in this bill, and that was put in by amendment here on the Senate floor.

The other thing is the amendment of the Senator from Tennessee (Mr. GORE). It has been modified somewhat by the conference report, but here is a measure of tax relief that people will understand and will feel directly and immediately.

I compliment the Senator from Tennessee most highly for having stayed with his amendment, the Senate for adopting it, and the conference for keeping it in large part in the bill. It makes it a much better bill.

I think that was a great overhauling of the tax structure.

I agree with other Senators that much still has to be done. Certainly we will have an opportunity in future sessions to look at particular parts of the bill, but this has been a great effort made to understand, analyze, and improve the overall tax structure. I hope we can continue to improve it, to make it more equitable, to bring in the funds needed for this great government, and to accomplish with that a more balanced and equitable financial picture for all our citizens.

So I gladly support the conference report. I compliment those who have brought it up to this stage.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. MOSS. I yield.

Mr. PASTORE. I wish to associate myself with every single word that has just been uttered by our distinguished colleague from Utah, and to emphasize at this juncture that I think the efforts of the Policy Committee, under the able leadership of our distinguished majority leader, did in fact pay off. He insisted at that time that we would not consider a further extension of the surtax unless that extension was coupled with and accompanied by tax reform; that if we allowed that occasion to pass, we might never reach the day when we would reform our tax structure.

I am very glad to join Senator Moss in the observations he made in congratulating the conferees for the splendid job they did, under tiring and trying circumstances, and also to congratulate the majority leader, who took the very, very affirmative position that, if the American taxpayer was to carry further the burden of the surtax, he should also have a reformation of the tax structure.

I commend the Senator for the statement he has made.

Mr. MOSS. I thank the Senator.

Mr. President, I yield the floor.

Mr. BIBLE. Mr. President, first I endorse what the distinguished Senators from Utah and Rhode Island have said about the conference report that is before us this afternoon. I in particular want to compliment the chairman of the Finance Committee and the other members of the committee, on both sides of the aisle, for the work which they have done in bringing forward today the bill which is before us for our final action.

As chairman of the Parks and Recreation Subcommittee of the Committee on Interior and Insular Affairs, I have some familiarity with the establishment and creation of park and recreation areas, lakeshores, and seashores throughout the United States.

I have discussed this matter preliminarily with the distinguished chairman of the Finance Committee. In the final version of the tax bill as a result of the conference, which now, of course, has been acted upon favorably by the House of Representatives and is now before us for action, there is section 4945(e), which deals with the taxation of foundations attempting to influence legislation.

The act establishing the National Park Foundation permits the donation of land, money, or other assets to the Foundation to obtain park properties which are needed for park purposes and donating or selling them to the National Park Service prior to authorization by the Congress in order to prevent escalating land costs.

Concern has been expressed that acquisition of lands or facilities by any governmental agency for the establishment, enlarging, or improving of public parks or recreational facilities and acquiring, preserving, or restoring historic properties through an organization such as the National Park Foundation could constitute lobbying.

This, in my judgment, would be the wrong interpretation. If it were so, it would adversely affect our parks and recreation programs in many areas of the country. Just recently, I may say to my distinguished seat mate in the front row, the Senator from Florida (Mr. HOLLAND), we used this act to acquire lands in the Everglades to round out some holdings. We have not acquired all of them yet. We have successfully used this foundation in other similar situations.

So the question I would like to ask the distinguished chairman of the Finance Committee is as follows: Is there anything in the National Park Foundation operation which would be frustrated by the bill coming out of conference, which is before us today, which would adversely affect our parks and our recreation programs?

Mr. LONG. Mr. President, this matter was discussed by the the conferees and they felt the bill would not affect the present practice. The bill restricts activity relating to legislation, and it has no effect on executive departments engaged in the purchasing of park lands. The fact that the department must get a legislative authorization and appropriation does not alter the fact that the actual purchase is purely an executive, not a legislative, action.

Mr. BIBLE. Mr. President, I am pleased to make that legislative record. I think it conforms with the practice. I could not believe there would be anything in this foundation section of the tax bill that would be adversely construed with respect to acquiring park and recreation areas throughout the Nation. I appreciate not only the attention which the conferees paid to this matter, but the answer which the Senator from Louisiana has given.

Mr. TYDINGS. Mr. President, I would like to take this opportunity to speak for a few minutes on the Tax Reform Act of 1969.

First of all, I think it is important for the American people to know, as the members of this body know, that there would have been no Tax Reform of 1969 if it had not been for the distinguished majority leader of the Senate (Mr. MANSFIELD), who refused to go along with pressure from enumerable sources, including the administration, earlier this year, when they wished to repeal the investment credit tax without any tax

reform for the American taxpayer as a whole.

When Senator MANSFIELD made the decision to hold solid for a tax reform for all of the citizens of the United States, he made this final tax reform proposal possible.

I think that the work of the distinguished chairman of the Senate Finance Committee, Senator RUSSELL LONG, who held long hours of hearings from August through October, when the bill was reported, is a great credit to him and to the Finance Committee.

I thnk the distinguished chairman of the House Ways and Means Committee, Mr. WILBUR MILLS, who provided the leadership on the other side, will long be remembered and appreciated.

I certainly concur in the words of the Senator from Utah (Mr. Moss), who said that if the first session of the 91st Congress had done nothing else but pass appropriations bills and pass this Tax Reform Act, the American people would have had a substantial piece of legislation accomplished in this session.

There has been some criticism on some fronts that this legislation is inflationary. I challenge the editorial of the New York Times and other statements. They seem to forget that the President of the United States campaigned on a platform of reepal of the surtax; that it has always been his position to repeal the surtax; that we are talking about a dollar and cents position of the Federal Treasury, based on the President's own statements, reqeusts and campaign pledges.

If the President, in his wisdom, decides that we need a surtax, certainly the average American taxpayer is far better off if the surtax is based on a fair, across-the-board sharing and apportionment of taxes in this coutry, which will be achieved under this conference report, rather than under a hodgepodge of deductions and exclusions and special situations which the present tax law holds.

I pay tribute, Mr. President, to the distinguished Senator from Tennessee. All the rhetoric of the minority leader and his speech writers to the contrary notwithstanding, there is but one principal reason why the average American taxpayer will benefit so greatly from this tax reform bill, and that is the prodigious effort made by the Senator from Tennessee to do away with the administration-back proposal, debated on this floor—which would have allocated more than 25 percent of all the tax relief in the bill to those making more than $20,000 a year—and to reallocate the benefits of the tax reduction where they should go; namely, to the midle-income and average American taxpayers who pull the tax load in this Nation.

It was Senator GORE'S amendment which went to conference, not the substitute amendment turned back by a vote of some 72 to 12 on this floor. It was Senator GORE'S amendment which provided the basis of relief for the average American taxpayer.

In behalf of the average so-called silent American taxpayer in Maryland, Senator GORE, we thank you. We think this bill is a great step forward. I think that the electorate of America, if for no other reason, should be proud of this session of the 91st Congress because of this tax reform bill.

Mr. MONTOYA. Mr. President, will the Senator yield?

Mr. TYDINGS. I am delighted to yield to the Senator from New Mexico.

Mr. MONTOYA. I join the Senator from Maryland and the Senator from Utah in what they have said concerning the great part played by the Senator from Tennessee, and the great effort put forth and the great leadership supplied by the Senator from Louisiana. I am particularly proud of the fact that I joined the Senator from Tennessee in offering his amendment, and I am also very happy because of the fact that a substantial part of the amendment prevailed in the conference.

I wish to compliment also the members of the Committee on Finance for the arduous labor they exerted in bringing forth a piece of meaningful legislation which now culminates in meaningful tax reform. This was a most difficult task, amidst an atmosphere of misconception by many people. Many times the various members of the Committee espoused sectional or geographical concerns, only to have their motives impugned. Others manifested concern with other items of personal significance or sympathy, such as the foundations, the arts, the farmers, or the students. We here in the Senate exercised our option to act independently of the other body, as we should have. We had the power to amend, a privilege that did not exist for the House of Representatives, because of the long-enduring custom of presenting genera tax legislation in the House of Representatives under a closed rule, which prohibits the offering of amendments from the floor. That accounts for the great variance between the actions of the respected House of Congress which was the case with respect to these tax reform measures. But that was the parliamentary process working in its truest form.

The conference ironed out the disparities and variances and, in the final stage of the process, we are presented with a piece of legislation which will stand as a hallmark of this Congress. I applaud these efforts and these results. All Americans should realize that we have made a great start, and I wish to say, by way of further emphasis, that the Senator from Tennessee, as has been said by the Senator from Maryland, faced the ammunition here in this Chamber, and he imposed a determination on this body by representing to us that the American people wanted some tax reform in the way of additional exemptions. He articulated his position, and he won out, and most of the Senate went with him. He deserves the great credit that is due him for having played a substantial part in the benefits that will be derived by the taxpayers of America out of this great piece of legislation.

As for the chairman of the Committee on Finance, he followed the suggestions made by the Senate, upon recommendation of the majority leader, that he call his committee to order and that he work day and night to try to bring about legislation before a certain date. He did work hard, and so did the members of his committee; and from his committee came a significant piece of legislation. But that did not foreclose us from working our will as individual Senators, and then obtaining a collective measure in this body.

That is what this process is all about, and I congratulate the distinguished chairman of the Committee on Finance and all his colleagues on that committee for carrying it out so well.

Mr. STENNIS. Mr. President, I shall not detain the Senate but a few minutes, I wish to express my very profound appreciation to the members of the Committee on Finance of the Senate, and, of course, the members of the House Ways and Means Committee as well; but I personally know about what the members of the Senate Finance Committee did. I think they have rendered a truly great service to our country, and one that was long overdue but one that will render benefits for a long, long time.

I wish to point out also, at least for the RECORD, the tremendous amount of work the committee members did on this bill, day after day, night after night, week after week, which culminated in the conference committee work, which I understand sometimes ran until 3 or 4 o'clock in the morning. Such work passes unnoticed by the press and by most of the people. There is but one thing that would cause members to engage in such toil; and that is true and genuine dedication to duty on a hard, dry subject that is praiseless in nature. No bands will be marching and singing songs dedicated to those gentlemen; but they have rendered a great service to their country. Everyone is indebted to them and appreciates it very much.

This is a subject I have never gotten into. I do not understand the technical phases of taxation. But I do realize what it means for the economy. I have not voted for many of the tax reductions that have been made over the years. One reason is that they have passed up a group of people that I have thought is entitled to the most relief in the form of increased personal exemptions. When I first ran for the Senate, I promised that I would try to raise the $600 exemption. I told the people that I would seek to have the exemption increased. I meant it. I tried to do it, I voted for it many times, but always it was lost in conference; the tax relief went off in another direction to another group.

But now we have really gotten down to the fellow who counts, those who feel it, and will appreciate it, too.

I commend the distinguished Senator from Tennessee (Mr. GORE). I do not know what has been stated earlier, but he made the difference for success in this personal exemption increase. He opened up the fight; he opened the door with his persistence and his skill in debate. I know something about his skill in debate, because I have had some of it displayed against me. So I appreciate the skillful way he handled his subject and fought for the increase in personal exemptions to the end, causing it to survive the conference.

The committee had much good help in bringing back the report from conference. I am proud of our friend from Louisiana (Mr. LONG), who reached a pinnacle in the way he handled the bill in the Senate. I have been concerned about the bill. His thoroughness, his energy, his knowledge, and his persistence have paid off.

I have the privilege to sit across the aisle from the distinguished Senator from Nebraska (Mr. CURTIS). I know that he has worked hard on the bill, as has, also, the ranking Republican member of the committee, the Senator from Delaware (Mr. WILLIAMS), and also my special friend from Utah (Mr. BENNETT). I have spoken often with the Senator from Georgia (Mr. TALMADGE) about the bill and order of his work and contribution. I have personal knowledge of what all of them have done. I mention them because of my personal contact with them. We are grateful to them and to all other members of the committee.

As I have said, I feel that the Senator from Tennessee (Mr. GORE) made the difference on the bill so far as personal exemption increases are concerned. He fought on behalf of a group of people who have long been overlooked.

Some of these reforms will make a new start and an approach nearer to justice for that great body of people in our society who are the backbone of support for our churches, schools, and communities.

As one Member, and as a citizen, I am most appreciative.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. STENNIS. I am glad to yield.

Mr. FULBRIGHT. I wish to join the Senator from Mississippi. I said a few words a moment ago, but I wish to join him especially in his commendation of the Senator from Tennessee (Mr. GORE), who carried the greatest burden in the matter of increasing exemptions.

I also wish to pay particular tribute to the members of the staff. Mr. Woodworth, of the joint committee, and his associate, Mr. Vail, of the committee staff, really bore an even greater physical burden in the amount of work they did. The committee could not have functioned at all without their extraordinary knowledge of the substantive matter, because there is no bill that I have ever been associated with that is more complex and more difficult for Senators who have not had special training in this area to grasp than a tax bill. Therefore, the staff is all the more important.

I did not want to let this opportunity pass without paying tribute to Mr. Woodruff and to his very good assistants, including Mr. Vail. They have done a great job in helping the chairman and the other members of the committee.

Mr. STENNIS. Mr. President, I join in the tributes paid to the members of the staff. So many of our committees have received great assistance from the staff members. I have said that the Senate moves on the wheels, as it were, supplied by the assistance that the staff members have given us.

Mr. FULBRIGHT. If it moves in the right direction, it does.

Mr. HARRIS. Mr. President, I join in the comments that have been made here. I particularly want, as a member of the Finance Committee, to commend the distinguished chairman, the Senator from Louisiana.

I told him the other day, while commiserating with him after 2 or 3 days of conference, what the senior Senator from Minnesota (Mr. MCCARTHY) told me when he and I were talking about how long we had been involved in the bill this year. Senator MCCARTHY said this experience reminded him of what Tommy Gibbons had said after going 15 rounds with Jack Dempsey. He said "I never got so tired of looking at one man in my life."

I think that is how the Senator from Louisiana must have felt after going through the lengthy hearings, the executive sessions in which we had the markup of the bill, the days of debate on the floor, and then finally the conference.

I think that while he may have been tired from time to time, and not particularly happy about the action on the Senate floor, as many of us were unhappy from time to time, the Senator can feel very proud of himself and of this product that is before the Senate today.

I think it is a major accomplishment. It obviously could not have occurred except for the leadership and the hard work and persistence of the distinguished Senator from Louisiana. As a member of the Committee on Finance, I am very pleased to have this opportunity to honor his leadership.

Also, I wish to point out that I certainly agree with the distinguished Senator from Rhode Island (Mr. PASTORE) and others in saying that this would not have been possible if it had not been for the actions taken by the distinguished majority leader, the Senator from Montana (Mr. MANSFIELD), and the position that he and others of us took in the Senate earlier this year. We believed that we could not ask the people of this country to continue to pay the surtax or any part of it over another 6 months or a year, unless we could at the same time assure them that they would have some real tax reform and substantial tax reductions during this session of the Congress.

Mr. President, without the assistance of the majority leader, I do not believe we would have ever accomplished this goal. I doubt that anyone disagrees with that statement.

I honor the distinguished majority leader for the position which he has taken on this issue throughout this session. He is certainly entitled to the gratitude of the Senate and of the country.

Mr. President, a great many people ought to be pleased with the results we have here today. However, I want to single out, as others have, the distinguished Senator from Tennessee (Mr. GORE).

I recall that when he first began to talk about raising the personal exemption, there was not very much support in the Finance Committee for the idea. And there was not very much hope that it could be done.

I was one of those who was doubtful. However, he kept on with his argument. He kept on refining the idea until I, like the majority of the Senate, came to believe—as obviously a majority of the people in the country believe—that the Gore amendment is the best way by which we can give so much needed tax relief to the American people.

The Senator from Tennessee is honored in the Senate and all around the country for bringing that increase in personal exemptions to fruition.

There is a great deal about the bill that I believe will be a credit to us all. I am pleased that it includes a 15-percent increase in Social Security benefits without an increase in the rates. I think that meets a great need.

I am pleased that we have given so much needed tax relief and tax reductions to the overburdened lower and middle income taxpayers.

I know that there are those who believe that the kind of determination of priorities that is contained in the bill is unwse at this time. I am not one of those.

I am one of those who feel that a great deal must be done on the whole broad front of social issues. But I do not believe we will be able to do what ought to be done on those issues unless the lower and middle income taxpayers feel they are being more fairly treated by the tax system of our country. They have not felt that way in the past, and they have been right in not feeling that way.

I believe that we will have a much better chance in getting the lower and middle income taxpayers to help do these things that must be done in this respect by reason of the fact that the tax laws of this country, which were more regressive than they should have been, are now more progressive than they were.

I believe that is a major accomplishment and one which is a condition precedent to our moving on so many of these other fronts that need our attention, as I have said before in the Senate and elsewhere.

I am pleased that we will have tax reform and the most important tax reform, I think, that we have had in the last 25 years. I am not pleased with every provision in the bill, and if I had my way I would make certain changes. But all in all, the tax system is now more equitable.

It means that the people who, up to now, have not been paying their fair share will be paying their fair share, or at least will come a lot closer to it than they have in the past.

As a member of the Finance Committee, I have watched this matter very closely this year as a participant in the deliberations of the committee, in the markup session, on the floor, and in the conference committee, and I point out that no Member of the Senate has had a more consistent position with regard to real tax reform or has been more determined to see that goal achieved than has the distinguished Senator from Tennessee (Mr. GORE).

Mr. President, I am again pleased to honor the Senator from Tennessee in that respect and to honor all others who have helped to make the bill a reality.

Mr. WILLIAMS of Delaware. Mr. President, there are a great many of the reform features in the bill with which

many of us agree. First I join my colleagues in paying tribute to the conferees on the excellent job they have done in bringing back to the Senate a much better bill than that which left the Senate.

In fact, as I sat here for the past several minutes and listened to my colleagues compliment the conference committee on the fact that they have deleated many of the Senate amendments a question arose in my mind as to how sincere the Senate was when it adopted those amendments in the first place. I have not heard anybody defending even one of the Senate amendments that were deleted in conference. I congratulate my colleagues on joining the rest of us in recognizing that many of those Senate amendments were merely approved for the day and were never intended to become law.

Nevertheless, the conferees do deserve a great deal of credit. I regretted, as I stated at the time, that I could not conscientiously serve as a conferee because I had disagreed with the Senate revenue reductions amendments.

I also wish to join in paying my respects to the majority leader, the Senator from Oklahoma, and many others who worked toward getting major tax reform. As one who for 20 years has been trying to get major tax reform, particularly a reduction in the depletion allowance, I thank them for their cooperation in helping us achieve that goal. Today we are much closer to getting it. I do not think this is a time when we should argue as to who gets the credit for this reform or reduction in depletion allowance. I am perfectly willing for them to call it the Harris amendment if they wish; the point is we have achieved a reduction in the depletion allowance. The important point; is it is becoming law, and I am willing that the Senator from Oklahoma get the credit.

I join them in stating that this reduction is a long overdue recognition of the inequities in our tax laws.

By the same token, I congratulate my colleagues on the fact that they now recognize that when Congress, about a year and a half ago under President Johnson, reinstated the investment tax credit that it was a major loophole. As one of the two Members of the Senate who voted against it at that time I am glad that they belatedly recognize it as a major loophole and one that needs to be corrected in this bill.

Nevertheless, while there is much good in this bill, one point we cannot overlook is that we are projecting down the road a $9 billion tax cut; and the question in our minds is, can we or can we not afford to reduce taxes when we not only have an unbalanced budget but also are confronted with the most serious threat of inflation in our history?

I am sure that there are many parts of this bill which each Member would like to support or in instances to change this item or that item, but that is not so important. No one gets a perfect bill. We realize that as we move into the legislative process we all have to give and take.

As I have said, generally speaking this bill does go far toward closing many of the major loopholes in our tax structure, to that extent I would like to support the bill. I do want to point out, however, a couple of points on which I wish we could have gone a little further. It has been mentioned that the tax reduction in this bill benefits low-income groups, and I concur in the statement that that is where we need relief. But one point has not been mentioned.

The bill does help the low-income groups, the lower-income taxpayers, but it does not help the middle-income taxpayers. When you jump beyond the middle-income taxpayers, however, to those who have earned incomes in excess of $50,000, as their incomes advance they get a substantial reduction under this bill. For example, a man making $100,000 or $200,000 a year gets a 30-percent reduction under this bill. The top rate on earned income is reduced from 70 percent to 50 percent. If he is making $52,000 or less he gets a tax increase when we take into consideration the other features of the bill such as an increase in capital gains tax from 25 percent to 35 percent. But as his income goes beyond that he gets a reduction.

When we are talking about helping the low-income groups I do not quite see how we can say that putting a 50-percent ceiling on earned income of a man making $200,000, $300,000, or $400,000 a year is tax reform. I wonder why my colleagues who are boasting of what they are doing for the low-income group have not mentioned that. When they speak of helping the poverty class I think they should recognize that some of the so-called poverty group are individuals with $200,000 incomes who are getting tax reductions under this bill. I would assume that those who are supporting this bill are in favor of this feature because I have not heard anyone mention any criticism of it.

I do not think those who are in that high-income bracket are entitled to a tax reduction until the people in the middle-income group can get it, and we just do not have the necessary funds to justify an across-the-board tax increase.

Yes, this bill contains a special 50-percent limitation on earned income. As I said before, it has a mathematical effect of approximately a 30-percent tax reduction for those in the high income brackets. The people in the middle-income brackets will actually pay a little more tax under this bill.

Another point I wish the Senate had corrected is a major loophole which was called to the attention of the Senate several months ago wherein Members of the Senate or any other public officials can claim tax deductions for their files or papers when donated to some charitable organization. After they leave office, or even before, they can donate their papers or cartoons in their offices to a university or other tax-exempt library after having them appraised and then get a tax reduction for them as though they had made a donation to a church. This is a glaring loophole to which our attention was called several months ago. It was referred to in a Wall Street Journal article as a loophole primarily for public officials, although it did also apply to writers, who could donate their notes and receive a tax credit.

Another phase of this loophole is that Members of Congress and other public officials may be sent the copies of a new book. They can then donate these books to a school or university and get a tax credit for the value of the books for which they have paid nothing. That is wrong.

As this bill was passed by the Senate it closed that loophole effective January 1, 1969. I regret to say that the date was changed in conference. The date was moved forward to July 25 of this year. I do not see why it was not left as it was. We have many other retroactive features in this bill. I do not know why the conferees did not keep it effective for the full year. To my knowledge, we only had one witness testify on it before our committee, the former Secretary of HEW, who expressed the hope that the effective date would be delayed until he could get his papers turned over to a university, and he said many others who left Government service this year were in the same category. At the time I offered the amendment I did not think we should make any exceptions, and I regret that the date was changed. Perhaps there was the reason, but I do not understand it. Nevertheless in the conference report it was made effective from July 25 of this year on, but it is not effective for those who went out of office last year or the first part of this year and have turned their papers over to libraries and universities. I understand that as high as $20 million could be involved in this, and at a 50 percent top rate that would be $10 million in lost revenue. It seems to me that this is a loophole. When we are talking about closing loopholes this was certainly a good place to start. This is not an instance in which tax relief is needed. But I do thank the conferees for accepting the amendment even though it only has the effective date of July 25.

So far as the tax reform features of this bill are concerned, while there may be areas in which I could suggest we go further. I think the conferees have done an excellent job in bringing back a bill which corrects many of the inequities in our existing tax structure, and on that point I would have liked to support the bill. Nevertheless I regret that the Congress has built into this bill the projected $9 billion tax reduction which will be triggered into effect over the years, and in the face of the present inflatinary threat I do not think we can afford it.

I took the same position in the committee in connection with the rate reductions of the House bill. I agree that the amendment of the Senator from Tennessee as it is phased out has no more immediate impact than did the proposed rate reduction. I am not debating that. I said in committee that I questioned whether or not we could afford a tax reduction at this time, when we are operating this Government at a sizable deficit.

One point which has been overlooked is that even without any reduction in rates or increase in exemptions this bill already provided for a $9 billion tax reduction when we reduced the surtax from 10 to 5 percent for a half year or 2½ percent for the full year. But the supporters of this bill treat that reduction as though it were an increase in revenue by counting the $3 billion which will be derived from the lower surtax rates as though it were increased revenue.

I have compiled a tabulation for the last 5 years, beginning with 1965 through 1969. Members may be amazed at the size of the deficit we have generated in just these five years. If the Members will take this book, the budget, and check it they will find that on an administrative basis we have operated our Government for the past 5 years at a deficit of $53.504 billion.

In addition to that we have during this same 5-year period accelerated one full year's corporate tax payments by advancing payments, which means that during this 5-year period we collected one extra year's corporation taxes. When one takes into consideration the accelerated corporate taxes in the amount of $9.1 billion and then add the $2 billion profit by melting down our coins, another $1.2 billion gained from accelerated payments of excise and withholding taxes, and an additional $9.8 billion derived from the sale of participation certificates we have a total of $22.1 billion.

When that is added to the admitted deficit, which in the last 5 years was $53 billion, we have a total deficit of $75 billion. We have increased our national debt to finance that debt. I think it is time that we should ask ourselves, when are we in Congress going to face up to the inflationary problems of this country?

Inflation is our number one danger. It is eroding the purchasing power of social security benefits, the life savings, and the pensions of all Americans. I agree with the committee report that the impact in the next calendar year has been minimized substantially on that point. I congratulate the committee; however, one cannot get away from the fact that as far as the investing public is concerned, those who are afraid of inflation, they are going to look down the road and ask themselves, "Does this Congress really mean it when it says it is going to tighten up on expenditures, balance the budget, and combat inflation?"

As I stated earlier, this bill when fully effective reduces taxes for individuals by around $20 billion. Reducing the surtax from 10 to 2½ percent for the full year in 1970 equals a $9 billion reduction. Next year presumably the surtax will have expired, and that means another reduction of $3 billion. Then the full implementation of the increased exemptions and low-income allowances will total another $8 or 9-billion reduction in 1973. Pouring these additional funds in the spending stream at this time is highly inflationary.

The question has been asked many times, "Why was the surtax which was put on by President Johnson not more effective?" The answer is simple—it was put on too late. The Senator from New York and I recommend as far back as 1967 that the economy was getting overheated and that the administration should raise taxes to finance the cost of the war. We were in the midst of a war; yet the Johnson administration made no effort to finance that war, and we were not even recognizing it as a war. In August 1967 the Senator from New York and I suggested that the Johnson administration should impose a tax to reduce the staggering deficit. Nothing was forthcoming.

In January 1967 President Johnson had recommended a 6 percent surcharge. As a member of the minority party I endorsed that proposal as a step in the right direction. Then, much to the surprise of those who were concerned about inflation, two months later, in early March, the President reversed himself and asked for a tax reduction. He asked for the reinstatement of the investment tax credit which represented a $3-billion tax reduction. Congress stampeded that through and poured that extra money into the economy at a time when we should have been raising taxes to reduce the deficit and cool an overheated economy.

It was not until several months later that the administration recognized that we were confronted with a serious threat of inflation and decided to act. Finally the President agreed to support a bill which at that time was requesting a 10-percent surcharge accompanied by a 6 percent mandatory reduction in expenditures. The Senator from Florida and I sponsored the administration's bill, but President Johnson only accepted the expenditure controls after both Secretary Fowler and Mr. Martin of the Federal Reserve Board had warned that the American dollar was on the verge of forced devaluation unless prompt action were taken.

The bill proposing this 10-percent surcharge and a $6-billion reduction in expenditures was before the Senate in March of 1968, but it was on the verge of being defeated due to lack of administration support.

On a Friday, the day scheduled for the vote, the Senator from Florida (Mr. SMATHERS) and I received a call from Secretary of Treasury Fowler and from Mr. Martin, the Chairman of the Federal Reserve Board. They were calling from Stockholm and said that by no means should Congress be allowed to defeat that proposal that day because of the conference in Stockholm. The Secretary said to recess Congress unless we were sure of the votes. They emphasized that the following Monday the London gold pool was opening, and unless Congress had acted affirmatively when that pool was opened they predicted the American dollar would not stand for 72 hours. The Senate adjourned that Friday to avoid a negative vote on that bill until the Secretary could get back in the country and talk with enough Members on their side of the aisle to get votes to pass the bill, which we did on the following Tuesday.

In the minds of those on the Federal Reserve Board and the Secretary of the Treasury, that is how close we came to devaluation.

When they came back the President did endorse a $6 billion expenditure cut as a part of the top increase, and the bill went through Congress around the end of June. But the ink was hardly dry before the executive branch and the Congress began to whittle on the reductions and we ended up with no reductions in expenditures.

Later, after the bill was enacted, the Federal Reserve Board in the last part of 1968 pumped into the economy an unusual amount of money, which further fanned the fires of inflation. Here today we are with another increase in the cost of living of another one-half of one point in the last month. That is the equivalent of a rate of 6 percent per year on an average.

We talk about social security increases. I would like to see social security payments increased, and I would like to vote for them. But at the rate of increase in the cost of living, 6 percent of that increase will be gone before another Christmas rolls around. Inflation is taking it away from them faster than Congress can give it to them. Sooner or later Congress must face the fact that inflation cannot be controlled with pious speeches. Inflation has to be controlled with hard votes. We may have to cut down on programs we think are good, but let us tell the American people we cannot give them this tax reduction at this time. Those who invest in bonds or securities are going to look down the road 3 years from now and try to predict the inflation results. Will or will it not be controlled? They see a $9 billion tax reduction being approved here for next year, and they see us with an unbalanced budget, and more tax reductions promised for later years, all at a time when we are running a deficit of over $700 million a month. There is no chance in the foreseeable future of reducing this deficit; no chance at all.

Those who think there is a chance should remember that as the result of what we are doing here today within 3 or 4 months they will be requested to raise the ceiling on the national debt. If this bill is passed there will be a request to raise the national debt by $5 to $10 billion so they can borrow the money to finance the tax reductions which are being voted today. I say that does not make sense, and I do not think the American taxpayers are going to be fooled with this political shell game going on in the Congress. We are taking away in inflation more than this tax reduction. Our cities and States cannot borrow money today with interest rates as they are.

The reason they cannot borrow with these high-interest rates is that those who are investors in bonds are insisting that the bonds carry interest rates high enough, first, to offset the projected inflation, which is running at an annual rate of from 5 to 6 percent, plus a reasonable return on their money—4 or 5 percent—thus ending with 10-percent money. One is not going to get away from

a 9- or 10-percent interest rate with a rate of inflation in this country of .5 percent per month, or 5 or 6 percent a year.

I recognize that social security beneficaries do need some increase, but this is the first time in my 23 years of service that Congress has ever considered passing an increase in social security payments without including in the same bill provisions to raise the revenue to finance such an increase. I repeat, this is the first time to my knowledge that Congress has ever voted an increase in social security benefits without providing the necessary tax to pay for it.

I think we should finance the benefits that we give under social security. The argument is made that it is not necessary to provide a financing provision; that there is an annual increase in the social security fund. The increase in the trust fund this year is estimated at $9 or $10 billion. But let us not forget that the bulk of American workers are between the ages of 25 and 40. Those persons are contributing from their payrolls into the social security trust fund, just as civil service employees are paying into their retirement fund, with the thought that when they reach the age of retirement they will have laid aside enough to take care of themselves in retirement. What we are saying today is that Congress can dissipate, that we can spend for benefits today. This is their money and our Government is the trustee. We are destroying their security for tomorrow because those people will now be dependent upon the whim of Congress to repay the money with which to pay their benefits.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. The distinguished Senator from Delaware, as usual, is making a necessary and profound statement. The social security reserve does not contain sufficient amount. The fact is that it has enough to pay benefits for only about 15 months. Congress has always held that the fund should never have less than enough for 1 year—and never have a reserve and no profit for a year. It is barely over a year at this time.

Mr. WILLIAMS of Delaware. Congress heretofore said we should never go below 3 years protection. The Ways and Means Committee and the Chairman of the Finance Committee also took that position. In recent years this coverage has been reduced to just over a year. This fund builds up over a period of high employment; and then in low employment or lower overtime payments when more people retire; out-go increases while the income decreases, and the so-called surplus could vanish overnight.

One of the most important things to those who retire on pensions, whether it be Government, social security, State or private pension, is the knowledge that that fund will be solvent as long as they live, regardless of how long that may be, and that the purchasing power of the pension they are looking forward to collecting will remain sound.

Somebody suggested the other day, did we think the situation would ever arise when this country could not pay its bills?

I said no, because in the history of the world, I did not know of a single country that ever defaulted on paying its obligations, even those whose currencies became worthless.

The reason is that as inflation takes over they can print a thousand dollar bill or a five thousand dollar bill just as easy as a one thousand dollar note or a five thousand dollar bond. When they go bankrupt they just turn on the printing presses and pour out money and pay off their obligations. Of course, it has no purchasing power. That must not happen here in America, and it need not happen, but some effort must be made and some thought given to protecting the purchasing power of the American dollar.

That cannot be done by approving irresponsible tax-reductions in the face of huge deficits.

That is the reason I shall not support this conference report, not on the basis of its reform provisions, because they do have merit and many of them I have been working for for years; but I do not want to be a party to projecting multi-billion-dollar tax reductions down the road 3 years from now when I do not think the American people will get that tax reduction, or if they do it will be only at the staggering cost of additional inflation.

I repeat that the criticism I am making of the tax reduction features in the conference report are also, as I said in the Finance Committee and on the floor of the Senate at the time we debated this bill, equally applicable to the rate reduction proposal in both the House bill and in the Finance Committee bill. I am speaking of tax reduction in general at this time.

I think that this is the time when we cannot afford to cut taxes by $9 billion—$9 billion which we do not have unless we borrow the money.

I conclude my remarks with this word of caution, that before this Congress has adjourned, not this session, but before another 6 months have passed, if we proceed with this so-called tax reduction bill we will be back here raising the ceiling on the national debt in order to finance the tax reduction the Senate will be voting here today. I say that that cannot be justified.

Mr. GRIFFIN. Mr. President, will the Senator from Delaware yield for a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. GRIFFIN. I want to commend the distinguished Senator from Delaware for making a very important contribution to a better understanding of this conference agreement. In the eyes of the public, he is the watchdog of the Treasury. He fully deserves that title.

The Senator focuses on a number of provisions in the conference agreement which have not been discussed before. I was particularly interested in his reference to the provision concerning the tax deduction on credit which is given when public officials contribute public papers to a university. The date, as I understand it, was adjusted in conference to July 25, which is a rather unusual date. It is not the beginning of a fiscal year. It is not the beginning of a calendar year. It is not upon enactment of a law.

I recall that the Senator from Massachusetts, the majority whip, gave a very important speech on the floor of the Senate indicating that he wanted to know and have brought to light who the individuals or corporations were who would benefit by these particular changes in the law. I just wonder whether the Senator from Delaware, or anyone else, could enlighten the Senate as to who might benefit by that particular adjustment of the date.

Mr. WILLIAMS of Delaware. I will leave it to the Senator from Massachusetts to put the names in the RECORD. He should be more familiar with them than I. But it could be any public official who wished to take advantage of the advance knowledge that this loophole was going to be closed or that it had been proposed.

So far as the date of July 25 is concerned, it should be pointed out that there was some basis for accepting that, even though I disagreed with it. That was the date the House acted on the tax reform bill. Perhaps the conferees figured that it should not go back beyond the date on which the House had passed acted. That may account for the July 25 date, but in my opinion it was a mistake. This was one loophole that should have been closed effective for the full taxable year.

Furthermore, there were other measures which were made retroactive.

Mr. GRIFFIN. The investment tax credit, for example.

Mr. WILLIAMS of Delaware. Yes; that dates back to April.

But another reason, early in the spring I made a statement on the floor of the Senate that an effort would be made to close this glaring loophole and offered as an amendment to the committee for inclusion as a part of the tax reform bill. I said at the time that I would propose that it be made effective the first of the year because otherwise, with the advance knowledge that this was going to be offered, public officials could, if they wished, transfer their papers before the effective date. Former members of the executive branch or Congress could easily figure that this amendment may pass and hasten to transfer their papers to a private library or some university. Since we were trying to close loopholes and eliminate the possibility that other taxpayers could take advantage of the advance knowledge we who write the laws should at least make sure that we abide by the same rules.

That is the reason I thought it was very important to have a date of January 1, 1969. I do not think public officials were ever entitled to the advantage of such a loophole in the first place. It is a glaring loophole, one that should have been corrected long ago. I do not think a public official should take a charitable deduction for papers and files that he accumulated while serving on the public payroll. Why should any public official be able to set up a library in his own name, as some people have done, and then contribute their official papers to the library and get a big tax deduction. Yes, public officials can contribute files to their own libraries and get big tax credits for them. That is ridiculous; and why should not the repeal of this loophole be made retro-

active to the first of this year? Only last July the Congress passed a 10-percent surtax and made it retroactive to the first of the year.

The Finance Committee, as I recall, unanimously approved the January 1, 1969, date. I do not argue but that the Senate conferees tried to hold the Senate position and that the date of the 25th may have been taken because that was the date on which the House acted on the original bill.

But this was a loophole that benefits primarily public officials. Certainly if we are going to talk about closing loopholes Congress should start in its own back yard first. That is the reason I was so concerned that the loophole be plugged as of the first of this year. As the former Secretary of Health, Education, and Welfare testified before the committee, by approving a deferred date all of those who left Government service early this year would be taken care of before the loophole was closed.

Mr. GRIFFIN. As I understand, if former Presidents or Vice Presidents or Members of Congress had given their papers to a university or a library established in their own name this calendar year, but prior to July 25, they will get the benefit of that tax provision.

Mr. WILLIAMS of Delaware. That is right. They can have it appraised and get the full benefit by claiming its appraised value as a charitable contribution for tax purposes.

Why should the effective date be deferred so that a group of public officials can take advantage of the loophole before it is closed?

Mr. WILLIAMS of Delaware subsequently said:

Mr. President, I ask unanimous consent to have printed in the RECORD three editorials, one from today's New York Times and two from today's Washington Evening Star.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the New York Times, Dec. 21, 1969]

FRAUD ON THE TAX FRONT

The House-Senate conference committee has produced a tax bill that appears certain to be passed overwhelmingly in Congress this week. The bill was tailored by the committee to be veto-proof when it reaches President Nixon, and it does represent a marked improvement over the atrocious Senate version. Chairman Wilbur Mills of the House Ways and Means Committee has stated flatly that the revised measure "is certainly not inflationary," and Mr. Nixon has indicated to Senate Minority Leader Hugh Scott that the conferencees' actions have improved the chances of Presidential signature.

Unfortunately for the nation, however, the bill remains decidedly inflationary. The alarming degree to which this is true is masked by the data on revenue gains and losses that the U.S. Treasury and Congress are putting out. In fact, there has been what amounts to a conspiracy between the Administration and Congress to disguise the true extent to which the proposed tax action is inflationary in the short run, as well as how substantially it would give away Federal fiscal resources in the long run.

The revenue estimates released by the Administration and Congress indicate that the revised tax bill will increase the net revenues of the Federal Government by $6.5 billion in 1970 and by $315 million in 1971, and that, even in the long run, it will result in a net revenue loss of only $2.5 billion a year.

There are two basic fallacies in these estimates:

First, they take no account of the future growth of the economy, which would greatly swell the revenue losses in the years ahead. Reasonable growth projections would cause the revenue losses to increase by 8 to 10 per cent per year.

Second, they treat the reduction and repeal the 10 per cent surtax, which has been yielding $12 billion a year, as though it were a $3-billion increase of revenues in 1970—instead of what it actually represents, a $9 billion reduction in revenues in 1970 and a $12 billion reduction in 1971 and the ensuing years. The same treatment is given to the temporary extension of automobile and telephone excises; these are carried forward as a $1.2 billion gain in 1970 and thereafter gradually reduced. In fact, these changes in the excises represent no gain in revenues in 1970 and a gradual loss thereafter.

The upshot of this accounting gimmickry is to show a $6.5 billion revenue gain in 1970 when the right figure, to indicate the fiscal impact as compared with 1969, should be a net revenue loss of at least $8 billion. Similarly, the Administration-Congress published figure of a net revenue gain of $315 million in 1970 should be a revenue loss of at least $13.5 billion. Given the present inflationary state of the economy, this is both irresponsible and dangerous.

In the long run the revenue losses built into this legislation may be even more serious for the nation, confronted as it is with enormous unmet social needs. Without figuring national income growth, those losses will amount to at least $15.5 billion a year. With growth included, the annual revenue loss could total as much as $30 billion in seven years.

How have the Administration and Congress produced this misleading accounting. Simply by assuming that if Congress did not act on this bill the surcharge would lapse and the excises would expire Thus they are comparing the fiscal effects of the tax bill with the no tax bill at all affecting 1970 rather than with what the existing tax system of the nation is actually yielding in 1969.

It is difficult to know why this was done. The President apparently committed himself too early to reduction and repeal of the surtax; he was thereafter mousetrapped by whatever Congress—unwilling to raise taxes in the face of voter resistance—did on the so-called tax reform bill. Congress has suffered flight from fiscal realism that can only be regarded as the result of a lack both of party leadership and of firm direction from the White House.

It is now only too clear that the national interest calls for a veto of this tax bill and a new start on fiscal policy. What started as a heroic effort to inject more fairness into the tax structure has turned into a fiscal disaster that contributes only moderately to greater tax equity. The best out at this point would be a simple continuation of the surtax at its present level until the end of the Vietnam war permits a major reduction in military spending. But the President has boxed himself in and seems bound to sign the bill that Congress has produced. The tax folly of 1969 will cost the nation dearly unless corrected over time.

[From the Washington Evening Star, Monday, Dec. 22, 1969]

THE TAX BILL

The tax bill, on Congress' platter today, is an eminently better piece of legislation than the fiscal Christmas pudding stuffed with inflationary calories that the Senate sought to serve the President.

In normal times, such a bill could expect to receive the unqualified blessings of the White House. But these are decidedly abnormal times, with price rises gobbling up wage increases in the worst spiral since 1951.

Mr. Nixon is in the decidedly uncomfortable position of being damned if he does and damned if he doesn't. The political consequences of vetoing a bill that includes benefits for all taxpayers and a 15 percent rise in Social Security benefits for 25 million Americans could be disastrous for him in 1972.

But a failure to halt the erosion of the dollar's value could be equally fatal in a political sense, and ruin the country in the bargain. Thus the President's decision must hinge on his assessment—and on that of his economic advisers—as to what effect implementation of the bill would have on the economy as a whole.

The final bill reported out by a joint conference committee Friday is much closer to the more reasonable House bill than it is to the Senate's bauble-loaded version. And Mr. Nixon is not committed to vetoing the bill as it stands. He had stated baldly that he would veto a bill containing both a 15 percent Social Security hike and a rise in the personal exemption to $800; the conferees let him off the hook by raising the exemption to only $750 between now and 1973.

The details of the joint bill have been recounted fully in the news columns of this newspaper. The basic point is the effect of the bill will be to raise revenue by $2.2 billion next year and hold the loss in 1971 to a manageable $485 million.

But the fiscal rub would come in 1972 and 1973, when the deficit would rise to $2.6 billion and $4.2 billion respectively, before leveling out over the long run to an annual loss of $2.5 billion.

Mr. Nixon has threatened to veto any tax bill costing too much revenue and jeopardizing the budget surplus he considers essential to control inflation. He is correct in this.

But the final joint version appears to be acceptable in the short term. The question is whether the long-term loss of revenue is tolerable and can be dealt with in other ways. If inflationary pressures are still severe in 1972, for instance, it would be possible to enact a new law raising taxes.

The President's decision will be a crucial one which will affect not only his own political future but the lives of all of us. Congress, recovering from the Senate's binge of fiscal irresponsibility, has given him a bill which it seems possible for him to sign.

But he alone can make the determination. If he feels that it would be deleterious psychologically for the nation's discipline for him to sign the bill, then he may have to veto it.

[From the Washington Evening Star, Dec. 22, 1969]

DECISION ON TAXES CRUCIAL FOR NIXON

(By David Lawrence)

President Nixon faces the most crucial decision he has had to make on domestic problems since he was inaugurated—whether to sign or veto the so-called "tax reform" bill. It's a choice between a reduction of taxes that can result in a recession and taking a firm stand that will prevent deficit financing of the government and serious handicaps to business development.

For the "tax reform" bill is a hodgepodge of what seems on the surface to be politically "popular" but in reality could be repudiated in the next election if the voters are given the real truth about the causes of higher and higher prices and the curtailment of the purchasing power of the dollar.

The "tax reform" bill is in certain respects a destructive measure. It disturbs many a business which has set up pension benefits. It discourages those property owners who now will have to ask higher prices in order to offset the increase in taxes on capital gains.

Theoretically, the bill distributes more money for individual spending. But prices are bound to rise and the present inflationary trend will be maintained. While the bill cuts some tax rates, others are increased. On the whole, the federal budget will be adversely affected and deficits will continue, thus helping to depreciate the dollar.

Hitherto the emphasis has been on restraining inflation, but the new tax bill is bound to enlarge its scope. While collecting more revenues through new tax rates, the proposed law calls for more federal disbursements which use up the greater tax receipts and leave a deficit besides.

Only a few days ago, the National Planning Association through its chief economist predicted that the nation is flirting with a recession and that "inflation is apt to be excessive next year, even with high unemployment." Also, the consumer index just issued by the federal government shows that prices are steadily going up and the dollar value keeps on going down.

Under these circumstances, the President is in a position, after analyzing the "tax reform" bill for the American people, to tell the country how the increases in revenue obtained by imposing heavier taxes on business and on the higher income groups are wiped out by new appropriations.

Most members of Congress who voted for the measure thought it would bring them votes in the election next November. But if times are bad and the money saved by tax reduction is offset by price increases, the voters are likely to blame the Democratic party, which seeks to retain control of both houses.

Will the President have the courage to veto the "tax reform" bill? It is not easy to tell whether the electorate will perceive the reasons for the spread of inflation. But certainly a president can give the facts to the public and refuse to take the risk in signing the new tax bill. He can, if he wants, apply a "pocket veto" by not signing the measure for 10 days if Congress is in recess and explaining then why he feels it would be harmful to the economy. He could, on the other hand, sign the bill, and, while pointing out some of its good provisions, call for prompt repeal of those sections which can be expected to intensify an era of excessive spending.

Beneath it all, too, is the effect of the new tax measure on business operations in America. Incentive is in many ways impaired. There will be an adverse impact on the normal operations of the economy. Increasing tax rates, for instance, on the high incomes of talented personnel may look attractive as a revenue-raising device, but the companies which employ those individuals will have to move up salaries substantially. This, together with labor union demands, can result in raising prices on goods to be sold.

It is tragic that the Congress of the United States has tried to change important parts of the tax structure so hastily instead of appointing a commission of disinterested experts to devote at least a year to careful study of alternatives. To modify arbitrarily tax laws that were in the main written 30 years ago and have been imbedded in the economic system for such a long time requires a nonpolitical approach governed by only one consideration—the public interest as a whole.

Mr. LONG. Mr. President, since the Senator brought this up, permit me to say the House passed a bill in which it stated that a gift of appreciated property, which if sold would result in ordinary income, would be taxed as it has been taxed in the past, provided that the gift occurred prior to December 31, 1969. The House Committee announced that decision to the press on July 25. It was the suggestion of the Senator in the committee that it should be effective as of December 31, 1968. The Senator can tell us whom he wanted to get with his amendment. As far as I am concerned, it was of no particular concern to me.

When we settled this matter in conference, we took the date the House Committee announced its decision to the press, and there was not much discussion one way or the other. In any event, we in the committee were acting retroactively, back to December, 1968. What the conference did was say that if a man had made a gift anytime after July 25, he would be taxed under the new law, rather than the law that had existed prior to that time. That is what seems fair since this was the earliest date there was any knowledge of a committee decision on this point. It was the Senator's suggestion that the tax be retroactive, to tax any donation someone had made, with regard to papers, letters, or memorandums, back to the first of this year.

I would suggest that the Senator find out, if he can, whom he might have involved in that class. So far as I know, it benefited no one as a result of the adoption of the July 25 date. The House had a date which applied only at a date beginning in the future; the Senate had a retroactive date. As the bill was adopted, it was a compromise between the prospective date, which was the House provision, and the retroactive date, which was the Senate's provision.

So if the Senator was aiming at anybody when he offered his amendment, he can explain at whom. I was not aiming at anyone.

Mr. WILLIAMS of Delaware. I was not aiming at anyone because it was applicable to all public officials. I wanted to close the loophole.

Mr. LONG. If the Senator wanted to get someone, why does he not find out who it was he was getting.

Mr. WILLIAMS of Delaware. I said closing of the loopholes should apply to all. As it has been passed, the law is general.

Mr. LONG. I ask the Senator if the logical way to handle a bill, when the Senate's version taxed it retroactively to January, and the other version taxed it prospectively to the end of the year, would not be to adopt the date on which the House passed the bill?

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. HOLLAND. There is nothing in this bill that forecloses any person in public life from giving his papers or pictures or memorabilia to a university or library, is there?

Mr. WILLIAMS of Delaware. No. In fact, I think that the gift of these papers should be encouraged, and those papers should be made available. This provision does not prevent that. It merely provides that whoever gives those files or papers does not get a tax credit for something that did not cost him anything.

Mr. HOLLAND. Perhaps I misunderstood the colloquy between the Senator from Michigan and the Senator from Delaware, but I understood that those of us who have given such files and objects now would have the chance to go back and claim a tax credit. I want to make it very clear that I do not so regard the situation. I have given such papers as I have accumulated, back through many years in public life, the State Senate, the governorship, and the Senate here for perhaps 18 years—I do not remember exactly how many—to the University of Florida. I am happy that they wanted these objects. I do not understand I have any right to expect a tax credit on account of that. I would not want my opinion to prevail in my State that I would have the right to claim such a tax credit, and I do not think anything in this debate should be allowed to give such an impression. Perhaps I got an impression that was not sound.

Mr. WILLIAMS of Delaware. No; I am not giving that impression at all. I know many other Members of the Senate who have likewise given their papers away and who would not claim such a tax credit even if they knew the law existed. But about the first of the year attention was called to the fact that such a possible tax loophole existed, and I thought it should be closed. Some public officials have taken advantage of this loophole. I think any public official should be able to turn such papers over to a library, but he should not get a tax credit for them based on appraised value. That is what he could get under existing law, and in my opinion it is wrong.

As I stated, while I would like to see the effective date January 1, 1969, I accept the decision of the conferees because in conference all legislation becomes a compromise. The date in the House bill was prospective; the date in the Senate bill was retroactive. As the distinguished chairman said, the date was fixed as of the date the House passed the bill, the 25th of July. I have outlined my reasons for supporting the January 1, 1969, date.

I thank the Senator from Louisiana; in committee he strongly supported the position I took.

Mr. HOLLAND. Mr. President, let me just add that I claim no credit on that account, but I simply want the RECORD to show that both as to some tons—two truckloads, as a matter of fact— already held by the University of Florida and the additional ones that will go there at the time I retire next year—and I believe the Senator and I will retire at the same time—there is not only no thought of compensation or any tax credit, but I have always felt that those things are charged with a public interest, that they are acquired and come to us in public service; that what we should do is find a public place for their care, indexing, and being made available.

It would never have occurred to me, until the talk started about a year ago, that anybody would have claimed a tax credit. And I do not think anything in this debate should be permitted to give the idea to anyone that Senators or Representatives, or Governors, or Cabinet members, or Presidents, or anyone else who has been in public life, should not have the complete right to give away for proper caretaking, preservation, and availability to those who may be in-

terested, all matters of this kind, which is exactly what the Senator from Florida has done, and I am sure is what the Senator from Delaware will do.

Mr. WILLIAMS of Delaware. Mr. President, I think the RECORD is clear, and I am ready to yield the floor; but I had promised first to yield to the Senator from Arizona.

Mr. FANNIN. Mr. President, I compliment the Senator from Delaware for the distinguished record he has made, and for his dedicated services. I know that the conference committee did not have his services, and I commend the Senate conferees, but we are very proud to have had the leadership of the Senator from Delaware here in the Senate, and we are very thankful for the work he has done.

Mr. President, I should like to address a question to the distinguished chairman of our committee. With reference to the taxation of stock dividends in section 421 of the bill, I have in mind a corporation which, under the transitional rules, is permitted to issue a particular type of stock which by its terms is convertible into other stock not within the transitional rules. Is my understanding correct that a corporation will not lose this transitional right when a shareholder who receives the convertible stock demands conversion into stock not directly covered by the transitional rules?

Mr. LONG. Yes, the transitional rules would continue to apply, nothwithstanding the conversion of stock into a type of stock not directly covered by the transitional rules.

Mr. FANNIN. I thank the distinguished chairman, and at this time I express my appreciation to him for the way in which he handled the committee all the way through the hearings and then through our executive sessions, and for the fairness and courtesy he extended to all the members, for the way he kept things moving, and naturally, of course, for his distinguished leadership as exemplified in the conference.

Mr. LONG. I thank the able Senator from Arizona for his kind words, and also for the very diligent work he did to improve this bill in the committee as well as on the floor of the Senate.

Mr. GORE. Mr. President, I should like to make a few observations on the development of this historic legislation.

To begin with, the Senate committee held extensive hearings on the bill—more extensive than those held by the other body. I do not say that as any criticism of the House of Representatives. The Ways and Means Committee held extensive hearings on the general subject of tax reform. The Senate Committee on Finance, however, held extensive hearings on the specifics of the bill passed by the House of Representatives.

We have heard a good many remarks today about the action of the Senate and the action of the conferees representing both the House and the Senate. In this legislation the Senate has fully reclaimed its position of parity in tax legislation, with the exception of the constitutional prerogative of the other body to initiate a revenue measure. There was a time. not many years ago, when the House of Representatives fiercely resisted any major amendments added by the Senate to a revenue measure.

On this particular bill, the careful consideration given to the measure indicated the need for a large number of amendments. Some amendments, of course, were adopted which I did not think were wise. Many were adopted which I thought were needed. Let me offer some statistics in that regard.

The Senate added 376 substantive amendments in the committee and on the floor, mostly in the committee. Those amendments resulted from long hearings of the many witnesses representing the many interests affected by this bill. A great deal has been said in compliment of the distinguished chairman for holding those hearings. He is entitled to every word of commendation he has received, and I associate myself with those who have commended him. He stayed on the job every day, and we held hearings comprising more than 7,000 pages of record.

This is the largest tax bill in the history of our Republic. It affects everyone and every economic interest. People had a right to petition that their interests be considered, and they were considered.

What happened to those 376 amendments? In conference, the conferees representing the House of Representatives accepted without change 237 of the Senate amendments. They accepted with amendment to the amendment 71 of the Senate amendments. In total, this conference report embodies 308 amendments placed in the bill by the Senate.

The Senate receded and accepted without change 53 provisions in the House bill which were not approved by the Senate. We accepted with amendment seven more.

So, Mr. President, the work of the Senate with respect to this bill is monumental and meaningful. The two principal benefits to the people in the bill came from amendments offered on the floor of the Senate and adopted by the Senate. I refer to the amendment providing a 15-percent increase in social security benefits, and to the amendment providing tax relief by way of an increase in personal exemptions.

Perhaps the Senate would find interesting the effect of the bill on the withholding tax on salaries and payrolls. I have asked the staff to calculate the withholding tax on salaries of $6,000 per year, $9,000 per year, and $12,000 per year, for a taxpayer with a wife and four children, a taxpayer with a wife and two children, and a single taxpayer. As I say, I think perhaps the Senate will find these figures interesting.

A taxpayer with a wife and four children, on a monthly salary of $500, will have withheld from his salary check in January 1970, $22.68. In July 1970. he will have withheld $17.39.

In January, 1973, when the bill is fully effective, there will be withheld from his salary $5.88.

Mr. President, to translate that to a weekly wage, the weekly wage is $115.38.

The withholding on that weekly wage in January 1970 will be $5.33.

In July 1970, it will be $4.07.

In January, 1973, when the law will be fully effective, it will be $1.40.

Mr. President, let us take a taxpayer with a wife and four children who earns an annual salary of $9,000. His monthly salary would be $750.

There will be withheld from his salary in January, 1970, $64.42.

In July, 1970, it will be $57.72.

In January, 1973, it will be $42.96.

Mr. President, taking the same taxpayer, the man with the same number of dependents and the same anual income, his weekly wage would be $173.08.

His January, 1970, weekly withholding will be $14.96.

In July, 1970, it will be $13.38.

In January, 1973, when the law will be fully effective, it will be $9.96.

Mr. President, let us take the example of a taxpayer with the same number of dependents, but with an annual income of $12,000. His monthly salary would be $1,000.

In January 1970, there would be a monthly withholding from his salary of $109.42.

In July 1970, it would be $100.22.

In January 1973, when the law will be fully effective, it will be $82.54.

Mr. President, translating that to a weekly wage, his weekly wage would be $230.77.

In January 1970, there will be a weekly withholding of $25.35.

In July 1970, it will be $23.19.

In January 1973, when the law will be fully effective, it will be $19.10.

Mr. President, I would now like to consider the taxpayer with a wife and two children—something which is nearly the typical American family—and an annual income of $6,000.

Mr. President, I realize that when we break down a $6,000 annual income to weekly wages and calculate the amount withheld, we are dealing with small amounts. However, we are also dealing with people to whom small amounts are important. Such a man would receive a monthly wage of $500.

In January 1970, there will be a monthly withholding of $39.08.

In July 1970, there will be a monthly withholding from his salary of $35.64.

In January 1973, when the law will be fully effective, the amount will be $24.21.

Mr. President, translating the income of that taxpayer to a weekly wage, his weekly wage would be $115.38.

In January 1970, his weekly withholding will be $9.09.

In July 1970 it will be $8.28.

In January 1973, when the law will be fully effective, it will be $3.47.

Mr. President, I will consider now the example of a man with a wife and two children who earns $9,000 a year. He would have a monthly wage of $750.

In January 1970, $82.42 will be withheld from his monthly salary.

In July 1970, it will be $76.14.

In January 1973, when the law will be fully effective, it will be $62.54.

Mr. President, translating that to a weekly salary, a man with a wife and two children and with an annual income of $9,000 a year will have a weekly salary of $173.08.

In January 1970 there will be withheld

from his weekly salary the amount of $19.10.

In July 1970 there will be withheld $17.63.

In January 1973, when the law will be fully effective, the weekly withhold on such a salary will be $12.17.

Mr. President, let us next take the taxpayer with a wife and two children and an income of $12,000 a year. His monthly salary would be $1,000.

In January 1970 there will be a monthly withholding from his salary of $128.41.

In July 1970 it will drop to $119.13.

In January 1973 when the law will be fully effective, it will drop to $102.54.

Mr. President, translating that into a weekly wage, a person with a $12,000-a-year income has a weekly wage of $230.77.

In January 1970 the weekly withholding on that amount will be $29.72.

In July 1970 it will be $27.55.

In January 1973, when the law is fully effective, the weekly withholding will drop to $21.40.

Mr. President, I would like now to consider the example of one more taxpayer for whom the bill we are about to pass provides considerable relief. That is the single taxpayer.

Many of us have felt that the man without dependents has had to pay an unusually heavy part of the burden.

A single taxpayer without dependents, and with an annual income of $6,000 receives a salary of $500 a month.

In January 1970 the monthly withholding from his salary will be $75.42.

In July 1970 it will drop to $71.30.

In January 1973, when the law becomes fully effective, it will be $61.70.

The single taxpayer earning $9,000 a year would have a monthly withholding in January 1970 of $127.92.

In July 1970, it would be $123.80, and in 1973 and thereafter. $111.70. The same single taxpayer with an income of $12,000 a year would, in January of 1970, have a withholding from his monthly salary of $191.22; in July of 1970, $184.89; in January of 1973, $163.16.

Mr. President, these amounts of tax reduction, to a Member of the Senate, favored as we are with a larger salary, may, indeed, seem small. But let me repeat that this is tax reduction for people who have small incomes. People with small incomes and with dependents to support find tax reductions even in small amounts are very helpful. From the messages I have been receiving, people are very happy, indeed, with the passage of this bill.

Before closing, I wish to express my deep appreciation to the generous remarks that the chairman of the committee and other of my colleagues have made on the floor of the Senate today with respect to my own efforts. I am very grateful. I express my gratitude again to the chairman of the Finance Committee and to each member of the committee for the pleasure of working with them, for the courtesies extended to me, for the patience and tolerance extended to me.

I thank, also, the staff of the committee and of the Joint Committee on Internal Revenue Taxation, and I express appreciation to my own staff. I think I have the ablest staff with which any Member of this body is favored—William Allen, Jack Lynch, Paul McDaniel, each in his own right a lawyer, a student, each in his own right possessed with intelligence, character, and energy. It has been a pleasure to work with Larry Woolworth, Tom Vail, Bill Allen, Jack Lynch, and Paul McDaniel. They fortified me with the information, with the advice, and with the opinions; and my colleagues in the committee, in the conference committee, and in the Senate were very generous, patient, tolerant, and understanding.

This is a monumental work. Perhaps mine has been the most persistent voice in the Senate for tax reform for a decade. We have achieved a great deal of tax reform here. I would not be candid if I did not say that the conference report we are about to adopt contains some provisions which I resisted. It contains some provisions which I resisted fiercely. I shall not describe them or identify them now. I shall do so later. But, for now, let me speak of the positive features of this bill.

It has two major parts: One, tax reform, by which we are requiring many people in various segments of our society who, in the opinion of the committee, heretofore have not paid their fair share of the tax burden to pay a fairer share of that tax burden now. By tightening tax preferences or removing them, this bill brings into the Treasury additional revenue of some $6.6 billion. This is major tax reform. When we bring into the Treasury, not through new taxes, not through new levies, but through elimination of tax preferences, $6.6 billion, I say that is major tax reform.

The second major provision of this bill is the distribution of tax relief, largely, as I have said, through an increase in the personal exemption. In the long run, the bill distributes something more than is recouped through tax reform. But we have a right to expect peace in Vietnam; and, as a consequence, we have a right to expect and hope that in later years the expenditures for war will not be upon us and that the burden of expenditures can be reduced. To what better purpose could we place a small part of the cost of that war, if it can be brought to an end, than to give small amounts of tax relief to the people with small incomes and children to support?

I say, Mr. President, this a proud day, and I am proud that it comes so near Christmas; because tax reform and tax relief are inded welcome presents to the American people.

Mr. CURTIS. Mr. President, at the outset, I wish to express my gratitude to the distinguished chairman of the Committee on Finance, the Senator from Louisiana (Mr. LONG); the distinguished ranking minority member of the committee, the Senator from Delaware (Mr. WILLIAMS); and all my colleagues on the Finance Committee for their cooperation, their assistance, and the generous way in which they have handled this matter so far as the wishes and desires of the various members of the committee are concerned.

There comes a time when every man has to decide for himself whether or not he shall support proposed legislation. In arriving at my decision I assume my own responsibility only and do not attempt to make a decision for anyone else.

I shall vote against the conference report on the tax bill. I voted against the bill when it was before the Senate. As a conferee, I declined to sign the conference report.

While I disagree with a number of sections of the bill, I applaud and support many sections relating to tax reform. Congress has an obligation to strive for tax reform. We should do this to bring about justice between taxpayers as well as to increase the revenue from those segments of our economy which may not be paying their fair share.

At this time I will not discuss the detailed features of the bill. I do want to make the observation that this bill discriminates against the middle class.

My opposition to this bill can be stated very simply. I do not believe that we should reduce taxes if we have to borrow the money to do so. I do not believe that we should reduce taxes if to do so increases the deficit and adds to the national debt.

The bill as agreed upon by the conference would grant $1.4 billion in income tax relief for calendar year 1970, $4.9 billion of tax relief for calendar year 1971, and $7.3 billion in tax relief for calendar year 1972.

Mr. President, I hold in my hand the daily statement of the U.S. Treasury for December 11, 1969. It shows that the total outstanding debt is $372,707,695,-992.86. The shocking thing is that this same statement shows that the debt at this same time a year ago was $363,126,-294, 779.21.

Spending has not been reduced. Appropriations are running higher than the Nixon budget. The original budget estimates include increases in postage rates, social security taxes, and certain user charges, none of which have been enacted. There are other adverse factors in reference to our budget. The interest charge to carry the national debt is $1 billion above the original budget estimate for that expenditure. Corporate tax payments are off by a sizable amount. The deficit situation of the Federal budget is not improving.

Now, Mr. President, I realize that a discussion of the Federal budget is most confusing. It is confusing because the budget used fails to show where the Government stands from the standpoint of the general operating expenses of the Government and the revenue coming in that is available to meet those general operating expenses. For instance, when the Director of the Budget appeared before the Finance Committee last July he referred to an estimated surplus of $0.9 billon for 1969. Actually from the standpoint of the funds available to pay the general bills of the Government, we did not have a surplus but have a deficit of about $8.6 billion because the Budget Director was including a surplus in trust funds of $9.5 billion. The largest item of trust funds is of course the social security trust funds. These funds do not be-

long to the General Treasury. They are held not to pay the general bills of the Government but to pay social security beneficiaries.

In the Budget Director's testimony on that same day he stated that we would have an estimated surplus of $6.3 billion for the fiscal year which would end next June 30. Here again trust funds were taken into account. Were they to be disregarded, Mr. Mayo stated that we would have an estimated deficit of $4.3 billion next June 30. The budgetary picture is really more discouraging than it appeared then. I am convinced that if this tax bill becomes law all of its tax reductions will have to be made by increasing deficits and increasing the national debt. This is not fair to the people now. It is not fair to future generations of taxpayers.

There is nothing that can be said for this measure from the standpoint of fiscal responsibility. There is nothing favorable to be said for this bill from the standpoint of inflation control. It is very likely that increased costs of living will more than destroy the tax relief that comes to the individuals who receive the relief.

Mr. JAVITS. Mr. President, I would like to take just a few minutes to give my attitude on the tax bill. I think the situation which we face in the country is that tax reform—which is urgently needed—extension of the surcharge and excise taxes, and repeal of the investment tax credit, are all being held hostage for tax cutting. Now, sometimes one has to yield and surrender, but I do not think that is the case here. I voted to send the bill to conference in the hope that the revenue impact of the final bill would be negligible. But this is not the case. Hence, I must vote against the conference report. This is not an idle vote, and I would not cast it if it were an idle vote. I think the President will have to look very carefully at the rollcall in the Senate. I think the number of "nay" votes will be very, very meaningful. The President must come to a judgment in the best interests of our Nation with respect to the bill.

I am heavily motivated by the fact that we have many crying needs in this country. I will say right away, as the Senator from Delaware said very clearly, that certainly the conferees have done an excellent job. I am not complaining at all about that. But I do not think our country would dream of cutting taxes at this time if a tax-reform bill were not before us. Tax reform is being held hostage for an extensive tax cut. I think the cut is unwise and improvident for the classic reason that we are in the midst of a war, with its attendant inflationary pressures. The cut is also unwise at a time when the high cost of money is largely attributable to deficiencies in fiscal policies.

There is every promise that if we pass this bill, as it is indicated we will, the high cost of money will continue, because the Federal Reserve Board will be convinced that only monetary policy is going to be used in the struggle against inflation.

Speaking as a Senator from a State which has the biggest city in the country and several other large cities, I must emphasize that the main deficiency in this bill is that we are deciding now what we are going to do with the money which will be available from a growth in the economy and from the "peace dividend" which will come from a scaling down of the Vietnam war.

We are mortgaging that growth and that dividend to the extent that we face at least a $10 billion budget deficit as early as 1974. In my judgment the situation in our cities—the crisis of the cities—is so threatening to the domestic peace and tranquillity that I cannot in all conscience be a party to allocating that peace dividend to anything other than meeting the critical problems of our cities.

Always in this body, one has to some day vote "yea" or "nay." Nothing is ever black and white. I support the great bulk of the tax-reform provisions. I believe the extension of the surcharge is essential. Under the circumstances the repeal of the investment tax credit is indicated although at the appropriate time I wish to see the reimposition of an investment incentive in the form of revised depreciation schedules and methods of depreciation. I support the increased social security, benefits—although I agree with the Senator from Delaware (Mr. WILLIAMS) on the need for adequate financing. There are many other things about the bill which I would commend. But the fundamental problem is that we would not have dreamed of cutting taxes under these circumstances if this were not the price being asked of us to achieve tax reform. The taxpayers have been very restless about the inequities of the system. We also have to extend these excise taxes and decide about continuing the surcharge. But I think the price we are being asked to pay is much too high especially as it is likely to continue inflationary pressures which have been a cause for considerable concern. Especially as it deals with mortgaging now whatever fiscal and peace dividends may be available in the days ahead which will be so vitally needed for dealing with our most critical social problems. I do not feel that it is provident, representing my State, to bargain that away now for the superficial attractions of the bill, in view of the inflationary course on which we are seemingly continuing and its terrible drain on the economy.

If by some miracle the conference report is turned down by the Senate, or if the President decides, because he sees the strength of the opposition in the Senate, to veto the bill, I have every confidence that we will get a social security increase—probably with much sounder financing—that the surcharge will be continued as we all know it must, that the investment tax credit will be repealed, and that the substantive elements of tax reform arrived at by the conferees will, because of public demand, become law.

Therefore, I take this course of action in the hope that we would be saving the best and rejecting the worst, because one cannot have the choice of dividing the issue. We must vote yea or nay.

It is interesting to me that the Senator from Delaware (Mr. WILLIAMS) referred to the fact that in 1967, he and I—we are usually at different ends of the ideological spectrum—joined in urging the administration that if it were going to make war, it should tax as a government does when there is a war. The lesson is clear, we cannot have it both ways. Yet, that is the way, even now—after all the bittter experience of inflation—that we are proposing to proceed.

Again, though I feel that the conferees have done a fine job within the delineation of the principles upon which they have operated, I regret very much that I cannot support this conference report.

Mr. PERCY. Mr. President, I voted against the Senate Tax Reform Act of 1969. I rise now to support the conference report on the Tax Reform Act, and warmly commend the conferees for their efforts in writing a sound, compromise proposal.

This act as a result of the conference is now fiscally more responsible than the Senate-passed measure, while still extending much needed relief to low- and middle-income taxpayers. It likewise preserves most other tax reform measures for which the bill was originally designed.

The bill originally passed by the Senate, which I could not support, would have caused a revenue loss of $1.85 billion within the next 2 years and $14.7 billion through 1974. These are the crucial years for controlling and putting a stop to inflation. If a heavy budgetary drain had been permitted, the inflationary stimulation to the economy would have further severely undermined the value of the dollar and cruelly cheated those living on low or fixed incomes.

As now reported, the bill will produce a revenue surplus of $6.5 billion within the next 2 years and a $0.8 billion surplus through 1974, while still providing needed tax reform and tax relief to low- and middle-income wage earners.

Mr. President, in my election campaign of 1966, I pledged that I would do what I could to increase the personal exemption of $600 that has been in existence for over 20 years. I also pledged to try to provide tax relief for single persons, particularly those who, as heads of households, have been required to pay a disproportionate share of the tax burden.

With the help of many colleagues, headed by the distinguished minority leader, the Senator from Pennsylvania (Mr. SCOTT), the distinguished minority leader, the Senator from Michigan (Mr. GRIFFIN), as well as the able Senator from Kansas (Mr. DOLE), and with the technical cooperation of Assistant Secretary Cohen of the Treasury Department and his highly gifted staff, I introduced an amendment to the bill to fulfill that pledge of 3 years ago.

To have done so earlier would have been irresponsible, for the budget was in severe deficit positions at that time. We have, in fact, faced a deficit in every year since I came to Congress up until the present time. In addition, we did not have an adequate impetus for tax reform that could bring in additional revenue to offset revenue losses resulting from the recommendations I wanted to make. This year, however, the conditions were right and I was able to submit my amendments.

Mr. President, I ask unanimous con-

sent to have printed in the RECORD a comparison of major tax relief provisions of the Percy-Dole, Senate, and conference provisions.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

COMPARISON OF MAJOR TAX RELIEF PROVISIONS OF PERCY-DOLE, SENATE, AND CONFERENCE BILL

	1970	1971	1972	1973
Personal exemption:				
Percy-Dole	$650	$700	$750	$750
Senate	700	800	800	800
Conference	[1] 650	650	700	750
Low income allowance:				
Percy-Dole	1,050	1,000	1,000	1,000
Senate	1,000	1,000	1,000	1,000
Conference	1,100	1,050	1,000	1,000
Standard deduction:				
Percy-Dole	[2] 1,000	[3] 1,400	[4] 1,700	[5] 2,000
Senate	[2] 1,000	[2] 1,000	1,000	1,000
Conference	[2] 1,000	[3] 1,500	[4] 2,000	[5] 2,000
Rate relief:				
Percy-Dole (percent)	0	0	1.25	2.50
Senate	0	0	0	0
Conference	0	0	0	0
Single persons:				
Percy-Dole	0	([6])	([6])	([6])
Senate	0	([7])	([7])	([7])
Conference	0	([7])	([7])	([7])

[1] Effective July 1, 1970.
[2] 10 percent.
[3] 13 percent.
[4] 14 percent.
[5] 15 percent.
[6] Maximum of 20 percent over joint return rate.
[7] Same.

Mr. PERCY. Mr. President, the work of the conferees is particularly gratifying to me, because the compromise agreed to on personal income provisions closely conforms with the amendment I offered together with Senator DOLE when the matter was before the Senate for debate. Taxpayers will now be entitled to a personal exemption of $650 beginning July 1, 1970, $700 in 1972, and $750 in 1973. In addition, a low-income allowance of $1,000 has been provided, relief for single persons has been included, and a graduated increase in the standard deduction has been concurred in leading up to 15 percent at a $2,000 ceiling by 1973.

The bill out of conference contains many other provisions, Mr. President, which I supported during Senate debate while excluding some that were unsound in my opinion. Among the former are the inclusion of a minimum income tax to prevent individuals from totally avoiding tax obligations; the closing of many tax loopholes; and the tightening up of public supervision over private foundations, including a requirement, offered as an amendment that foundations pay out at least 6 percent of their assets for philanthropic causes each year.

Among the unsound provisions that were deleted, I am gratified that one in particular was eliminated. This was the grant of authority to impose quotas on foreign imports. While additional effort will have to be made in the future to spur U.S. exports while assisting U.S. industries harmed by heavy imports, the application of quotas is not the solution. Quotas only lead to inefficient commercial endeavor, a misuse of resources and factors of production, higher consumer prices, retaliation, and a depressed world economy.

Finally, Mr. President, I particularly wish to commend the conferees for agreeing upon a social security amendment which increases benefits to security recipients of 15 percent while not imposing an undue drain upon wage earners or unduly furthering the inflationary spiral.

This is now, on balance, a good bill, Mr. President, which I hope the President can and will support.

I urge adoption of the conference report.

Mr. President, at this time I should like the Senate to know of my personal admiration for the great work of the majority leader who kept our noses to the grindstone and kept a schedule for consideration of this bill that many believed would be impossible to achieve.

He has had the full and complete cooperation of the minority leader.

I also have great admiration for the tremendous job done by the chairman of the Finance Committee, the Senator from Louisiana (Mr. LONG).

He kept a backbreaking hearing and markup schedule, with the complete cooperation of every member of the committee, especially of the ranking minority member, the Senator from Delaware (Mr. WILLIAMS). He also kept the Senate fully informed every single day the bill was in committee as to what was transpiring in the committee so that we could read in the RECORD every morning what had happened the day before. The thorough analysis and summary of the hearings and the recommendations that were being made by the various interest groups were invaluable. I would not in any way wish to detract from the contributions made by many Members of the majority and the minority to the bill as it now comes before the Senate. We should certainly commend all the members of the Finance Committee for their diligence:

Russell B. Long (La.), Clinton P. Anderson (N.M.), Albert Gore (Tenn.), Herman Talmadge (Ga.), Eugene McCarthy (Minn.), Vance Hartke (Ind.) J. W. Fulbright, (Ark.), Abraham A. Ribicoff (Conn.), Fred R. Harris (Okla.), Harry F. Byrd, Jr. (Va.)

John J. Williams (Del.), Wallace F. Bennett (Utah), Carl T. Curtis (Nebr.), Jack R. Miller (Iowa), Len R. Jordan (Idaho), Paul J. Fannin (Ariz.), Clifford P. Hansen (Wyo.).

Our thanks also goes to the members of the staff, who carried an unbelievable load and who, when the committee finished, always had the additional load placed on them of translating into language we could understand, what the committee had done.

So we extend our gratitude to the various members of the staff, headed by Larry Woodworth, who made this bill possible.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. PERCY. Mr. President, I yield to the Senator from Kansas, who was so helpful to me in the work I was trying to do and who furthered our cause by his intelligent and dedicated effort.

Mr. DOLE. Mr. President, I know the hour is late, and every Senator is anxious to go. I want, however, to commend the Senator from Illinois (Mr. PERCY) for his work, not only on the personal exemption provision, but also on the so-called super-tax on drilling costs in connection with the exploration for oil and gas.

I have discussed this issue earlier with the chairman of the committee, the Senator from Louisiana, and he feels we have accomplished substantially what we intended. That is, that a tax will not be paid on exploration expenditures. It was not an effort to give the oil and gas industry preferential treatment, but only to make certain that they would not have a tax on costs of drilling. I am thankful for the helpful efforts of the Senator from Illinois, as is the oil and gas industry.

Mr. President, at the time the Senate voted on the Tax Reform Act of 1969, I found it necessary to vote against the bill.

The original purpose of this legislation was to remove the inequities in our tax structure without contributing to the inflationary spiral of our economy. The Senate Finance Committee substantially accomplished this objective. However, after the Senate completed its deliberation, the $6 billion surplus recommended by the committee for fiscal 1970, was changed to a projected deficit of $10.650 billion increasing to $12 billion by 1971.

Such a deficit would only have served to increase the inflationary pressures on the economy. Last week some of my colleagues were complaining about inflation and blamed the President for failing to bring it under control, yet only the week before they had voted for a tax bill that would have greatly contributed to further inflation.

With living costs rising at a rate comparable to 1951, another war year, it is indeed time for the Congress to take some of the "unpleasant medicine" advocated by the President to bring inflation under control.

Mr. President, I am pleased that the House-Senate conferees demonstrated the kind of courage needed to make the hard decisions necessary to turn the Senate-passed Christmas tree version of tax legislation into a reasonable effort at tax reform.

The conference agreement, like the approach Senator PERCY and I proposed, provides for a modest first year adjustment in the personal exemption with gradual step increases until the exemption reaches $750 in 1973. By the gradual approach, the revenue loss next year, a critical year for the inflationary battle, would be minimized. I am pleased that the senior Senator from Tennnessee now supports this Percy-Dole amendment.

However, Mr. President, in the end, it is the President of the United States who must make the decision whether the tax-reform bill is acceptable. That decision must be based on his assessment and that of his economic advisers as to the effect the tax bill will have on our economy.

We await that decision with hope and anticipation.

TAX REFORM ACT OF 1969— CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws.

Mr. LONG. Mr. President, reference has been made to the fine work and efforts of the staff of the Joint Committee on Internal Revenue Taxation, headed over by our very able chief of staff, Larry Woodworth, and also by the fine work done by the staff of the Senate Committee on Finance, in connection with this measure.

We are also cognizant of the fine work done by the staff of the House Ways and Means Committee with regard to this revenue bill.

Without the fine technical help of these able staff members, it would not have been possible to put together this bill and to have achieved the purposes of the conferees, nor would it have been possible to have had anything like the advice needed to pass a revenue measure of this type.

I heard the statement made by someone on one occasion that, in his judgment, there are probably no more than 100 people in this country capable of writing a measure of this type; and we had about 75 people working on the bill. I have discussed this matter with people who are knowledgeable in this field, and they agreed with that proportion. Some of those technicians were borrowed from the Treasury Department. I wish to thank them for the help they gave us in connection with the measure. Assistant Secretary Cohen and his able staff gave us all the help of which they were capable.

Some of the pamphlets that have been prepared have been enormously helpful. I think no one could really understand this bill and how it was structured if he did not have available to him a fine pamphlet prepared by the joint committee, with the assistance of the committee staff to which I have referred, showing the impact of that bill on groups and on the Government, and showing how it affected various groups and various interests as it passed through the various stages of its proceedings.

I ask unanimous consent that there be printed in the RECORD an analysis of the bill as well as an analysis of the basic differences between the Senate- and House-passed bills as it went to conference, and the results.

There being no objection, the analysis was ordered to be printed in the RECORD, as follows:

TABLE 1.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY

[In millions of dollars]

	1970	1971	1972	1974	Long run
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)					
Tax reform program under House bill [1]	+1,665	+2,080	+2,215	+2,650	+3,605
Repeal of investment credit	+2,500	+3,000	+3,000	+3,100	+3,300
Tax reform and repeal of investment credit [1]	+4,165	+5,080	+5,215	+5,750	−6,905
Income tax relief under House bill	−[1]1,912	−[1]6,568	−9,273	−9,273	−9,273
Balance between reform (+) and relief (−) under House bill [1]	+2,253	−1,488	−4,058	−3,523	−2,368
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,523	−688	−3,258	−3,523	−2,368
B. AS PASSED BY THE SENATE (DEC. 11, 1969)					
Tax form program under Senate bill	+915	+1,135	−455	+65	+895
Amendment of investment credit	+1,710	+2,200	+2,200	+2,300	+2,510
Tax reform and amendment of investment credit	+2,625	+3,335	+1,745	+2,365	+3,405
Income tax relief under Senate bill	−3,963	−8,883	−8,883	−8,883	−8,883
Balance between reform (+) and relief (−) under Senate bill [1]	−1,338	−5,548	−7,138	−6,518	−5,478
Extension of surcharge and excises	+4,720	+800	+800		
Total	+2,932	−4,748	−6,338	−6,518	−5,478
C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)					
Tax reform program under conference bill	+1,150	+1,430	+1,660	+2,195	+3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief under conference bill	−1,441	−4,927	−7,269	−9,134	−9,134
Balance between reform (+) and relief (−) under conference bill [1]	+2,209	−507	−2,619	−3,849	−2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	−1,819	−3,849	−2,514

[1] Revised.

TABLE 2.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY

[In millions of dollars]

	1970	1971	1972	1974	Long run
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)					
Tax reform program under House bill [1]	+1,665	+2,080	+2,215	+2,650	+3,605
Repeal of investment credit	+2,500	+3,000	+3,000	+3,100	+3,300
Tax reform and repeal of investment credit [1]	+4,165	+5,080	+5,215	+5,740	+6,905
Income tax relief:					
Low-income allowance	−625	−625	−625	−625	−625
Removal of phaseout on low income allowance		−2,027	−2,027	−2,027	−2,027
Increase in standard deduction [2]	[1]−1,087	[1]−867	−1,373	−1,373	−1,373
Rate reduction		−2,249	−4,498	−4,498	−4,498
Maximum 50-percent rate on earned income	−200	−150	−100	−100	−100
Intermediate tax treatment for certain single persons, etc		−650	−650	−650	−650
Total tax relief under House bill	[1]−1,912	[1]−6,568	−9,273	−9,273	−9,273
Balance between reform (+) and relief (−) under House bill [1]	+2,253	−1,488	−4,058	−3,523	−2,368
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,523	−688	−3,258	−3,523	−2,368
B. AS PASSED BY THE SENATE (DEC. 11, 1969)					
Tax reform program under Senate bill	+915	+1,135	−455	+65	+895
Amendment of investment credit	+1,710	+2,200	+2,200	+2,300	+2,510
Tax reform and amendment of investment credit	+2,625	+3,335	+1,745	+2,365	+3,405
Income tax relief:					
Low-income allowance	−550	−550	−550	−550	−5,550
Change in phaseout on low income allowance	−146	−1,507	−1,507	−1,507	−1,507
Income tax relief—Continued					
Increase in exemption	−3,267	−6,406	−6,406	−6,406	−6,406
Tax treatment of single persons		−420	−420	−420	−420
Total tax relief under Senate bill	−3,963	−8,883	−8,883	−8,883	−8,883
Balance between reform (+) and relief (−) under Senate bill	−1,338	−5,548	−7,138	−6,518	−5,478
Extension of surcharge and excises	+4,270	+800	+800		
Total	+2,932	−4,748	−6,338	−6,518	−5,478
C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)					
Tax reform under conference bill	+1,150	+1,430	+1,660	+2,195	+3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief:					
Low-income allowance	−625	−1,592	−2,057	−2,057	−2,057
Increase in standard deduction [3]		−1,207	−1,355	−1,642	−1,642
Increase in exemption	−816	−1,633	−3,267	−4,845	−4,845
Maximum 50-percent rate on earned income		−75	−170	−170	−170
Tax treatment of single persons		−420	−420	−420	−420
Total tax relief under conference bill	−1,441	−4,927	−7,269	−9,134	−9,134
Balance between reform (+) and relief (−) under conference bill	+2,209	−507	−2,619	−3,849	−2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	−1,819	−3,849	−2,514

[1] Revised.

[2] 1970; 13 percent, $1,400 ceiling; 1971: 14 percent, $1,700 ceiling; 1972: 15 percent $2,000 ceiling.

[3] 1971: 13 percent, $1,500 ceiling; 1972: 14 percent, $2,000 ceiling; 1973: 15 percent, $2,000 ceiling.

TABLE 2.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY—Continued

[n millions of dollars]

Adjusted gross income class	Tax under present law[1] (millions)	Increase (+) decrease (—) from reform and relief provisions: Amount (millions)	Percentage
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)			
0 to $3,000	$1,169	—$775	—66.3
$3,000 to $5,000	3,320	—1,049	—31.6
$5,000 to $7,000	5,591	—996	—17.8
$7,000 to $10,000	11,792	—1,349	—11.4
$10,000 to $15,000	18,494	—1,932	—10.4
$15,000 to $20,000	9,184	—775	—8.4
$20,000 to $50,000	13,988	—976	—7.0
$50,000 to $100,000	6,659	—365	—5.5
$100,000 and over	7,686	+324	+4.2
Total	77,884	—7,893	—10.1
B. AS PASSED BY THE SENATE (DEC. 11, 1969)			
0 to $3,000	$1,169	—$925	—79.1
$3,000 to $5,000	3,320	—1,355	—40.8
$5,000 to $7,000	5,591	—1,581	—28.3
$7,000 to $10,000	11,792	—2,380	—20.2
$10,000 to $15,000	18,494	—2,460	—13.3
$15,000 to $20,000	9,184	—1,092	—11.9
$20,000 to $50,000	13,988	—851	—6.1
$50,000 to $100,000	6,659	—108	—1.6
$100,000 and over	7,686	+625	+8.1
Total	77,884	—10,128	—13.0
C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)			
0 to $3,000	$1,169	—$816	—69.8
$3,000 to $5,000	3,320	—1,101	—33.2
$5,000 to $7,000	5,591	—1,112	—19.9
$7,000 to $10,000	11,792	—1,859	—15.8
$10,000 to $15,000	18,494	—2,327	—12.6
$15,000 to $20,000	9,184	—791	—8.6
$20,000 to $50,000	13,988	—715	—5.1
$50,000 to $100,000	6,659	—128	—1.9
$100,000 and over	7,686	+557	+7.2
Total	77,884	—8,294	—10.6

[1] Exclusive of tax surcharge.

Note: Details do not necessarily add to totals because of rounding.

TABLE 4.—TAX RELIEF PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE, BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

Adjusted gross income class	Reform provisions	Relief provisions: Low income allowance	Elimination of phaseout	15-percent $2,000 standard deduction	General rate reduction (millions)	Maximum tax on earned income	Intermediate tax treatment	Total relief provisions	Total, all provisions
0 to $3,000	+$16	—$552	—$202		—$27		—$10	—$791	—$775
$3,000 to $5,000	—3	—72	—788		—141		—45	—1,046	—1,049
$5,000 to $7,000	+3	—1	—594		—329		—75	—999	—996
$7,000 to $10,000	+7		—335	—$228	—663		—130	—1,356	—1,349
$10,000 to $15,000	+26		—83	—789	—975		—111	—1,958	—1,932
$15,000 to $20,000	+23		—16	—231	—496		—55	—798	—775
$20,000 to $50,000	+90		—8	—117	—806		—135	—1,066	—976
$50,000 to $100,000	+137		—1	—7	—420	—$20	—54	—502	—365
$100,000 and over	+1,081			—1	—641	—80	— 35	—757	+324
Total	+1,380	—625	—2,027	—1,373	—4,498	—100	—650	—9,273	—7,893

B. AS PASSED BY THE SENATE (DEC. 11, 1969)

Adjusted gross income class	Reform provisions	Relief provisions: Low income allowance	$800 exemption (millions)	Tax treatment of single persons	Total relief provisions	Total, all provisions
0 to $3,000	—$69	—$682	—$174		—$856	—$925
$3,000 to $5,000	—159	—719	—477		—1,196	—1,355
$5,000 to $7,000	—313	—458	—803	—$7	—1,268	—1,581
$7,000 to $10,000	—492	—198	—1,645	—45	—1,888	—2,380
$10,000 to $15,000	—517		—1,875	—68	—1,943	—2,460
$15,000 to $20,000	—391		—639	—62	—701	—1,092
$20,000 to $50,000	—57		—615	—179	—794	—851
$50,000 to $100,000	+71		—139	—40	—179	—108
$100,000 and over	+682		—40	—17	—57	+625
Total	—1,245	—2,057	—6,406	—420	—8,883	—10,128

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

Adjusted gross income class	Reform provisions	Relief provisions: Low income allowance	$750 exemption (millions)	15-percent $2,000 standard deduction	Maximum tax on earned income	Tax treatment of single persons	Total relief provisions	Total, II provisions
0 to $3,000	+$6	—$682	—$140				—$822	—$816
$3,000 to $5,000	—6	—7,9	—366	—$10			—1,095	—1,101
$5,000 to $7,000	—4	—458	—612	—31		—$7	—1,108	—1,112
$7,000 to $10,000	—5	—198	—1,244	—366		—45	—1,853	—1,858
$10,000 to $15,000	+6		—1,407	—858		—68	—2,333	—2,327
$15,000 to $20,000	—7		—480	—242		—62	—784	—791
$20,000 to $50,000	+56		—462	—125	—$5	—179	—771	—715
$50,000 to $100,000	+54		—104	—8	—30	—40	—182	—128
$100,000 and over	+740		—30	—1	—135	—17	—183	+557
Total	+840	—2,057	—4,845	—1,642	—170	—420	—9,134	—8,294

Note. Details do not necessarily add to totals because of rounding.

TABLE 4A.—INDIVIDUAL INCOME TAX RELIEF PROVISIONS IN H.R. 13270, CALENDAR YEARS 1970–73

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Provision	1970	1971	1972	1973
Minimum standard deduction	[1] $1,100–1:2	$1,100	$1,100	
Percentage standard deduction	13 percent—$1,400	14 percent—$1,700	15 percent—$2,000	
Rate reduction [2]		½ of reduction	Full reduction	
Maximum tax rate on earned income [3]	50 percent	50 percent	50 percent	
Intermediate tax treatment for certain single persons, etc. [4]		½ split income benefit	½ split income benefit	

B. AS PASSED BY THE SENATE

Provision	1970	1971	1972	1973
Minimum standard deduction	[5] $1,000–1:4	$1,000	$1,000	
Personal exemption	$700	$800	$800	
Tax treatment of single persons		Tax no greater than 120 percent of joint return tax with same taxable income.	Tax greater than 120 percent of joint return tax with same taxable income.	

C. AS APPROVED BY THE CONFERENCE

Provision	1970	1971	1972	1973
Minimum standard deduction	[1] $1,100–1:2	[6] $1,050–1:15	$1,000	$1,000.
Percentage standard deduction		13 percent—$1,500	14 percent—$2000,	15 percent—$2,000.
Personal exemption	$650 from July 1	$650	$700	$750.
Maximum tax rate on earned income [3]		60 percent	50 percent	50 percent.
Tax treatment of single persons		Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.

[1] This low-income allowance, or minimum standard deduction, is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,100) by $1 for every $2 of adjusted gross income in excess of the 1970 nontaxable level.

[2] A reduction of at least 1 percentage point in each bracket with a 5 percent or more reduction in tax in all brackets, taking place in 2 equal stages in 1971 and 1972.

[3] Under the House bill the specified maximum marginal rate is applicable to earned income; under the conference bill the specified maximum marginal rate is applicable to earned income less preference income over $30,000 in the current year or the average tax preferences in excess of $30,000 for the current year and the prior 4 years, whichever is greater.

[4] Widows and widowers, regardless of age, and single persons age 35 and over use the head-of-household rate schedule, i.e., tax liability halfway between that of the regular rate schedule used by single persons and the joint return schedule; surviving spouses with dependent children under age 19 or attending school would have the joint return privilege.

[5] This entire minimum standard deduction ($1,000) is "phased out" by reducing it by $1 for every $4 of adjusted gross income above the nontaxable level.

[6] This minimum standard deduction is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,050) by $1 for every $15 of adjusted gross income in excess of the 1971 nontaxable level.

TABLE 5.—TAX REFORM PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

Adjusted gross income class	Eliminate alternative tax rate on long-term gains [1]	6- to 12-month gains included at 100 percent [1]	Capital loss limitation	Pension plan provision	Life estates provision	Averaging including capital gains and 120 percent	Deferred compensation	Charitable deductions	Interest deduction	Reduced percentage depletion	Accumulation trusts	Moving expenses	Farm losses	Real estate	Tax-free dividends	Limit on tax preferences	Allocation	Total
							(millions)											
0 to $3,000		+$1	+$5	[2]		[2]	[2]			+$1	[2]	−$1		[2]	[2]	+$10	[2]	+$16
$3,000 to $5,000		+2	+3	+$1		[2]	[2]			+1	[2]	−11		[2]	[2]	+1	[2]	−3
$5,000 to $7,000		+2	+5	+2		[2]	[2]			+2	+$1	−13		[2]	+$1	+3	[2]	+3
$7,000 to $10,000		+5	+9	+3		[2]	[2]			+2	+1	−23		+$5	+2	+3	[2]	+7
$10,000 to $15,000		+10	+15	+9		−$5	[2]			+5	+3	−29		+10	+3	+3	+$2	+26
$15,000 to $20,000		+10	+8	+6		−30	[2]			+5	+3	−10		+10	+3	+15	+3	+23
$20,000 to $50,000	+$1	+35	+16	+17	[2]	−110	[2]			+19	+16	−11		+45	+17	+10	+35	+90
$50,000 to $100,000	+11	+30	+4	+10	+$5	−105	+$5			+13	+17	−2	+$5	+50	+19	+10	+65	+137
$100,000 and over	+348	+55	[2]	+22	+5	−50	+20	+$20	+$20	+22	+29	[2]	+20	+140	+35	+30	+365	+1,081
Total	+360	+150	+65	+70	+10	−300	+25	+20	+20	+70	+70	−100	+25	+260	+80	+85	+470	+1,380

B. AS PASSED BY THE SENATE (DEC. 11, 1969)

Adjusted gross income class	Change alternative tax on long-term gains [1]	Capitol loss limitation	Life estates provision	Averaging at 120 percent	Charitable deductions	Reduced percentage depletion	Accumulation trusts	Moving expenses	Foreign income	Farm losses	Real estate	Tax free dividends	Tax on preference income	Aged medical expenses	Transportation for disabled	Higher education expenses	Citrus grove costs	Children's exemption	Total
								(millions)											
0 to $3,000		+$5		[2]		[2]	[2]	−$1			[2]	[2]	+$2	−$2	−$1	−$70		−$2	−$69
$3,000 to $5,000		+3		[2]		+$1	+$1	−12			[2]	[2]	[2]	−6	−8	−130		−8	−159
$5,000 to $7,000		+5		[2]		+1	+1	−14	[2]		[2]	+$1	[2]	−13	−18	−260	[2]	−16	−313
$7,000 to $10,000		+9		[2]		+1	+1	−26	+$1		+$5	+2	[2]	−18	−33	−410	[2]	−24	−492
$10,000 to $15,000		+15		−$5		+2	+5	−32	+3		+10	+3	[2]	−26	−20	−455	[2]	−17	−517
$15,000 to $20,000		+8		−20		+2	+6	−11	+10		+10	+3	[2]	−15	−5	−375	[2]	−4	−391
$20,000 to $50,000	+$1	+16	[2]	−45		+8	+30	−12	+10		+40	+17	+48	−65	−4	−100	+$2	−3	−57
$50,000 to $100,000	+7	+4	+$5	−30		+5	+32	−2	+1	+$5	+45	+19	+28	−49	−1		+3	−1	+71
$100,000 and over	+242	[2]	+5	−10	+$20	+10	+54	[2]	[2]	+20	+125	+35	+207	−31	[2]		+5	[2]	+682
Total	+250	+65	+10	−110	+20	+30	+130	−110	+25	+25	+235	+80	+285	−225	−90	−1,800	+10	−75	−1,245

Footnote at end of table.

TABLE 5.—TAX REFORM PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS—Continued

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

Adjusted gross income class	Change alternative tax on long-term gains [1]	Capital loss limitation	Pension plan provision	Life estates provision	Averaging including capital gains and 120 percent	Charitable deductions	Interest deduction	Reduced percentage depletion (millions)	Accumulation trusts (millions)	Moving expenses (millions)	Farm losses	Real estate	Tax free dividends	Tax on preference income	Citrus grove costs	Total
0 to $3,000		+$5	([2])		([2])			([2])	([2])	−$1		([2])	([2])	+$2		+$6
$3,000 to $5,000		+3	+$1		([2])			+$1	+$1	−12		([2])	([2])	([2])		−6
$5,000 to $7,000		+5	+2		([2])			+1	+1	−14		([2])	+$1	([2])	([2])	−4
$7,000 to $10,000		+9	+3		([2])			+1	+1	−26		+$5	+2	([2])	([2])	−5
$10,000 to $15,000		+15	+8		−$5			+3	+4	−32		+10	+3	([2])	([2])	+6
$15,000 to $20,000		+8	+5		−30			+3	+5	−11		+10	+3	([2])	([2])	−7
$20,000 to $50,000	+$1	+16	+14	([2])	−110			+11	+27	−12		+42	+17	+48	+$2	+56
$50,000 to $100,000	+7	+4	+8	+$5	−105			+7	+28	−2	+$5	+47	+19	+28	+3	+54
$100,000 and over	+267	([2])	+19	+5	−50	+$20	+$20	+13	+48	([2])	+20	+131	+35	+207	+5	+740
Total	+275	+65	+60	+10	−300	+20	+20	+40	+115	−110	+25	+245	+80	+285	+10	+840

[1] Assumes ½ of effect as compared with no change in realization. [2] Less than $500,000.

TABLE 6.—REVENUE ESTIMATES, TAX REFORM UNDER H.R. 13270, CALENDAR YEAR LIABILITY [1]

[In millions of dollars]

Provision	As passed by the House of Representatives					As passed by the Senate					As approved by the conference				
	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run
Corporate capital gains	175	175	175	175	175	140	175	175	175	175	105	175	175	175	175
Foundations	65	70	75	85	100	20	25	25	25	30	35	35	40	45	55
Unrelated business income	5	5	5	5	20	5	5	5	5	20	5	5	5	5	20
Contributions	5	10	20	20	20	5	10	20	20	20	5	10	20	20	20
Farm losses	([2])	5	10	10	25	25	25	25	25	25	([2])	5	10	10	25
Moving expenses	−100	−100	−100	−100	−100	−110	−110	−110	−110	−110	−110	−110	−110	−110	−110
Railroad amortization [3]	([2])	−5	−[4]15	−[4]60	−[4]85	−125	−115	−160	−185	−105	−105	−95	−140	−165	−85
Amortization of pollution facilities [3]	−40	−130	−230	−380	−400	−15	−40	−70	−115	−120	−15	−40	−70	−115	−120
Corporate mergers, etc	10	20	25	40	70	([2])	([2])	([2])	([2])	([2])	5	10	15	25	40
Multiple corporations	[4]45	[4]75	[4]105	[4]175	235	30	70	120	235	235	25	60	100	195	235
Accumulation trusts	50	70	70	70	70	5	10	35	60	130	10	25	35	55	115
Income averaging	−300	−300	−300	−300	−300	−110	−110	−110	−110	−110	−300	−300	−300	−300	−300
Deferred compensation:															
Restricted stock	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])
Other deferred compensation	([2])	([2])	5	10	25										
Stock dividends	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])
Subchapter S	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])
Tax-free dividends				80	80				80	80				80	80
Financial institutions:															
Commercial banks:															
Reserves	250	250	250	250	250	225	150	125	100	100	225	150	125	100	250
Capital gains	50	50	50	50	50	([2])	5	5	10	50	5	10	15	25	50
Mutual thrift reserves:															
Savings and loan associations	10	25	35	60	125	10	20	30	40	40	20	35	45	60	85
Mutual savings banks	([2])	5	10	15	35	20	25	30	35	35	25	25	30	30	35
Tax-exempt interest	([2])	([2])	([2])	([2])	([2])										
Individual capital gains:															
Capital loss provisions	50	50	55	60	65	50	50	55	60	65	50	50	55	60	65
6-months–1 year holding period [6]	100	150	150	150	150										
Pension plans	([2])	5	10	25	70						([2])	5	10	20	60
Casualty loss	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])
Sale of papers	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])
Life estates	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Franchises	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])	([2])
Alternative rate provision [6]	360	260	260	360	360	150	200	250	250	250	165	220	275	275	275
Natural resources:															
Production payment	100	110	125	150	200	100	110	125	150	200	110	110	125	150	200
Percentage depletion	400	400	400	400	400	150	150	150	150	150	235	235	235	235	235
Foreign depletion	25	10	([2])	([2])	([2])										
Foreign income:															
Loss carryover	35	35	35	35	35										
Restriction on mineral credits	30	30	30	30	30										
Reduced exclusion						25	25	25	25	25					
Individual interest deduction	20	20	20	20	20								20	20	20
Regulated utilities [3 5]	60	140	185	260	310	60	140	185	260	310	60	140	185	260	310
Cooperatives	([2])	([2])	([2])	([2])	([2])										
Limit on tax preferences	40	50	60	70	85										
Allocation	205	420	425	440	470										
Tax on preference income						630	635	645	670	680	590	595	600	625	635
Real estate:															
Used property [3 5]	15	40	65	150	250	15	35	55	125	210	15	35	55	130	220
New nonhousing [3 5]	([2])	60	170	435	960	([2])	60	170	435	960	([2])	60	170	435	960
Capital gain, recapture	5	15	25	50	125	([2])	5	10	20	50	([2])	10	15	30	80
Rehabilitation [3 5]	−15	−50	−100	−200	−330	−15	−50	−100	−200	−330	−15	−50	−100	−200	−330
Medical expenses for aged						−225	−225	−225	−225	−225					
Transportation deduction for disabled						−90	−90	−90	−90	−90					
Exemption for foster children						([2])	([2])	([2])	([2])	([2])					
Revision of children's support test						−75	−75	−75	−75	−75					
Capitalization of citrus grove expenses						5	10	10	10	10	5	10	10	10	10
Credit for education expense									−1,800	−1,800					
Total tax reform	[4]1,665	[4]2,080	[4]2,215	[4]2,650	[4]3,605	915	1,135	−455	65	895	1,150	1,430	1,660	2,195	3,320
Plus investment credit	2,500	3,000	3,000	3,100	3,300	1,710	2,200	2,200	2,300	2,510	2,500	2,990	2,990	3,090	3,300
Total	[4]4,165	[4]5,080	[4]5,215	[4]5,750	[4]6,905	2,625	3,335	1,745	2,365	3,405	3,650	4,420	4,650	5,285	6,620

[1] Except as indicated these estimates are all at current levels, the time difference being solely to show the phasein.
[2] Less than $2,500,000.
[3] The figures in the "long run" columns are for 1979.
[4] Revised.
[5] Assumes growth.
[6] Assumes ½ of effect as compared with no change in realization.

Note: Calendar year 1969 estimates, not shown above, are as follows: under the House bill and the Conference bill repeal of the investment credit $900,000,000 and under the Senate bill amendment of the investment credit $370,000,000; under the House bill corporate capital gains $75,000,000, multiple corporations $20,000,000, accumulation trusts $20,000,000, and individual capital gains $175,000,000.

TABLE 7.—TAXABLE RETURNS UNDER PRESENT LAW AND NUMBER MADE NONTAXABLE BY RELIEF PROVISIONS OF H.R. 132 70

[Number of returns in thousands]

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES [1] (AUG. 7, 1969)

Adjusted gross income class	Returns taxable under present law	Returns made nontaxable by low-income allowance and 15 percent $2,000 standard deduction [2]	Returns remaining taxable—but benefiting from the relief provisions [2]
0 to $3,000	10,053	5,149	4,904
$3,000 to $5,000	9,562	405	9,157
$5,000 to $7,000	9,779	24	9,755
$7,000 to $10,000	13,815	8	13,807
$10,000 to $15,000	13,062	4	13,058
$15,000 to $20,000	3,852	2	3,850
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	5,592	57,560

B. AS PASSED BY THE SENATE [3] (DEC. 11, 1969)

Adjusted gross income class	Returns taxable under present law	Returns made nontaxable by low income allowance and $800 exemption	Returns remaining taxable—but benefiting from the relief provisions
0 to $3,000	10,053	6,111	3,942
$3,000 to $5,000	9,562	1,445	8,117
$5,000 to $7,000	9,779	570	9,209
$7,000 to $10,000	13,815	211	13,604
$10,000 to $15,000	13,062	36	13,026
$15,000 to $20,000	3,852		3,852
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	8,373	54,977

C. AS APPROVED BY THE CONFERENCE [4] (DEC. 19, 1969)

Adjusted gross income class	Returns taxable under present law	Returns made nontaxable by low-income allowance, 15 percent $2,000 standard deduction and $750 exemption	Returns remaining taxable—but benefiting from the relief provisions
0 to $3,000	10,053	5,846	4,207
$3,000 to $5,000	9,562	1,131	8,431
$5,000 to $7,000	9,779	424	9,355
$7,000 to $10,000	13,815	172	13,643
$10,000 to $15,000	13,062	28	13,034
$15,000 to $20,000	3,852	2	3,850
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	7,603	55,549

[1] Provisions effective for tax year 1972 and thereafter.
[2] Revised.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 8.—TAX BURDEN ON THE SINGLE PERSON UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE [4]

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Single persons under 35 (other than widows and widowers): Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage	Single persons 35 and over (and widows and widowers at any age): Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0	0	0	0
$1,700	$115	0	$115	100.0	0	$115	100.0
$1,750	123	$7	116	94.3	$7	116	94.3
$1,800	130	13	117	90.0	13	117	90.0
$3,000	329	180	149	45.3	175	154	46.0
$3,500	415	258	157	37.8	250	165	39.8
$4,000	500	344	156	31.2	331	169	33.8
$5,000	671	524	147	21.9	501	170	25.3
$7,500	1,168	1,023	145	12.4	957	211	18.1
$10,000	1,742	1,507	235	13.5	1,399	343	19.7
$12,500	2,398	2,078	320	13.3	1,907	491	20.5
$15,000	3,154	2,806	348	11.0	2,532	622	19.7
$17,500	3,999	3,683	316	7.9	3,250	749	18.7
$20,000	4,918	4,650	268	5.4	4,042	876	17.8
$25,000	6,982	6,566	416	6.0	5,643	1,339	19.2

2. AS PASSED BY THE SENATE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: percentage
$900	0	0	0	0
$1,700	$115	0	$115	100.0
$1,750	123	0	123	100.0
$1,800	130	0	130	100.0
$3,000	329	$177	152	46.2
$3,500	415	259	156	37.6
$4,000	500	348	152	30.4
$5,000	671	538	133	19.8
$7,500	1,168	1,047	121	10.4
$10,000	1,742	1,640	102	5.9
$12,500	2,398	2,212	186	7.8
$15,000	3,154	2,833	321	10.2
$17,500	3,999	3,505	494	12.4
$20,000	4,918	4,238	680	13.8
$25,000	6,982	5,876	1,106	15.8

TABLE 8—Continued

3. AS APPROVED BY THE CONFERENCE

Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0
$1,700	$115	0	$115	100.0
$1,750	123	0	123	100.0
$1,800	130	$7	123	94.6
$3,000	329	185	144	43.8
$3,500	415	267	147	35.5
$4,000	500	357	143	28.5
$5,000	671	547	124	18.4
$7,500	1,168	1,031	136	11.7
$10,000	1,742	1,530	212	12.2
$12,500	2,398	2,059	339	14.2
$15,000	3,154	2,702	452	14.3
$17,500	3,999	3,442	556	13.9
$20,000	4,918	4,255	663	13.5
$25,000	6,982	5,895	1,087	15.6

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Single persons under 35 (other than widows and widowers): Under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage	Single persons 35 and over (and widows and widowers at any age): Under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0	0	0	0
$1,700	$114	0	$114	100.0	0	$114	100.0
$1,750	120	$7	113	94.2	$7	113	94.2
$1,800	126	13	113	89.7	13	113	89.7
$3,000	286	180	106	37.1	175	111	38.8
$3,500	361	258	103	28.5	250	111	30.7
$4,000	439	344	95	21.6	331	108	24.6
$5,000	595	524	71	11.9	501	94	15.8
$7,500	1,031	976	55	5.3	915	116	11.3
$10,000	1,530	1,438	92	6.0	1,336	194	12.7
$12,500	2,092	1,976	116	5.5	1,816	276	13.2
$15,000	2,734	2,580	154	5.6	2,342	392	14.3
$17,500	2,460	3,265	195	5.6	2,910	550	15.9
$20,000	4,252	4,016	236	5.6	3,520	732	17.2
$25,000	6,025	5,688	337	5.6	4,905	1,120	18.6

Footnote at end of table.

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME—Continued

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES—Continued

2. AS PASSED BY THE SENATE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$900	0	0	0	0
$1,700	$114	0	$114	100.0
$1,750	120	0	120	100.0
$1,800	126	0	126	100.0
$3,000	286	$177	109	38.1
$3,500	361	259	102	28.3
$4,000	439	348	91	20.7
$5,000	595	538	57	9.6
$7,500	1,031	974	57	5.5
$10,000	1,530	1,446	84	5.5
$12,500	2,092	1,953	139	6.6
$15,000	2,734	2,495	239	8.7
$17,500	3,460	3,080	380	11.0
$20,000	4,252	3,706	546	12.8
$25,000	6,025	5,122	903	15.0

3. AS APPROVED BY THE CONFERENCE

Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$900	0	0	0	0
$1,700	$114	0	$114	100.0
$1,750	120	0	120	100.0
$1,800	126	$7	119	94.5
$3,000	286	185	101	35.4
$3,500	361	267	94	26.0
$4,000	439	357	82	18.6
$5,000	595	547	48	8.0
$7,500	1,031	984	47	4.6
$10,000	1,530	1,458	72	4.7
$12,500	2,092	1,965	127	6.1
$15,000	2,734	2,509	225	8.3
$17,500	3,460	3,094	366	10.6
$20,000	4,252	3,722	530	12.5
$25,000	6,025	5,140	885	14.7

[1] Exclusive of tax surcharge.
[2] Provisions effective for tax year 1972 and thereafter.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 9.—TAX BURDEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE [4]

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$1,600	0	0	0	0
$2,300	$98	0	$98	100.0
$2,500	126	$26	100	79.4
$2,600	140	39	101	72.1
$3,000	200	91	109	54.5
$3,500	275	158	117	42.5
$4,000	354	228	126	35.6
$5,000	501	375	126	25.1
$7,500	915	792	123	13.4
$10,000	1,342	1,174	168	12.5
$12,500	1,831	1,599	232	12.7
$15,000	2,335	2,098	237	10.1
$17,500	2,898	2,669	229	7.9
$20,000	3,484	3,276	208	6.0
$25,000	4,796	4,530	266	5.5

2. AS PASSED BY THE SENATE

$1,600	0	0	0	0
$2,300	$98	0	$98	100.0
$2,500	126	0	126	100.0
$2,600	140	0	140	100.0
$3,000	200	$56	144	72.0
$3,500	275	126	149	54.2
$4,000	354	200	154	43.5
$5,000	501	354	147	29.3
$7,500	915	791	124	13.6
$10,000	1,342	1,266	76	5.7

TABLE 9—Continued

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME—Continued

2. AS PASSED BY THE SENATE—Continued

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$12,500	1,831	1,743	88	4.8
$15,000	2,335	2,238	97	4.2
$17,500	2,898	2,798	100	3.5
$20,000	3,484	3,372	112	3.2
$25,000	4,796	4,668	128	2.7

3. AS APPROVED BY THE CONFERENCE

$1,600	0	0	0	0
$2,300	$98	0	$98	100.0
$2,500	126	0	126	100.0
$2,600	140	$14	126	90.0
$3,000	200	70	130	65.0
$3,500	275	140	135	49.1
$4,000	354	215	139	39.3
$5,000	501	370	131	26.2
$7,500	915	786	128	14.0
$10,000	1,342	1,190	152	11.3
$12,500	1,831	1,628	203	11.1
$15,000	2,335	2,150	185	7.9
$17,500	2,898	2,760	138	4.8
$20,000	3,484	3,400	84	2.4
$25,000	4,796	4,700	96	2.0

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

$1,600	0	0	0	0
$2,300	$96	0	$96	100.0
$2,500	119	$26	93	78.2
$2,600	130	39	91	70.0
$3,000	179	91	88	49.2
$3,500	241	158	83	34.4
$4,000	303	228	75	24.8
$5,000	434	375	59	13.6
$7,500	801	751	50	6.2
$10,000	1,190	1,120	70	5.9
$12,500	1,611	1,521	90	5.6
$15,000	2,062	1,951	111	5.4
$17,500	2,548	2,405	143	5.6
$20,000	3,060	2,876	184	6.0
$25,000	4,184	3,951	233	5.6

2. AS PASSED BY THE SENATE

$1,600	0	0	0	0
$2,300	$96	0	$96	100.0
$2,500	119	0	119	100.0
$2,600	130	0	130	100.0
$3,000	179	$56	123	68.7
$3,500	241	126	115	47.7
$4,000	303	200	103	34.0
$5,000	434	354	80	18.4
$7,500	801	725	76	9.5
$10,000	1,190	1,114	76	6.4
$12,500	1,611	1,523	88	5.5
$15,000	2,062	1,974	88	4.3
$17,500	2,548	2,448	100	3.9
$20,000	3,060	2,960	100	3.3
$25,000	4,184	4,072	112	2.7

3. AS APPROVED BY THE CONFERENCE

$1,600	0	0	0	0
$2,300	$96	0	$96	100.0
$2,500	119	0	119	100.0
$2,600	130	$14	116	89.3
$3,000	179	70	109	60.9
$3,500	241	140	101	41.8
$4,000	303	215	88	29.0
$5,000	434	370	64	14.8
$7,500	801	744	57	7.1
$10,000	1,190	1,133	57	4.8
$12,500	1,611	1,545	66	4.1
$15,000	2,062	1,996	66	3.2
$17,500	2,548	2,473	75	2.9
$20,000	3,060	2,985	75	2.5
$25,000	4,184	4,100	84	2.0

[1] Exclusive of tax surcharge.
[2] Provisions effective for tax year 1972 and thereafter.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 10.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE [4]

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$3,000	0	0	0	0
$3,500	$70	0	$70	100.0
$4,000	140	$65	75	53.6
$4,200	170	91	79	46.5
$5,000	290	200	90	31.0
$7,500	687	576	111	16.2
$10,000	1,114	958	156	14.0
$12,500	1,567	1,347	220	14.0
$15,000	2,062	1,846	216	10.5
$17,500	2,598	2,393	205	7.9
$20,000	3,160	2,968	192	6.1
$25,000	4,412	4,170	242	5.5

2. AS PASSED BY THE SENATE

$3,000	0	0	0	0
$3,500	$70	0	$70	100.0
$4,000	140	0	140	100.0
$4,200	170	0	170	100.0
$5,000	290	$112	178	61.4
$7,500	687	501	186	27.1
$10,000	1,114	962	152	13.6
$12,500	1,567	1,391	176	11.2
$15,000	2,062	1,886	176	8.5
$17,500	2,598	2,398	200	7.7
$20,000	3,160	2,960	200	6.3
$25,000	4,412	4,184	228	5.2

3. AS APPROVED BY THE CONFERENCE

$3,000	0	0	0	0
$3,500	$70	0	$70	100.0
$4,000	140	0	140	100.0
$4,200	170	$28	142	83.5
$5,000	290	140	150	51.7
$7,500	687	514	173	25.2
$10,000	1,114	905	209	18.8
$12,500	1,567	1,309	258	16.5
$15,000	2,062	1,820	242	11.7
$17,500	2,598	2,385	213	8.2
$20,000	3,160	3,010	150	4.8
$25,000	4,312	4,240	172	3.9

TABLE 10.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE [4]—Continued

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$3,000	0	0	0	0
$3,500	$66	0	$66	100.0
$4,000	123	$65	58	47.2
$4,200	147	91	56	38.1
$5,000	245	200	45	18.4
$7,500	578	540	38	6.6
$10,000	962	904	58	6.0
$12,500	1,352	1,273	79	5.8
$15,000	1,798	1,699	99	5.5
$17,500	2,249	2,130	119	5.3
$20,000	2,760	2,600	160	5.8
$25,000	3,848	3,627	221	5.7

2. AS PASSED BY THE SENATE

$3,000	0	0	0	0
$3,500	$66	0	$66	100.0
$4,000	123	0	123	100.0
$4,200	147	0	147	100.0
$5,000	245	$112	133	54.0
$7,500	578	442	136	23.3
$10,000	962	810	152	15.5
$12,500	1,352	1,200	152	11.8
$15,000	1,798	1,622	176	9.2
$17,500	2,249	2,073	176	7.8
$20,000	2,760	2,560	200	7.8
$25,000	3,848	3,624	244	5.2

C. AS APPROVED BY THE CONFERENCE

$3,000	0	0	0	0
$3,500	$66	0	$66	100.0
$4,000	123	0	123	100.0
$4,200	147	$28	119	80.9
$5,000	245	140	105	42.9
$7,500	578	476	102	17.7
$10,000	962	848	114	11.9
$12,500	1,352	1,238	114	8.4
$15,000	1,798	1,666	132	7.3
$17,500	2,249	2,117	132	5.9
$20,000	2,760	2,610	150	5.4
$25,000	3,848	3,680	168	4.4

[1] Exclusive of tax surcharge.
[2] Provisions effective for tax year 1972 and thereafter.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 11.—EFFECT OF H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES, AS PASSED BY THE SENATE, AND AS APPROVED BY THE CONFERENCE, FISCAL YEAR RECEIPTS, 1970 AND 1971

(In billions)

As passed by the House of Representatives

Provision	Fiscal year 1970	Fiscal year 1971
Tax reform provisions (+):		
Corporation	+$0.4	+$1.0
Individual	+.3	+.6
Total, tax reform provisions	+.7	+1.6
Tax relief provisions (−): Individual	−.7	−3.6
Other provisions (+):		
Repeal of investment credit:		
Corporation	+.9	+1.9
Individual	+.4	+.6
Total repeal of investment credit	+1.3	+2.5
Extension of tax surcharge:		
Corporation	+.3	+.7
Individual	+1.7	+.4
Total, surcharge extension	+2.0	+1.1
Extension of excise taxes	+.5	+1.1
Total, other provisions	+3.8	+4.7
Total, all provisions	+3.89	+2.7

As approved by the conference

Provision	Fiscal year 1970	Fiscal year 1971
Tax reform provisions (+):		
Corporation [1]	+$0.2	−$0.9
Individual [2]	(5)	(5)
Total, tax reform provisions	+.2	+.9
Tax relief provisions (−):		
Individual [4]	−1.7	−6.1
Other provisions (+):		
Repeal of investment credit:		
Corporation	+.7	+1.6
Individual	(5)	+.1
Total, repeal of investment credit	+.7	+1.7
Extension of tax surcharge:		
Corporation	+.3	+.7
Individual	+1.7	+.4
Total, surcharge extension	+2.0	+1.1
Extension of excise taxes	+.5	+1.1
Total, other provisions	+3.2	+3.9
Total, all provisions	+1.7	−1.3

As passed by the Senate

Provision	Fiscal year 1970	Fiscal year 1971
Tax reform provisions (+):		
Corporation [1]	+$0.2	+$0.9
Individual [2]	(5)	+.2
Total, tax reform provisions	+.2	+1.1
Tax relief provisions (−):		
Individual [4]	−.3	−3.1
Other provisions (+):		
Repeal of investment credit:		
Corporation	+.9	+1.9
Individual	+.4	+.6
Total, repeal of investment credit	+1.3	+2.5
Extension of tax surcharge:		
Corporation	+.3	+.7
Individual	+1.7	+.4
Total, surcharge extension	+2.0	+1.1
Extension of excise taxes	+.5	+1.1
Total, other provisions	+3.8	+4.7
Total, all provisions	+3.7	+2.7

[1] Does not reflect the increase in tax receipts resulting from the imposition of increased penalties for failure to pay tax and make deposits when due.
[2] Does not reflect increase in tax receipts result ng from the imposition of increased penalties forf failure to pay tax and make deposits when due; nor the increase in receipts resulting from the provisions regarding the reporting of medical payments for which data are not available.
[3] Less than $50,000,000.
[4] Does not reflect $200,000,000 reduction in receipts resulting from certification of nontaxability or withholding tax purposes.

TABLE 12.—EFFECT OF MAJOR SOCIAL SECURITY AMENDMENTS IN H.R. 13270

[In billions]

	1970	1971	1972	1973	1974
A. AS PASSED BY THE SENATE					
Calendar years:[1]					
Benefits (−)...	−$5.7	−$6.4	−$6.4	−$6.4	−$6.4
Tax (+)...				+6.7	+6.7
Total...	−5.7	−6.4	−6.4	+.3	+.3
Fiscal years:[1]					
Benefits (−)...	−2.6	−6.3	−6.4	−6.4	−6.4
Tax (+)...				+.7	+6.7
Total...	−2.6	−6.3	−6.4	−5.7	+.3
B. AS APPROVED BY THE CONFERENCE					
Calendar years:[1]					
Benefits (−)...	−$3.9	−$4.4	−$4.4	−$4.4	−$4.4
Fiscal years:[1]					
Benefits (−)...	−1.8	−4.3	−4.4	−4.4	−4.4

[1] These estimates are at present levels.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. PROXMIRE. I want to congratulate the Senator from Louisiana for what I think was a remarkably fine job. In terms of fiscal responsibility— and a lot of people just do not understand this tax bill provides fiscal responsibility. If they knew what the facts really are, they would not be critical. The New York Times recently carried an editorial critical of this bill. The New York Times editorial said that the staffs of the two tax committees have resources data comparing the revenue effect of the conference version of the bill with the revenue effect of no bill at all. They have concluded that the first year the conference bill will provide an increase of $6.479 billion in revenues as compared to no bill. The New York Times suggested that this was a fraudulent comparison. The editorial then proceeded to compare the conference bill with the effect of continuing all 1969 taxes at current rates. I will come to that. But first if we compare the conference bill with what President Nixon recommended for 1970 and subsequent years which was a repeal of the surtax, but with the continuation of the 5-percent surtax until July 1, 1970, and with other revenue proposals, the conference's bill is only $500 million below the President's full revenue suggestions.

This is according to the best estimate the joint staff can give so in 1970 the President and the Congress are close together on a total revenue package since total Federal revenues are near $200 billion, the difference is about one-quarter of 1 percent. In 1971 the President would bring in about $300 million more than the conference version. In 1972 the President would bring in about $600 million less than the conference. So the President and the conference are very close in revenue impact.

Furthermore, if we take the present tax law, reenacting the surtax, continuing to have the investment credit, as we have without action on this bill, and continuing to have the same provisions in the law in 1969 but extended fully into 1970, and this is what the New York Times suggested as a comparison. Then the staff tells me this means $10.2 billion of additional revenue as compared with $6.7 billion, for the conference version or a difference of $3.5 billion more.

When we recognize that we have an economy of $950 billion, it seems to me any sensible economist would recognize that this $3.5 billion, representing about one-third of 1 percent of the GNP is not likely to be a significant factor in calendar 1970 in inflating the economy.

When we consider the good in the bill in terms of equity, it seems to me we have a bill which is feasible as well as equitable.

Mr. President, both the Senator from New York and the New York Times raise the very serious point that this bill is preempting our future ability to meet such serious problems as the crisis of our cities.

Now it is true that if we continued the 10-percent surtax for the next 10 years, if we repealed the investment credit. In other words if we increased the present level of taxes, and if that higher level of taxes did not precipitate a recession, we might have a larger Federal revenue to meet our pressing domestic problems.

But the surtax was never viewed as a permanent tax. It was proffered as a bill that would be in effect for 1 year— 2 at the most.

If we compare the capacity of the Federal Government to meet its responsibilities to the extent President Nixon's tax proposals would permit and compare that to the effect of the conference bill now before it, the staff tells me that the long run difference is less than $1.4 billion per year with the President's version bringing in that much more. I submit that in a $200 billion Federal revenue total package—that is less than 1 percent and hardly a highly significant reduction.

But, Mr. President, even if we take the New York Times assumption that the Congress might carry on indefinitely with the surtax and the excise taxes, it is evident that we should have a very large dividend available for our vital domestic needs with this conference report as the law of the land. And here is why:

Secretary Laird has argued that in 1968 we were spending about $30 billion a year in Vietnam. He has said that by June of next year our Vietnam spending will be down to $17 billion.

Within a couple of years it is the expectation as well as hope of many of us that the costs of Vietnam will be almost eliminated. So here is a saving of $30 billion. In addition the Congress has indicated a willingness to reduce the military budget somewhat further. In this fiscal year for example we have cut the original 1970 fiscal year Johnson military budget—including the major defense bill and military construction bill by a total of more than $9 billion.

Furthermore with a growth of the economy of a modest 6-percent a year— including inflation—3-percent in real terms—and with a progressive tax system, Federal revenues should grow at least $12 billion a year compounded.

This should mean that by 1973 the combination of the Vietnam dividend of $30 billion and a $35 billion higher revenue that is $12 billion a year growth times 3 years. This would give the taxpayer less than one-fourth of this $60 billion melon. The taxpayer gets about $15 billion benefit from this conference bill compared to the New York Times version, 80 domestic needs stands to get some $45 billion—of which the problem of our cities can get a reasonable share.

This off-hand sketch of how this tax bill might permit the Federal Government to meet its obligations is of course subject to serious challenge, but I submit, it is at least as realistic as the New York Times conclusion that we are starving our vital domestic services to rush through a popular tax reduction bill.

Mr. LONG. Mr. President, I thank the Senator for his statement and for his contribution. As the Senator has pointed out, comparing it with having no bill at all, this measure will raise $6.479 billion for this year. In other words, the Government will be that much better off than if we had no bill.

Furthermore, if we had no bill, we would be giving an unintended windfall by way of an investment credit, amounting to $3 billion of unintended tax benefits, to those who had been led to believe they would not have it because Congress had intended to repeal the investment tax credit as of April 18.

If there is anything inflationary about raising $6.479 billion more than would be raised without the bill, I do not know what it would be. Nor do I know of anything more inflationary than permitting a huge tax windfall for the benefit of those for whom it was never intended at all, to the tune of $3 billion.

So this bill is a responsible bill from the fiscal point of view. If we have more inflation, it will not be because of what we do in this measure; it will be because of other things.

With regard to the social security increase which has been mentioned today, all the responsible people in the Department who have to study this matter day in and day out—and they are very able and competent people—agree that the surplus flowing into the fund is such that this 15-percent increase, which is something more than a cost-of-living increase, but a great deal of which is to cover a cost-of-living increase, can be paid by the fund on a continuing basis, and at no point in the future do we expect that we will have any deficit in the fund. The fund will continue to grow, notwithstanding the increase—so much so that the House of Representatives will proceed next year, and we shall work with them. to pass a social security bill to provide additional benefits for those for whom we would like to do more. We recognize that that will require a tax. We will provide whatever tax we think is necessary when we pass that measure and send it to the President.

I do think that the bill that we have passed is by far a better bill than the bill the House passed. It is by far a better bill than the bill the Senate passed; and I think it is by far a better bill than the Senate committee reported.

One thing that impressed me about it was the perfect symmetry by income groups in the bill as finally reported. For example, on page 3 of the table before

Senators—and I believe that will be table 3 of the charts I placed in the RECORD—one can see that where the percentage reduction by groups starts out at 66 percent in the House bill for those in the lowest bracket, and goes down to a plus 4-percent increase in the highest bracket, and the Senate bill starts with a 79-percent reduction in the lowest bracket and arrives at an 8-percent increase in the highest bracket. Senators may notice that the set of figures finally approved starts at 69.8 percent, roughly a 70-percent reduction in the lowest bracket, and winds up at a 7.8 percent increase in the highest bracket. But the impressive thing there is the perfect symmetry of the final chart. The tax curve starts at 69.8 percent, then 33.2 percent, 19.9 percent, 15.8 percent, 12.6 percent, 8.6 percent, 5.1 percent, and 1.9 percent, and finally an increase of 7.2 percent.

If one lays the final percentages alongside one another, he will find that almost a perfectly symetrical pattern was achieved by the conferees, and the amazing thing is that it was not achieved by design; it was achieved after we added up the combination of factors and put them through a computer.

There were a number of things about the bill that worked out in that fashion—so much so that I am inclined to believe we had far more guidance than we had any right to expect.

Mr. MANSFIELD. Mr. President, have the yeas and nays been requested on the conference report?

The PRESIDING OFFICER (Mr. CRANSTON in the chair). The yeas and nays have not been requested.

Mr. MANSFIELD. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. SPONG. Mr. President, today the Senate considers the conference report on the Tax Reform Act of 1969. This legislation is the result of long months of consideration by the Members and the committees of both Houses of Congress and was in response to strong demands by our citizens that the tax laws be made more fair and equitable.

The Tax Reform Act of 1969 represents the largest overhaul of the income tax laws in the history of this Nation and is a complex combination of relief and tax reform.

While the final version of the bill as reported by the conference committee is not perfect, it is a great improvement on the Senate-passed bill and represents a significant step in reforming our tax laws so that they are more equitable.

The conference bill is an improvement over that passed by the Senate in its impact on inflation. In balancing the bills projected loss from relief provisions against its gain in income from loophole closing reforms and extension of the surtax and other taxes the conference bill produces a net income of $6.5 billion in revenue in 1970 and $300 million in 1971, the crucial period in the fight against inflation.

In the area of tax reform, many significant steps were taken by Congress to make our tax laws more equitable. For example, the oil depletion allowance was reduced from 27½ to 22 percent. This will eventually net the Federal Government more than $235 million a year.

A minimum tax was imposed which reduces significantly the capacity of wealthy individuals and corporations to escape completely Federal taxation. This will net the Government over $635 million a year.

In addition the bill will tighten the regulation on the operation of private foundations and place for the first time a tax on a foundation's net investment income.

The act includes two measures of tax relief that are vital at this time. Retirement benefits under social security would be raised 15 percent across the board starting in January 1970 and the $600 personal exemption a taxpayer is allowed for himself and each of his dependents gradually would rise to a level of $750 by 1973. Next July it would increase to $650 and in 1972 it would be $700.

I supported the social security increase because I believe that the old, the infirm, and the dependent children who live on social security should have their benefits raised to allow them to meet the tremendous increase in the cost of living that has occurred in the last 2 years.

Also I believe that the increase in the $600 personal exemption is only fair in light of the increase in the cost of raising and maintaining families. The provision is timed in such a way as to be noninflationary. The present exemption of $600 has been in existence for 20 years, and is, in my judgment, unrealistic.

The conference committee struck from the Senate-passed version of the bill both reform and relief provisions that at another time might be desirable, but the conference hewed to the basic principle I followed in my votes on the Senate floor: That the provisions of tax relief should be more than compensated for by income gained from the closing of tax loopholes. In following this principle, I was forced to vote against provisions that I felt desirable in the long run, but whose effect would have produced a net revenue deficit in the bill. The conference committee had the same hard choices and has recommended to the Congress a responsible and effective tax reform bill that on balance warrants support. I shall vote for the bill. I commend the able Senator from Louisiana (Mr. LONG) and the other Senate conferees.

IMPORT AMENDMENT TO TAX REFORM BILL

Mr. THURMOND. Mr. President, I was very much distressed to note that the House-Senate conferees on the tax reform bill have failed to retain the import amendment introduced by the Senator from New Hampshire (Mr. COTTON).

My primary concern in cosponsoring and supporting this amendment was the American textile-apparel industry which finds itself in a completely untenable position when trying to compete with the low wages paid by their foreign counterparts. The same plight is facing many other American industries also, and it was in recognition of this problem that the Senate overwhelmingly adopted the Cotton amendment.

Mr. President, there is one very important and significant factor which no one should make the mistake of overlooking: The Senate has not reversed its position by not maintaining this amendment in the tax bill. The situation is quite to the contrary. By a vote of 65 to 30, the Senate has clearly and irrevocably placed itself on record as being willing to promote and support legislation designed to protect American jobs and industry. We must not lose sight of this fact.

Mr. President, I will continue to work hard to insure that the textile-apparel industry is allowed to survive in this country. The true significance of Senate adoption of the import amendment on December 10 must not be lost on those who may be reluctant to negotiate an equitable arrangement whereby the textile-apparel industry is protected.

THE TAX REFORM ACT

Mr. GOODELL. Mr. President, the tax reform bill is now before us in its final form—as reported by the House-Senate conferees.

The bill has been somewhat improved from the Senate version. Its net revenue losses are smaller and they have been deferred somewhat. Some of the costly Senate amendments have been dropped.

It remains, however, more of a tax-cutting masure than a tax reform act, at a time when wholesale cuts will only feed inflation and take away revenues desperately needed to meet the social problems facing this Nation.

An omnibus bill of this nature represents a difficult decision for all of us. The bill contains many features which I strongly favor. It corrects inequities that should have been remedied long ago. In reforming our tax structure, however, we must be sure to do so on a fiscally responsible basis with the provision of adequate revenues to pay for the changes we make.

The present bill does not rest on a sound fiscal basis. It overdoes tax decreases and "underdoes" compensating tax increases. It fails, in short, to pay for itself. The total impact of the bill is strongly inflationary and will deprive us in future years of the funds urgently required to deal with our domestic problems.

Certainly, the present level of military expenditures is a major reason why we cannot now afford to adopt the large tax reductions of this bill.

I have been an opponent of the present rate of military spending, which I consider excessive. I have proposed a complete U.S. withdrawal from Vietnam within 1 year, thus eliminating a large part of the $25 to $30 billion we are spending on the war. I also have voted against the military authorization and military appropriations bills in the Senate this year.

These military expenditures, however, remain a fact of life. Until they are reduced—as I firmly believe they sould be—I cannot support a tax bill that results in such a large revenue loss.

Therefore, despite improvements, the overall effect of this bill is still negative.

I will vote against the bill.

FISCAL IMPACT

The crucial test of this bill is its fiscal effect; that is, how much net revenue gain or loss it creates.

It is imperative at this time that a tax-reform measure adopted by Congress does not produce major revenue losses.

Inflation continues to erode the savings of millions of Americans and diminish the purchasing power of their earnings.

This year, the value of the dollar has declined by a staggering 6-percent. A 1-percent rise in the consumer price level represents an invisible but very real tax of $6 billion. A 6-percent rise, such as occurred this year, means an invisable consumer tax of $36 billion.

A major shortfall in the tax bill would only aggravate this inflation. The tax savings of such a measure could well be more than offset by a further decline in the value of the dollar.

Aside from the question of inflation, a properly balanced tax package is essential to provide the tax revenues needed to fund effective programs for dealing with the Nation's social problems.

It is difficult enough under present budgetary limitations to provide sufficient funds for welfare reform, revenue sharing, health, urban rehabilitation, education, and job training programs. It is stating the obvious that a tax bill that cuts several billion dollars from Federal revenues would make it nearly impossible to finance these efforts at adequate levels.

Our budgetary problems have been aggravated by excessive military spending that many of my colleagues and I have opposed. Such military spending, however, remains a reality. The bitter experience of many years suggests that if revenues are cut, it will be domestic programs, not military expenditures, that will suffer most.

The Senate version of the tax bill was completely out of balance.

The Senate bill would have resulted in a gigantic net revenue loss of $4.7 billion in 1971. This would have virtually ended all hopes of bringing inflation under control in that critical year.

The Senate bill would have created a long-term revenue loss of $5.5 billion, on the basis of present income figures. This would have created a permanent inflationary pressure in the economy, and drastically interfered with the financing of essential domestic programs for alleviating poverty, hunger, and urban decay.

I felt compelled to vote against the Senate version of the bill because of these clearly excessive and inflationary revenue losses.

And frankly, I found it difficult to comprehend how some of my Senate colleagues—who have been highly vocal in calling for massive new domestic programs at the Federal level—could have supported such enormous cuts in the revenues needed to finance these programs.

The conference version of the bill now before us has been brought into balance in the first 2 years, 1970 and 1971. It continues, however, to create large net revenue losses in subsequent years.

Based on present income figures, the net loss will be $1.8 billion in 1972, $3.8 billion in 1974, and $2.5 billion over the long run. As incomes rise, these losses will be larger.

In my testimony before the Senate Finance Committee, I stated that the tax bill should involve no net revenue loss. I still strongly believe this is true. A balanced tax package—in which revenue losses do not exceed revenue gains—entails in itself no inflationary risks. It also preserves the funds so badly needed for financing domestic social programs.

The long-term loss created by the bill is its major weakness. It will continue to build inflationary pressures. It will reduce the "fiscal dividend" which will accrue from the end of the Vietnam war. It will increase the budgetary strains upon our domestic programs.

How can we provide adequate funding for our existing education, employment, health, and housing programs in the next years, if we now cut billions of dollars from the tax revenues that finance these programs?

How can we initiate new programs to strengthen the fiscal base of States and localities, such as revenue sharing, if we now succumb to the temptations of wholesale tax cuts?

How can we take truly effective action to bring inflation under control and keep it under control if we now adopt legislation that will surely produce major revenue losses only a few years from now?

THE RELIEF MEASURES

The conference version of the bill increases the personal exemption to 750 in 3 yearly stages. It adopts a low-income allowance that would remove over 5 million poor and near-poor from the tax rolls. It increases the standard deduction to 15 percent of income with a $2,000 ceiling, in 3 yearly stages. It retains a Senate provision that would lower the rate for single persons—now so unfairly treated—so that they would pay no more than 20 percent above the tax for married persons of the same income.

These are good measures. I would have supported them under circumstances of fiscal responsibility with the provision of adequate revenues to pay for them.

Again, the real obstacle in the way of these tax relief measures is the current rate of military spending—nearly $90 billion a year.

Once we are able to reduce this military spending to a more reasonable level, as I certainly hope we can, the implementation of these tax relief measures would begin to make fiscal sense.

The bill, however, does not raise the revenues needed to meet the cost of these relief measures.

Tax relief is not real relief if the taxpayer's savings are eaten up by inflation. The net loss created by this bill may well reduce the purchasing power of the dollar by more than the taxes saved through its relief provisions.

SOCIAL SECURITY

The conference bill, like the Senate version, contains an across-the-board 15-percent increase in social security benefits.

I supported this increase in the Senate because I felt it essential to protect the financial security of millions of elderly Americans. A 15-percent increase is needed to keep pace with increases in the cost of living over recent years.

I believe, however, that Congress will adopt this increase as a separate measure even if this tax bill is not made law.

SURTAX

The present bill, like the House and Senate versions, extended the surtax at a 5-percent rate until the middle of next year.

I have long contended that this surtax extension is essential to brake inflation and curb rising interest rates. In fact, I would still prefer the extension of a 10-percent surcharge until the middle of next year.

Last June, I wrote all my former colleagues in the House urging them to adopt a surtax extension; and I voted for it in the Senate.

I trust, however, that Congress—assuming it has any sense of fiscal responsibility—would continue the surtax for another 6 months even if this tax reform bill is not enacted.

INVESTMENT CREDIT

In my testimony before the Senate Finance Committee, I indicated that I had substantial reservations about the advisibility of repealing the investment tax credit.

Vigorous fiscal measures are clearly needed to combat the inflation that now threatens our economy. We must accept the fact that these measures, to be effective, cannot be painless.

We must be equally aware, however, of the risks of putting all the fiscal and monetary brakes on at once. The anti-inflationary measures we are invoking no wmay take a substantial period of time before they are fully felt—and then may "grab" all at once.

This problem of a long leadtime is particularly serious in the case of the investment tax credit. The credit does not primarily affect consumer spending now; it affects captial expenditures 6 months to 2 years from now. Removing the credit now may take hold at a future time when we are no longer so much concerned with inflation as with recession.

The experience of a few years ago—when Congress repealed the credit only to restore it—suggests the inadvisability of trying to turn the credit on and off to offset swings in the economy.

I think it is essential to have a permanent tax incentive for long-run economic growth. The investment tax credit served this function.

The fact that the bill eliminates the investment credit—and thus adds to the risk of recession—is a further basis for voting against the bill.

LOOPHOLES

The present bill makes some steps toward closing loopholes in the present tax law which favor special interest groups.

One is the adoption of the minimum tax on wealthy individuals who are now escaping taxation by various deductions. I support the principle of such a minimum tax, and voted for the Senate amendment for calculating the tax that was adopted by the conference.

In other respects, the Senate bill has been unduly solicitous of private interest groups, at the expense of real reform. A glaring example is the oil-depletion allowance—which was reduced in the House to 20 percent but only decreased to 22 percent in conference version. I supported an amendment—which failed in the Senate—to reduce the allowance to 20 percent.

FOUNDATIONS

The treatment of private foundations in this bill is most disappointing. It is true that the bill provides a positive means for curtailment of past foundation abuses—such as self-dealing and the misuse of tax exemption for private influence or gain—and requires greater public disclosure of foundation activities. Some of the harsh provisions in the House bill, later changed by the Senate Finance Committee, regarding excessive sanctions on foundations and their managers and foundation responsibility for the expenditures of their grantees, have been accepted in conference.

Nonetheless, in a number of ways this bill reflects a punitive approach to foundation reform which will merely deprive society of an important source of creativity and thought. We have, in effect, not reformed the foundations; we have somewhat deformed them.

I am strongly opposed to the imposition of a 4-percent tax on foundation net investment income. The conference committee has made a critical mistake in rejecting the supervisory fee based on assets which the Senate passed.

In my judgment, the tax is an unwarranted departure from the principle that income of nonprofit organizations organized for charitable purposes should be free from taxation.

It is discriminatory in that it would only be levied against foundations and not against other nonprofit charities such as schools, universities, churches, and hospitals.

It would hit not the donors or officers of foundations, but the whole range of educational, scientific, medical, cultural, and social activities they finance. A 4-percent tax on foundations means an automatic corresponding loss of funds for these activities. To the extent that foundations aid the public, the public is hurt by this tax on their investment income.

In my opinion, the only rationale for collecting revenue from foundations should be to encourage more effective supervision of their activities through the imposition of a filing fee. The language of the Senate bill clearly stated that an annual audit fee on assets would be imposed for the purposes of administration, and provided for annual review by the Secretary of the Treasury so that collection of the fee would accurately reflect the costs of such administration and supervision. There are no such provisions in this bill or in the conference committee report. Certainly, it was the view of the Senate Finance Committee and the Senate as a whole that these funds should be collected only to cover increased auditing the supervision by the Internal Revenue Service. A 4-percent tax on income is already twice as much revenue as the Treasury indicated it would need to carry out such an auditing program adequately.

In sum, this tax creates a dangerous precedent. If it is appropriate to tax foundation income now at the rate of 4 percent, then why not at 10 percent, or 25 percent next year or the year after? Will other nonprofit charities such as schools, universities, and churches—which escaped this time—be the next target? If the Federal Government can tax foundations, State and local governments could do the same. In my judgment, the road ahead is only too clear: the Government now has opened the door to taking a larger and larger bite from foundation income, and as a result a smaller and smaller portion will be left over to fulfill charitable and social purposes.

A second aspect of this bill which deeply disturbs me is the broad language restricting foundations in taking positions on the social issues facing us today.

Foundations are now engaged in studies or projects on almost every topic of public concern, be it air pollution, juvenile delinquency, court reform, drug abuse, international satellite communications, or the problems of famine in India. Every one of these topics is a matter of significant legislative concern. Every one of them is a matter of public interest.

I do not think it makes sense to inhibit foundations in any way from sharing their ideas with those who must make decisions in these vital areas.

Third, the bill creates a broad definition of private foundations which describes them from a totally new vantage point. The public has traditionally viewed foundations as private, nonprofit organizations with a principal fund of their own, established primarily to make grants in support of charitable, educational, scientific, and civic purposes serving the public welfare.

The provisions of the bill would expand this traditional definition to such an extent that a wide range of other institutions would now be classified as "private foundations."

Some of these institutions are primarily engaged in research or in conducting studies on education, medical, scientific, and social issues. They have never been considered foundations in the past. Others are public service organizations working with the community, or health, welfare, and other programs. Many of them are heavily dependent upon foundation grants for their very existence. Newly classified as foundations under the bill, they will be subject to the 4-percent tax on income—thereby having less money available to conduct their activities; and they will also be subject to the bill's program limitations upon foundations.

Finally, I regret that the conference committee has not fully accepted the Senate provision regarding nonpartisan voter education and registration drives. By a substantial margin, the Senate indicated its interest in a far less restrictive version than the House has passed. I would voice my concern that we have overreacted to past abuses in curtailing activities of organizations which have and can contribute so much to broadening participation in our democratic processes.

Private foundations have played a vital role in the scientific, intellectual, cultural, and social development of this Nation. I am distressed that their role has not been recognized in this bill.

CAPITAL GAINS

The House proposed a far-reaching change in the treatment of capital gains. It did so with very little study of how such a change could affect capital formation and economic growth.

In my testimony before the Finance Committee, I cautioned against making such a fundamental change in so much haste, saying:

> The special treatment now accorded to capital gains is not just a loophole. It is a way of stimulating investment. Any change in this treatment must be considered, therefore, not in the loophole-plugging spirit merited by special privilege provisions of the tax code, but in the spirit of inquiry into all factors affecting capital formation and economic growth in this nation.
>
> It may well be that changes of the present rules are desirable. But the effect of those changes on the economy, on markets, and on individuals must first be thoroughly understood. The haste with which action was taken on these changes in the House of Representatives did not permit adequate investigation of the consequences.

The conference version has dropped one of the House changes—the extension of the 6-month holding period. It has, however, followed the lead of the House in partly abolishing the 25-percent alternate tax for capital gains. I still remain unconvinced that sufficient study has been made of the economic impact of this action.

TAX REFORM ACT OF 1969—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws.

The PRESIDING OFFICER. The question is on agreeing to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws.

On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Mississippi (Mr. EASTLAND), the Senator from Louisiana (Mr. ELLENDER), the Senator from North Carolina (Mr. ERVIN), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Minnesota (Mr. MCCARTHY), the Senator from Wyoming (Mr. MCGEE), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Georgia (Mr. RUSSELL), the Senator from Missouri (Mr. SYMINGTON), and the Senator from Texas (Mr. YARBOROUGH) are necessarily absent.

I further announce that, if present and voting, the Senator from Louisiana (Mr. ELLENDER), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Missouri (Mr. SYMINGTON), and the Senator from Texas (Mr. YARBOROUGH) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Colorado (Mr. ALLOTT), the Senator from New Jersey (Mr. CASE), the Senator from Kentucky (Mr. COOK), the Senator from New Hampshire (Mr. COTTON), the Senator from Hawaii (Mr. FONG), the Senator from Arizona (Mr. GOLDWATER), the Senator from Oregon (Mr HATFIELD), the Senator from California (Mr. MURPHY), the Senator from Alaska (Mr. STEVENS) and the Senator from Texas (Mr. TOWER) are necessarily absent.

The Senator from Kentucky (Mr. COOPER) is absent because of illness in his family.

The Senator from South Dakota (Mr. MUNDT) is absent because of illness.

If present and voting, the Senator from New Jersey (Mr. CASE), the Senator from Oregon (Mr. HATFIELD), the Senator from Kentucky (Mr. COOPER), and the Senator from New Hampshire (Mr. COTTON) would each vote "yea."

On this vote, the Senator from Hawaii (Mr. FONG) is paired with the Senator from Texas (Mr. TOWER). If present and voting, the Senator from Hawaii would vote "yea" and the Senator from Texas would vote "nay."

On this vote, the Senator from California (Mr. MURPHY) is paired with the Senator from Alaska (Mr. STEVENS). If present and voting, the Senator from California would vote "yea" and the Senator from Alaska would vote "nay."

The result was announced—yeas 71, nays 6, as follows:

[No. 273 Leg.]

YEAS—71

Aiken	Hansen	Muskie
Allen	Harris	Nelson
Baker	Hart	Packwood
Bayh	Hartke	Pastore
Bennett	Holland	Pearson
Bible	Hruska	Pell
Boggs	Hughes	Percy
Brooke	Inouye	Prouty
Burdick	Jackson	Proxmire
Byrd, Va.	Jordan, N.C.	Randolph
Byrd, W. Va.	Jordan, Idaho	Schweiker
Cannon	Kennedy	Scott
Church	Long	Smith, Maine
Cranston	Magnuson	Smith, Ill.
Dodd	Mansfield	Sparkman
Dole	Mathias	Spong
Dominick	McClellan	Stennis
Eagleton	McGovern	Talmadge
Fannin	McIntyre	Thurmond
Fulbright	Metcalf	Tydings
Gore	Miller	Williams, N.J.
Gravel	Mondale	Young, N. Dak.
Griffin	Montoya	Young, Ohio
Gurney	Moss	

NAYS—6

Bellmon	Goodell	Saxbe
Curtis	Javits	Williams, Del.

NOT VOTING—23

Allott	Ervin	Murphy
Anderson	Fong	Ribicoff
Case	Goldwater	Russell
Cook	Hatfield	Stevens
Cooper	Hollings	Symington
Cotton	McCarthy	Tower
Eastland	McGee	Yarborough
Ellender	Mundt	

So the report was agreed to.

Mr. LONG. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. SCOTT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

(EXCERPTS ONLY)

Public Law 91-172
91st Congress, H. R. 13270
December 30, 1969

An Act

To reform the income tax laws.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Tax Reform Act of 1969.

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "Tax Reform Act of 1969".

(b) TABLE OF CONTENTS.—

83 STAT. 487
83 STAT. 488

38-688 O - 70

(c) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

68A Stat. 3. 26 USC 1 et seq.

TITLE I—TAX EXEMPT ORGANIZATIONS

Subtitle A—Private Foundations

SEC. 101. PRIVATE FOUNDATIONS.

(a) IN GENERAL.—Subchapter F of chapter 1 (relating to exempt organizations) is amended by redesignating parts II, III, and IV as parts III, IV, and V, respectively, and by inserting after part I the following new part: 68A Stat. 163. 26 USC 501-526.

* * * * *

"(1) unless it has given notice to the Secretary or his delegate, in such manner as the Secretary or his delegate may by regulations prescribe, that it is applying for recognition of such status, or

"(2) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary or his delegate by regulations for giving notice under this subsection.

For purposes of paragraph (2), the time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

"(b) PRESUMPTION THAT ORGANIZATIONS ARE PRIVATE FOUNDATIONS.—Except as provided in subsection (c), any organization (including an organization in existence on October 9, 1969) which is described in section 501(c)(3) and which does not notify the Secretary or his delegate, at such time and in such manner as the Secretary or his delegate may by regulations prescribe, that it is not a private foundation shall be presumed to be a private foundation. The time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

68A Stat. 163.
26 USC 501.

"(c) EXCEPTIONS.—

"(1) MANDATORY EXCEPTIONS.—Subsections (a) and (b) shall not apply to—

"(A) churches, their integrated auxiliaries, and conventions or associations of churches, or

"(B) any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than $5,000.

"(2) EXCEPTIONS BY REGULATIONS.—The Secretary or his delegate may by regulations exempt (to the extent and subject to such conditions as may be prescribed in such regulations) from the provisions of subsection (a) or (b) or both—

"(A) educational organizations which normally maintain a regular faculty and curriculum and normally have a regularly enrolled body of pupils or students in attendance at the place where their educational activities are regularly carried on; and

"(B) any other class of organizations with respect to which the Secretary or his delegate determines that full compliance with the provisions of subsections (a) and (b) is not necessary to the efficient administration of the provisions of this title relating to private foundations.

"(d) DISALLOWANCE OF CERTAIN CHARITABLE, ETC., DEDUCTIONS.—

"(1) GIFT OR BEQUEST TO ORGANIZATIONS SUBJECT TO SECTION 507(c) TAX.—No gift or bequest made to an organization upon which the tax provided by section 507(c) has been imposed shall be allowed as a deduction under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such gift or bequest is made—

Post, pp. 549, 558, 560, 561.
26 USC 170, 545, 556, 642, 2055, 2106, 2522.

"(A) by any person after notification is made under section 507(a), or

"(B) by a substantial contributor (as defined in section 507(d)(2)) in his taxable year which includes the first day on which action is taken by such organization which culminates in the imposition of tax under section 507(c) and any subsequent taxable year.

"(2) GIFT OR BEQUEST TO TAXABLE PRIVATE FOUNDATION, SECTION 4947 TRUST, ETC.—No gift or bequest made to an organization shall be allowed as a deduction under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such gift or bequest is made—

"(A) to a private foundation or a trust described in section 4947 in a taxable year for which it fails to meet the requirements of subsection (e) (determined without regard to subsection (e)(2) (B) and (C)), or

Post, p. 517.

"(B) to any organization in a period for which it is not treated as an organization described in section 501(c)(3) by reason of subsection (a).

68A Stat. 163. 26 USC 501.

"(3) EXCEPTION.—Paragraph (1) shall not apply if the entire amount of the unpaid portion of the tax imposed by section 507(c) is abated by the Secretary or his delegate under section 507(g).

"(e) GOVERNING INSTRUMENTS.—

"(1) GENERAL RULE.—A private foundation shall not be exempt from taxation under section 501(a) unless its governing instrument includes provisions the effects of which are—

"(A) to require its income for each taxable year to be distributed at such time and in such manner as not to subject the foundation to tax under section 4942, and

Post, p. 502.

"(B) to prohibit the foundation from engaging in any act of self-dealing (as defined in section 4941(d)), from retaining any excess business holdings (as defined in section 4943(c)), from making any investments in such manner as to subject the foundation to tax under section 4944, and from making any taxable expenditures (as defined in section 4945(d)).

Post, p. 500. Post, p. 507. Post, p. 511. Post, p. 513.

"(2) SPECIAL RULES FOR EXISTING PRIVATE FOUNDATIONS.—In the case of any organization organized before January 1, 1970, paragraph (1) shall not apply—

"(A) to any taxable year beginning before January 1, 1972,

"(B) to any period after December 31, 1971, during the pendency of any judicial proceeding begun before January 1, 1972, by the private foundation which is necessary to reform, or to excuse such foundation from compliance with, its governing instrument or any other instrument in order to meet the requirements of paragraph (1), and

"(C) to any period after the termination of any judicial proceeding described in subparagraph (B) during which its governing instrument or any other instrument does not permit it to meet the requirements of paragraph (1).

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TITLE II—INDIVIDUAL DEDUCTIONS

* * * * *

Subtitle D—Moving Expenses

SEC. 231. MOVING EXPENSES.

26 USC 217. (a) DEDUCTION FOR MOVING EXPENSES.—Section 217 (relating to moving expenses) is amended to read as follows:

"SEC. 217. MOVING EXPENSES.

"(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction moving expenses paid or incurred during the taxable year in connection with the commencement of work by the taxpayer as an employee or as a self-employed individual at a new principal place of work.

"(b) DEFINITION OF MOVING EXPENSES.—

"(1) IN GENERAL.—For purposes of this section, the term 'moving expenses' means only the reasonable expenses—

"(A) of moving household goods and personal effects from the former residence to the new residence,

"(B) of traveling (including meals and lodging) from the former residence to the new place of residence,

"(C) of traveling (including meals and lodging), after obtaining employment, from the former residence to the general location of the new principal place of work and return, for the principal purpose of searching for a new residence,

"(D) of meals and lodging while occupying temporary quarters in the general location of the new principal place of work during any period of 30 consecutive days after obtaining employment, or

"(E) constituting qualified residence sale, purchase, or lease expenses.

"(2) QUALIFIED RESIDENCE SALE, ETC., EXPENSES.—For purposes of paragraph (1) (E), the term 'qualified residence sale, purchase, or lease expenses' means only reasonable expenses incident to—

"(A) the sale or exchange by the taxpayer or his spouse of the taxpayer's former residence (not including expenses for work performed on such residence in order to assist in its sale) which (but for this subsection and subsection (e)) would be taken into account in determining the amount realized on the sale or exchange,

"(B) the purchase by the taxpayer or his spouse of a new residence in the general location of the new principal place of work which (but for this subsection and subsection (e)) would be taken into account in determining—

"(i) the adjusted basis of the new residence, or

"(ii) the cost of a loan (but not including any amounts which represent payments or prepayments of interest),

"(C) the settlement of an unexpired lease held by the taxpayer or his spouse on property used by the taxpayer as his former residence, or

"(D) the acquisition of a lease by the taxpayer or his spouse on property used by the taxpayer as his new residence in the general location of the new principal place of work (not including amounts which are payments or prepayments of rent).

"(3) LIMITATIONS.—

"(A) DOLLAR LIMITS.—The aggregate amount allowable as a deduction under subsection (a) in connection with a commencement of work which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1)

shall not exceed $1,000. The aggregate amount allowable as a deduction under subsection (a) which is attributable to qualified residence sale, purchase, or lease expenses shall not exceed $2,500, reduced by the aggregate amount so allowable which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1).

"(B) HUSBAND AND WIFE.—If a husband and wife both commence work at a new principal place of work within the same general location, subparagraph (A) shall be applied as if there was only one commencement of work. In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting '$500' for '$1,000', and by substituting '$1,250' for '$2,500'.

"(C) INDIVIDUALS OTHER THAN TAXPAYER.—In the case of any individual other than the taxpayer, expenses referred to in subparagraphs (A) through (D) of paragraph (1) shall be taken into account only if such individual has both the former residence and the new residence as his principal place of abode and is a member of the taxpayer's household.

"(c) CONDITIONS FOR ALLOWANCE.—No deduction shall be allowed under this section unless—

"(1) the taxpayer's new principal place of work—

"(A) is at least 50 miles farther from his former residence than was his former principal place of work, or

"(B) if he had no former principal place of work, is at least 50 miles from his former residence, and

"(2) either—

"(A) during the 12-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee, in such general location, during at least 39 weeks, or

"(B) during the 24-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee or performs services as a self-employed individual on a full-time basis, in such general location, during at least 78 weeks, of which not less than 39 weeks are during the 12-month period referred to in subparagraph (A).

For purposes of paragraph (1), the distance between two points shall be the shortest of the more commonly traveled routes between such two points.

"(d) RULES FOR APPLICATION OF SUBSECTION (c)(2).—

"(1) The condition of subsection (c)(2) shall not apply if the taxpayer is unable to satisfy such condition by reason of—

"(A) death or disability, or

"(B) involuntary separation (other than for willful misconduct) from the service of, or transfer for the benefit of, an employer after obtaining full-time employment in which the taxpayer could reasonably have been expected to satisfy such condition.

"(2) If a taxpayer has not satisfied the condition of subsection (c)(2) before the time prescribed by law (including extensions thereof) for filing the return for the taxable year during which he paid or incurred moving expenses which would otherwise be deductible under this section, but may still satisfy such condition, then such expenses may (at the election of the taxpayer) be deducted for such taxable year notwithstanding subsection (c)(2).

"(3) If—

"(A) for any taxable year moving expenses have been deducted in accordance with the rule provided in paragraph (2), and

"(B) the condition of subsection (c)(2) cannot be satisfied at the close of a subsequent taxable year,

then an amount equal to the expenses which were so deducted shall be included in gross income for the first such subsequent taxable year.

"(e) DENIAL OF DOUBLE BENEFIT.—The amount realized on the sale of the residence described in subparagraph (A) of subsection (b)(2) shall not be decreased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a), and the basis of a residence described in subparagraph (B) of subsection (b)(2) shall not be increased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a). This subsection shall not apply to any expenses with respect to which an amount is included in gross income under subsection (d)(3).

"(f) RULES FOR SELF-EMPLOYED INDIVIDUALS.—

"(1) DEFINITION.—For purposes of this section, the term 'self-employed individual' means an individual who performs personal services—

"(A) as the owner of the entire interest in an unincorporated trade or business, or

"(B) as a partner in a partnership carrying on a trade or business.

"(2) RULE FOR APPLICATION OF SUBSECTIONS (b)(1) (c) AND (n).—For purposes of subparagraphs (C) and (D) of subsection (b)(1), an individual who commences work at a new principal place of work as a self-employed individual shall be treated as having obtained employment when he has made substantial arrangements to commence such work.

"(g) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(b) INCLUSION IN GROSS INCOME OF MOVING EXPENSE REIMBURSEMENTS.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding after section 81 the following new section:

26 USC 71-81.

"SEC. 82. REIMBURSEMENT FOR EXPENSES OF MOVING.

"There shall be included in gross income (as compensation for services) any amount received or accrued, directly or indirectly, by an individual as a payment for or reimbursement of expenses of moving from one residence to another residence which is attributable to employment or self-employment."

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 82. Reimbursement of moving expenses."

Post, p. 646.

(2) Section 1001 (relating to determination of amount and recognition of gain or loss) is amended by adding after subsection (e) (as added by section 516(a) of this Act) the following new subsection:

"(f) CROSS REFERENCE.—

"For treatment of certain expenses incident to the sale of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e)."

(3) Section 1016(c) is amended to read as follows: 26 USC 1016.

"(c) CROSS REFERENCES.—

"(1) For treatment of certain expenses incident to the purchase of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e).

"(2) For treatment of separate mineral interests as one property, see section 614."

(d) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969, except that—

(1) section 217 of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not apply to any item to the extent that the taxpayer received or accrued reimbursement or other expense allowance for such item in a taxable year beginning on or before December 31, 1969, which was not included in his gross income; and Ante, p. 577.

(2) the amendments made by this section shall not apply (at the election of the taxpayer made at such time and manner as the Secretary of the Treasury or his delegate prescribes) with respect to moving expenses paid or incurred before July 1, 1970, in connection with the commencement of work by the taxpayer as an employee at a new principal place of work of which the taxpayer had been notified by his employer on or before December 19, 1969.

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83 STAT. 629

TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

* * * * *

Subtitle D—Subchapter S Corporations

SEC. 531. QUALIFIED PENSION, ETC., PLANS OF SMALL BUSINESS CORPORATIONS.

(a) IN GENERAL.—Subchapter S of chapter 1 (relating to election of certain small business corporations as to taxable status) is amended by adding at the end thereof the following new section: 26 USC 1371-1378.

"SEC. 1379. CERTAIN QUALIFIED PENSION, ETC., PLANS.

"(a) ADDITIONAL REQUIREMENT FOR QUALIFICATION OF STOCK BONUS OR PROFIT-SHARING PLANS.—A trust forming part of a stock bonus or profit-sharing plan which provides contributions or benefits for employees some or all of whom are shareholder-employees shall not constitute a qualified trust under section 401 (relating to qualified pension, profit-sharing, and stock bonus plans) unless the plan of which such trust is a part provides that forfeitures attributable to contributions deductible under section 404(a)(3) for any taxable year (beginning after December 31, 1970) of the employer with respect to which

it is an electing small business corporation may not inure to the benefit of any individual who is a shareholder-employee for such taxable year. A plan shall be considered as satisfying the requirement of this subsection for the period beginning with the first day of a taxable year and ending with the 15th day of the third month following the close of such taxable year, if all the provisions of the plan which are necessary to satisfy this requirement are in effect by the end of such period and have been made effective for all purposes with respect to the whole of such period.

"(b) TAXABILITY OF SHAREHOLDER-EMPLOYEE BENEFICIARIES.—

"(1) INCLUSION OF EXCESS CONTRIBUTIONS IN GROSS INCOME.—Notwithstanding the provisions of section 402 (relating to taxability of beneficiary of employees' trust), section 403 (relating to taxation of employee annuities), or section 405(d) (relating to taxability of beneficiaries under qualified bond purchase plans), an individual who is a shareholder-employee of an electing small business corporation shall include in gross income, for his taxable year in which or with which the taxable year of the corporation ends, the excess of the amount of contributions paid on his behalf which is deductible under section 404(a) (1), (2), or (3) by the corporation for its taxable year over the lesser of—

26 USC 402.
Ante, pp. 591, 644.

"(A) 10 percent of the compensation received or accrued by him from such corporation during its taxable year, or

"(B) $2,500.

"(2) TREATMENT OF AMOUNTS INCLUDED IN GROSS INCOME.—Any amount included in the gross income of a shareholder-employee under paragraph (1) shall be treated as consideration for the contract contributed by the shareholder-employee for purposes of section 72 (relating to annuities).

"(3) DEDUCTION FOR AMOUNTS NOT RECEIVED AS BENEFITS.—If—

"(A) amounts are included in the gross income of an individual under paragraph (1), and

"(B) the rights of such individual (or his beneficiaries) under the plan terminate before payments under the plan which are excluded from gross income equal the amounts included in gross income under paragraph (1),

then there shall be allowed as a deduction, for the taxable year in which such rights terminate, an amount equal to the excess of the amounts included in gross income under paragraph (1) over such payments.

"(c) CARRYOVER OF AMOUNTS DEDUCTIBLE.—No amount deductible shall be carried forward under the second sentence of section 404(a)(3)(A) (relating to limits on deductible contributions under stock bonus and profit-sharing trusts) to a taxable year of a corporation with respect to which it is not an electing small business corporation from a taxable year (beginning after December 31, 1970) with respect to which it is an electing small business corporation.

Definition.

"(d) SHAREHOLDER-EMPLOYEE.—For purposes of this section, the term 'shareholder-employee' means an employee or officer of an electing small business corporation who owns (or is considered as owning within the meaning of section 318(a)(1), on any day during the taxable year of such corporation, more than 5 percent of the outstanding stock of the corporation."

(b) CONFORMING AMENDMENT.—Section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (8) the following new paragraph:

"(9) PENSION, ETC., PLANS OF ELECTING SMALL BUSINESS CORPORATIONS.—The deduction allowed by section 1379(b)(3)."

(c) CLERICAL AMENDMENT.—The table of sections for subchapter S of chapter 1 is amended by adding at the end thereof the following new item: 26 USC 1371-1378.

"Sec. 1379. Certain qualified pensions, etc., plans."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years of electing small business corporations beginning after December 31, 1970.

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TITLE IX—MISCELLANEOUS PROVISIONS

* * * * *

Subtitle C—Miscellaneous Administrative Provisions

* * * * *

SEC. 944. DECLARATIONS OF ESTIMATED TAX BY FARMERS.

(a) RETURN AS DECLARATION OR AMENDMENT.—Section 6015(f) (relating to return considered as declaration or amendment) is amended by striking out "February 15" and inserting in lieu thereof "March 1".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1968.

* * * * *

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

Social Security Amendments of 1969.

SEC. 1001. SHORT TITLE.

This title may be cited as the "Social Security Amendments of 1969".

SEC. 1002. INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS.

42 USC 415.

(a) Section 215(a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
.....	$16.20	$55.40 or less	.....	$76	$64.00	$96.00
$16.21	16.84	56.50	$77	78	65.00	97.50
16.85	17.60	57.70	79	80	66.40	99.60
17.61	18.40	58.80	81	81	67.70	101.60
18.41	19.24	59.90	82	83	68.90	103.40
19.25	20.00	61.10	84	85	70.30	105.50
20.01	20.64	62.20	86	87	71.60	107.40
20.65	21.28	63.30	88	89	72.80	109.20
21.29	21.88	64.50	90	90	74.20	111.30
21.89	22.28	65.60	91	92	75.50	113.30
22.29	22.68	66.70	93	94	76.80	115.20
22.69	23.08	67.80	95	96	78.00	117.00
23.09	23.44	69.00	97	97	79.40	119.10
23.45	23.76	70.20	98	99	80.80	121.20
23.77	24.20	71.50	100	101	82.30	123.50
24.21	24.60	72.60	102	102	83.50	125.30
24.61	25.00	73.80	103	104	84.90	127.40
25.01	25.48	75.10	105	106	86.40	129.60
25.49	25.92	76.30	107	107	87.80	131.70
25.93	26.40	77.50	108	109	89.20	133.80
26.41	26.94	78.70	110	113	90.60	135.90
26.95	27.46	79.90	114	118	91.90	137.90
27.47	28.00	81.10	119	122	93.30	140.00
28.01	28.68	82.30	123	127	94.70	142.10
28.69	29.25	83.60	128	132	96.20	144.30
29.26	29.68	84.70	133	136	97.50	146.30
29.69	30.36	85.90	137	141	98.80	148.20
30.37	30.92	87.20	142	146	100.30	150.50
30.93	31.36	88.40	147	150	101.70	152.60
31.37	32.00	89.50	151	155	103.00	154.50
32.01	32.60	90.80	156	160	104.50	156.80
32.61	33.20	92.00	161	164	105.80	158.70
33.21	33.88	93.20	165	169	107.20	160.80
33.89	34.50	94.40	170	174	108.60	162.90
34.51	35.00	95.60	175	178	110.00	165.00
35.01	35.80	96.80	179	183	111.40	167.10
35.81	36.40	98.00	184	188	112.70	169.10
36.41	37.08	99.30	189	193	114.20	171.30
37.09	37.60	100.50	194	197	115.60	173.40
37.61	38.20	101.60	198	202	116.90	175.40
38.21	39.12	102.90	203	207	118.40	177.60
39.13	39.68	104.10	208	211	119.80	179.70
39.69	40.33	105.20	212	216	121.00	181.50
40.34	41.12	106.50	217	221	122.50	183.80
41.13	41.76	107.70	222	225	123.90	185.90
41.77	42.44	108.90	226	230	125.30	188.00
42.45	43.20	110.10	231	235	126.70	190.10
43.21	43.76	111.40	236	239	128.20	192.30
43.77	44.44	112.60	240	244	129.50	195.20
44.45	44.88	113.70	245	249	130.80	199.20
44.89	45.60	115.00	250	253	132.30	202.40
		116.20	254	258	133.70	206.40
		117.30	259	263	134.90	210.40

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$118.60	$264	$267	$136.40	$213.60
		119.80	268	272	137.80	217.60
		121.00	273	277	139.20	221.60
		122.20	278	281	140.60	224.80
		123.40	282	286	142.00	228.80
		124.70	287	291	143.50	232.80
		125.80	292	295	144.70	236.00
		127.10	296	300	146.20	240.00
		128.30	301	305	147.60	244.00
		129.40	306	309	148.90	247.20
		130.70	310	314	150.40	251.20
		131.90	315	319	151.70	255.20
		133.00	320	323	153.00	258.40
		134.30	324	328	154.50	262.40
		135.50	329	333	155.90	266.40
		136.80	334	337	157.40	269.60
		137.90	338	342	158.60	273.60
		139.10	343	347	160.00	277.60
		140.40	348	351	161.50	280.80
		141.50	352	356	162.80	284.80
		142.80	357	361	164.30	288.80
		144.00	362	365	165.60	292.00
		145.10	366	370	166.90	296.00
		146.40	371	375	168.40	300.00
		147.60	376	379	169.80	303.20
		148.90	380	384	171.30	307.20
		150.00	385	389	172.50	311.20
		151.20	390	393	173.90	314.40
		152.50	394	398	175.40	318.40
		153.60	399	403	176.70	322.40
		154.90	404	407	178.20	325.60
		156.00	408	412	179.40	329.60
		157.10	413	417	180.70	333.60
		158.20	418	421	182.00	336.80
		159.40	422	426	183.40	340.80
		160.50	427	431	184.60	344.80
		161.60	432	436	185.90	348.80
		162.80	437	440	187.30	350.40
		163.90	441	445	188.50	352.40
		165.00	446	450	189.80	354.40
		166.20	451	454	191.20	356.00
		167.30	455	459	192.40	358.00
		168.40	460	464	193.70	360.00
		169.50	465	468	195.00	361.60
		170.70	469	473	196.40	363.60
		171.80	474	478	197.60	365.60
		172.90	479	482	198.90	367.20
		174.10	483	487	200.30	369.20
		175.20	488	492	201.50	371.20
		176.30	493	496	202.80	372.80
		177.50	497	501	204.20	374.80
		178.60	502	506	205.40	376.80
		179.70	507	510	206.70	378.40
		180.80	511	515	208.00	380.40
		182.00	516	520	209.30	382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	405.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount under 1967 Act)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$201.00	$589	$591	$231.20	$410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00
		207.00	610	612	238.10	419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40
		213.00	631	634	245.00	428.00
		214.00	635	637	246.10	429.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40".

42 USC 403.

(b)(1) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

42 USC 402, 423.

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of the Social Security Amendments of 1969 (and prior to January 1, 1970), for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

42 USC 422.

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or".

(2) Notwithstanding any other provision of law, when two or more persons are entitled to monthly insurance benefits under title II of the Social Security Act for any month after 1969 on the basis of the wages and self-employment income of an insured individual (and at least one of such persons was so entitled for a month before January 1971 on the basis of an application filed before 1971), the total of the benefits to which such persons are entitled under such title for such month (after the application of sections 203(a) and 202(q) of such Act) shall be not less than the total of the monthly insurance benefits to which such persons would be entitled under such title for such month (after the application of such sections 203(a) and 202(q)) without regard to the amendment made by subsection (a) of this section.

42 USC 401-429.

Ante, p. 739.

42 USC 402.

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969".

42 USC 415.

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

"Primary Insurance Amount Under 1967 Act

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

Ante, p. 737.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month."

42 USC 423.

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

SEC. 1003. INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER.

(a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

42 USC 427.

(2) Section 227(b) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

42 USC 428.

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

42 USC 428.

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

42 USC 401-429.

SEC. 1004. MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFIT.

42 USC 402.

(a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

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

(b) Section 202(c)(3) of such Act is amended to read as follows:

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

(c) Sections 202(e)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

SEC. 1005. ALLOCATION TO DISABILITY INSURANCE TRUST FUND.

42 USC 401.

(a) Section 201(b)(1) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and so reported,".

(b) Section 201(b)(2) of such Act is amended—

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

SEC. 1006. DISREGARDING OF RETROACTIVE PAYMENT OF OASDI BENEFIT INCREASE.

Notwithstanding the provisions of sections 2(a)(10), 402(a)(7), 1002(a)(8), 1402(a)(8), and 1602(a)(13) and (14) of the Social Security Act, each State, in determining need for aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV, of such Act, shall disregard (and the plan shall be deemed to require the State to disregard), in addition to any other amounts which the State is required or permitted to disregard in determining such need, any amount paid to an individual under title II of such Act (or under the Railroad Retirement Act of 1937 by reason of the first proviso in section 3(e) thereof), in any month after December 1969, to the extent that (1) such payment is attributable to the increase in monthly benefits under the old-age, survivors, and

42 USC 302, 602, 1202, 1352, 1382.

45 USC 228c.

disability insurance system for January or February 1970 resulting from the enactment of this title, and (2) the amount of such increase is paid separately from the rest of the monthly benefit of such individual for January or February 1970.

SEC. 1007. DISREGARDING OF INCOME OF OASDI RECIPIENTS IN DETERMINING NEED FOR PUBLIC ASSISTANCE.

In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual receiving aid or assistance for any month after March 1970 and before July 1970 who also receives in such month a monthly insurance benefit under title II of such Act which is increased as a result of the enactment of the other provisions of this title, the sum of the aid or assistance received by him for such month, plus the monthly insurance benefit received by him in such month (not including any part of such benefit which is disregarded under section 1006), shall exceed the sum of the aid or assistance which would have been received by him for such month under such plan as in effect for March 1970, plus the monthly insurance benefit which would have been received by him in such month without regard to the other provisions of this title, by an amount equal to $4 or (if less) to such increase in his monthly insurance benefit under such title II (whether such excess is brought about by disregarding a portion of such monthly insurance benefit or otherwise).

42 USC 301, 1201, 1351, 1381.

42 USC 401-429.

42 USC 1206.

Approved December 30, 1969, 9:30 a.m.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 91-413 (Part 1), No. 91-413 (Part 2) (Comm. on Ways & Means) and No. 91-782 (Comm. of Conference).
SENATE REPORT No. 91-552 (Comm. on Finance).
CONGRESSIONAL RECORD, Vol. 115 (1969):
Aug. 6, 7, Dec. 11: Considered and passed House.
Nov. 21, 24-26, Dec. 1-6, 8-11: Considered and passed Senate, amended.
Dec. 22: House and Senate agreed to conference report.

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Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 100 January 2, 1970

SOCIAL SECURITY AMENDMENTS OF 1969

To Administrative, Supervisory,
and Technical Employees

On December 30, President Nixon signed the "Tax Reform Act of 1969," which includes a social security benefit increase. A copy of the statement made by the President when he signed the law is enclosed.

As you know, the Senate had added a number of social security amendments to the tax reform bill. As approved by the House-Senate Conference Committee, the social security amendments were virtually identical to those in H. R. 15095, the social security bill which passed the House on December 15 by a vote of 398-0 (and which had been described in Commissioner's Bulletin Number 98 at the time the Ways and Means Committee had reported the bill to the House).

The social security amendments in the Tax Reform Act provide a 15-percent increase in social security benefits and a similar increase in the special payments for certain people aged 72 and older, effective for January 1970. In addition, the $105 limitation on wife's and husband's insurance benefits is eliminated and--to cover the effect of the 15-percent benefit increase--the allocation of contribution income to the disability insurance trust fund is increased slightly. No changes in the contribution rates or contribution and benefit base were required to finance the changes made by the amendments, since there was a favorable actuarial balance of 1.16 percent of taxable payroll in the combined OASDI program, which was sufficient to cover the cost of the benefit changes. As a result of the changes, the program has an actuarial balance of minus 0.08 percent of taxable payroll, which is within what have been considered acceptable limits.

Beneficiaries can expect that their April 3 check will reflect the 15-percent increase. A separate check will be issued later in April to cover the retroactive amount due for January and February. Families whose total benefits for January 1970 are limited by the family maximum provision will get a 15-percent increase in benefits for January if at least one member of the family was on the benefit rolls in December 1969. Families on the rolls before 1971 will not get less in total benefits as a result of the 1969 amendments than they would have if the amendments had not been enacted. (Without this provision, a decrease in benefits could have occurred for certain families affected by the family maximum provision where the worker's benefit was actuarially reduced.)

The Committee on Ways and Means is expected to resume executive sessions on the social security, Medicare, Medicaid, and welfare programs on January 19. Committee Chairman Wilbur D. Mills and the Committee's ranking minority member, John W. Byrnes, have said that they expect that the Committee will report a bill to the House by late March.

Robert M. Ball

Robert M. Ball
Commissioner

Enclosure

P.L. 91-172

FOR IMMEDIATE RELEASE DECEMBER 30, 1969

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT
ON SIGNING OF TAX REFORM ACT
OF 1969

Eight months ago, I submitted a sweeping set of proposals to the Congress for the first major tax reform in 15 years, one which would make our tax system more fair.

My proposals were carefully balanced to avoid increasing the pressure on prices that were already rising too fast.

Congress has passed an unbalanced bill that is both good and bad. The tax reforms, on the whole, are good; the effect on the budget and on the cost of living is bad

When the Congress reduces revenues, and at the same time increases appropriations, it causes budget deficits that lead to higher prices.

In terms of long-overdue tax reform, most of my major reform proposals were adopted. Other proposals were worked out between the Congress and the Administration; still others were the handiwork of the Congress alone.

-- More than nine million low-income people who pay taxes will be dropped from the tax rolls. This results primarily from the special Low Income Allowance that I proposed last April as a means of making sure that people at or below the poverty level do not have to pay Federal income taxes.

-- A large number of high-income persons who have paid little or no Federal income taxes will now bear a fairer share of the tax burden through enactment of a minimum income tax comparable to the proposal that I submitted to the Congress, which closes the loopholes that permitted much of this tax avoidance. However, the highest rates on wages and other earned income, not otherwise tax-sheltered, will be reduced from 70% to 50% in 1972.

-- The Congress accepted my recommendations to reduce sharply the discrimination against single persons in the tax laws.

-- Over 19 million additional people who pay taxes will find their annual task easier because they will find it advantageous to use the simple standard

MORE

(OVER)

deduction, which is being significantly increased, rather than listing each deduction separately.

-- Measures are also included that will guard against over-withholding of income taxes. For example, students who work in the summer and who in the past have had taxes withheld and retained by the government until refund checks were mailed out the following spring, will no longer be subject to such withholding.

-- The application of our Low Income Allowance will permit a student in 1970 to earn $1,725 -- $825 more than at the present time -- without paying Federal taxes or being subject to withholding.

-- The 255-page bill represents a sweeping revision of the Internal Revenue Code. Section after section is tightened to prevent the avoidance of taxes that has permitted far too many of our citizens to avoid the taxes that others have had to pay.

-- Our continuing efforts to meet the nation's housing needs will be aided. The tax bill encourages rehabilitation of old housing and investment in residential construction.

-- Tax-free foundations were brought under much closer Federal scrutiny, although Congress wisely rejected provisions that would have hampered legitimate activities of the voluntary sector. At the same time, we must recognize that Congressional consideration of this matter reflected a deep and wholly legitimate concern about the role of foundations in our national life.

Congress also accepted this Administration's recommendation to increase Social Security payments, enabling our older citizens to maintain their standard of living in the face of rising prices. Earlier I proposed that this be accomplished through a "catch-up" increase in payments coupled with automatic increases in the years ahead to meet any future rises in living costs. Congress provided instead for a higher one-time increase with no automatic increases in the years ahead. I believe my position was more responsive to the long-range needs of the elderly, but the overriding consideration is that 25 million recipients of Social Security benefits have fallen behind financially, which makes my approval of this short-range revision necessary.

Despite the achievement of these worthy goals, the decision to sign the bill was not an easy one.

The bill unduly favors spending at the expense of saving at a time when demands on our savings are heavy. This will restrict the flow

of savings to help build housing, to provide credit for small business firms and farmers, and to finance needed State and local government projects. It will make our fight against the rising cost of living more difficult.

The critical moment for this legislation came after the Senate had passed a totally irresponsible bill that would have led to a sharp increase in the cost of living for every family in America. In a letter to the leaders of the Congress, I left no doubt that such a bill would be vetoed.

As a result, when members of the Congress met to work out the differences between the House and Senate bills, the bill that came out of that Conference was over six billion dollars less inflationary for the next fiscal year than the bill that had passed the Senate. It still falls almost three billion dollars short of my original proposals, but this response to my appeal to budgetary sanity makes it possible for me to sign the bill into law.

I am, however, deeply concerned about the reluctance of the Congress to face up to the adverse impact of its tax and spending decisions. If taxes are to be reduced, there must be corresponding reductions on the expenditure side. This has not been forthcoming from the Congress. On the contrary: In the very session when the Congress reduced revenues by $3 billion, it increased spending by $3 billion more than I recommended.

A deficit in the budget at this time would be irresponsible and intolerable. We cannot reduce taxes and increase spending at a time and in a way that raises prices. That would be robbing Peter to pay Paul. That is why I shall take the action I consider necessary to present a balanced budget for the next fiscal year.

I am also concerned about the constraint this act imposes on government revenues in future years, limiting our ability to meet tomorrow's pressing needs.

Seldom is any piece of major legislation fully satisfactory to a President. This bill is surely no exception. But I sign it because I believe that, on balance, it is a necessary beginning in the process of making our tax system fair to the taxpayer.

# # #

LISTING OF REFERENCE MATERIALS

U.S. Congress. House. Committee on Ways and Means. *Hearings on the Subject of Social Security and Welfare Proposals.* 91st Congress. 1st session.

Calendar No. 1210

91ST CONGRESS } SENATE { REPORT
2d Session } { No. 91-1191

TEMPORARY EMPLOYMENT AND RETIREMENT

SEPTEMBER 17, 1970.—Ordered to be printed

Mr. FONG, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany S. 2984]

The Committee on Post Office and Civil Service, to which was referred the bill (S. 2984) to permit certain Federal employment to be counted toward retirement having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

EXPLANATION AND JUSTIFICATION

Some temporary, part-time, and intermittent employment is covered by social security rather than by the retirement program. Such Federal civilian employment which, because of the type of appointment, places the employee under the social security law is generally creditable for civil service retirement purposes, if the employee is later employed in a position subject to the civil service retirement system. One exception to this rule exists as the result of the enactment of section 115 of the Social Security Amendments of 1954, Public Law 83-761, approved September 1, 1954.

By the terms of section 115, an employee who acquires social security coverage under the Social Security Amendments of 1954 may never receive retirement credit under the civil service retirement system or under any other retirement system established by the United States for the service covered by social security. Under the 1954 Social Security Amendments, which became effective January 1, 1955, social security coverage was and is extended to temporary and indefinite employees in the field service of the Post Office Deparmtent, temporary and indefinite employees of the Federal Deposit Insurance Corporation, temporary census-taking employees of the Censur Bureau; employees on a contract or fee basis, persons receiving nominal pay of $12 a year or less, and patient employees in Federal hospitals.

Accordingly, any temporary or indefinite employee of this kind may not, if he later secures civil service retirement coverage, receive credit for his prior social security covered service in determining title to annuity for himself or his survivors, or in the computation of his annuity benefit. This is true even though the employee is not then or would not at any time in the future become eligible for social security benefits.

S. 2984 would repeal section 115 of the Social Security Amendments of 1954 to permit social security-covered service in the categories listed above to be counted under the civil service retirement system or other retirement system for Federal employees.

S. 2984 would become effective upon enactment and apply to employees and former employees who thereafter retire. An employee-annuitant or survivor-annuitant who, on the date of enactment, was already receiving or entitled to receive retirement benefits could request the Civil Service Commission (or other office which administers his retirement system) to allow additional service credit for any employment in the categories previously mentioned. The resulting increase in annuity would be payable only from the first of the month following enactment.

An employee who has service which becomes creditable for retirement purposes as a result of this bill may, if he wishes, make a deposit to the retirement fund equal to retirement deductions for the period, plus interest. Like any other employee who has nondeduction service, he will receive retirement credit without making any deposit, and the only penalty for nonpayment is a reduction in annuity equal to 10 percent of the amount due as deposit.

Amendments

As introduced, S. 2984 would have credited toward civil service retirement previous social security covered service only in the case of temporary and indefinite employees in the field service of the Post Office Department. The committee, believing that all employees in the same circumstances should be treated alike, has amended the bill to include all employees deprived of such retirement credit by section 115 of the Social Security Amendments of 1954. The title was also amended to reflect more accurately the purpose of the bill as amended.

Agency Views

The staff of the Civil Service Commission advises that, in the staff's view, the existing bar to retirement credit imposed by the 1954 Social Security Amendments is inequitable in principle, because it denies credit for Federal civilian service under the retirement system which was established and is maintained as the staff retirement plan for career civilian employees. Such a system should base retirement income on all service performed for the Federal Government as employer.

Changes in Existing Law

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law in which no change is proposed is shown

in roman; existing law proposed to be omitted is enclosed in black brackets; new matter is shown in italic):

* * * * * * *

SOCIAL SECURITY AMENDMENTS OF 1954

* * * * * * *

[COVERED EMPLOYMENT NOT COUNTED UNDER OTHER FEDERAL RETIREMENT SYSTEMS

[SEC. 115. Notwithstanding any other provision of law, in determining eligibility for or the amount of any benefit (other than a benefit under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof, there shall not be taken into account any service which, by reason of the amendments to section 210 (a) of the Social Security Act made by section 101 (c) of this act, constitutes employment as defined in such section 210 (a).]

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Senate

WEDNESDAY, SEPTEMBER 23, 1970

CIVIL SERVICE RETIREMENT OF TEMPORARY EMPLOYEES IN THE POST OFFICE DEPARTMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1210, S. 2984.

The PRESIDENT pro tempore. The bill will be stated by title.

The legislative clerk read as follows: S. 2984, to permit certain service performed as a temporary employee of the field service of the Post Office Department to be counted toward civil service retirement.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Post Office and Civil Service with an amendment to strike out all after the enacting clause and insert:

That section 115 of the Social Security Amendments of 1954 is hereby repealed.

SEC. 2. (a) The repeal of such section 115, made by the first section of this Act, shall not apply in the case of a person who, on the date of enactment of this Act, is receiving or is entitled to receive benefits under any retirement system established by the United States or any instrumentality thereof unless he requests, in writing, the office which administers his retirement system to apply it in his case.

(b) Any additional benefits payable pursuant to a request made under subsection (a) of this section shall commence on the first of the month following enactment of this Act.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill to permit certain Federal employment to be counted toward retirement."

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 91-1722

COUNTING OF CERTAIN FEDERAL EMPLOYMENT TOWARD RETIREMENT

DECEMBER 10, 1970.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MILLS, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany S. 2984]

The Committee on Ways and Means, to whom was referred the bill (S. 2984) to permit certain Federal employment to be counted toward retirement, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of S. 2984 is to accord equal treatment in crediting Federal service for civil service retirement purposes to certain Federal employees. Such equal treatment is now precluded by section 115 of the Social Security Amendments of 1954, which section S. 2984 would repeal.

GENERAL STATEMENT

Under existing law, some temporary, part-time and intermittent employment by the Federal Government is covered by the social security program rather than by the civil service retirement program or other retirement programs for Federal employees. Such Federal civilian employment is generally creditable for civil service retirement purposes if the employee is later employed in a position subject to the civil service retirement system. One exception to this rule exists as a result of the enactment of section 115 of the Social Security Amendments of 1954.

By the terms of section 115, Federal employees who acquired social security coverage under the 1954 amendments may never receive credit under a retirement system for Federal employees for this service covered by social security. The employees so affected are primarily

those who receive temporary appointments in the field service of the Post Office Department, but section 115 applies also to a small number of temporary employees in the Federal Deposit Insurance Corporation, in a Federal land bank or bank for cooperatives, census-taking employees of the Census Bureau, and to employees paid on a contract or fee basis, employees receiving nominal pay of $12 a year or less, and patient employees in Federal hospitals.

The temporary appointments of many of these employees, especially those of the Post Office Department, ripen into permanent appointments, at which time they acquire coverage under the civil service retirement system and lose their social security coverage acquired under the 1954 amendments. When they retire under the civil service retirement system they cannot receive credit for their temporary employment as do persons in other temporary Federal positions.

An employee who has service which becomes creditable for retirement purposes as a result of this bill may, if he wishes, make a deposit to the civil service retirement fund equal to retirement deductions for the period, plus interest. If he failed to make this deposit, his retirement annuity would be reduced by 10 percent of the amount owed as deposit.

There are about 345,000 permanent full-time employees of the Post Office Department who have approximately 2.5 years each of temporary employment which would become creditable toward civil service retirement upon enactment of S. 2984. The number of nonpostal employees with temporary employment excluded from retirement credit by section 115 cannot be ascertained but it is believed to be relatively very small.

Based on the 345,000 figure, the Civil Service Commission estimates that the unfunded liability of the civil service retirement and disability fund would be increased by $402 million. Under the provisions of 5 U.S.C. 8348, pertaining to the civil service retirement and disability fund, enactment of S. 2984 is deemed to authorize appropriations to the fund to finance this increase in unfunded liability plus interest in 30 equal annual installments, with the first installment being due June 30, 1971. Each installment would amount to an estimated $21.1 million.

S. 2984 would become effective upon enactment and apply to employees and former employees who thereafter retire or die. An already retired employee or survivor annuitant could request his retirement system to allow credit for temporary service excluded by section 115. However, the increase in annuity benefit resulting from credit of the temporary service would be payable only from the first of the month following enactment.

This bill is approved by both the U.S. Civil Service Commission and the Department of Health, Education, and Welfare. Your committee is unanimous in recommending enactment of S. 2984.

Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets):

SECTION 115 OF THE SOCIAL SECURITY AMENDMENTS OF 1954

[COVERED EMPLOYMENT NOT COUNTED UNDER OTHER FEDERAL RETIREMENT SYSTEMS

[SEC. 115. Notwithstanding any other provision of law, in determining eligibility for or the amount of any benefit (other than a benefit under title II of the Social Security Act or under the Railroad Retirement Act of 1937, as amended) under any retirement system established by the United States or any instrumentality thereof, there shall not be taken into account any service which, by reason of the amendments to section 210 (a) of the Social Security Act made by section 101 (c) of this act, constitutes employment as defined in such section 210 (a).]

COUNTING OF CERTAIN FEDERAL EMPLOYMENT TOWARD RETIREMENT

Mr. BOGGS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 2984) to permit service performed as a temporary employee of the field service of the Post Office Department to be counted toward civil service retirement, which was unanimously reported to the House by the Committee on Ways and Means.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Clerk read the bill as follows:

S. 2984

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 115 of the Social Security Amendments of 1954 is hereby repealed.

SEC. 2. (a) The repeal of such section 115, made by the first section of this Act, shall not apply in the case of a person who, on the date of enactment of this Act, is receiving or is entiled to receive benefits under any retirement system established by the United States or any instrumentality thereof unless he requests, in writing, the office which administers his retirement system to apply it in his case.

(b) Any additional benefits payable pursuant to a request made under subsection (a) of this section shall commence on the first of the month following enactment of this Act.

Mr. BOGGS. Mr. Speaker, such equal treatment is now precluded by section 115 of the Social Security Amendments of 1954, which section S. 2984 would repeal.

Under existing law, some temporary, part-time and intermittent employment by the Federal Government is covered by the social security program rather than by the civil service retirement program or other retirement programs for Federal employees. Certain of these positions were covered under social security by the Social Security Amendments of 1950; others were covered under the Social Security Amendments of 1954. Federal civilian employment covered under the 1950 amendments is creditable for civil service retirement purposes if the employee is later employed in a position subject to the civil service retirement system. Those covered under the 1954 amendments may not have such service later credited under civil service retirement simply because of the enactment of section 115 of the Social Security Amendments of 1954.

By the terms of section 115, Federal employees who acquired social security coverage under the 1954 amendments may never receive credit under a retirement system for Federal employees for this service covered by social security. Most of the employees so affected are those who receive temporary appointments in the field service of the Post Office Department, but section 115 applies also to a small number of other temporary employees.

An employee who has service which becomes creditable for retirement purposes as a result of this bill may, if he wishes, make a deposit to the Civil Service Retirement Fund equal to retirement deductions for the period, plus interest. If he failed to make this deposit, his retirement annuity would be reduced by 10 percent of the amount owed as deposit. This is the same treatment as is given to the temporary employees brought under social security by the 1950 amendments who later acquire coverage under the civil service retirement system.

Mr. Speaker, enactment of the bill would affect around 345,000 Post Office employees and would require additional appropriations to the civil service retirement and disability trust fund of an estimated $21.1 million a year.

The bill has the approval of both the U.S. Civil Service Commission and the Department of Health, Education, and Welfare. Your committee is unanimous in recommending its enactment.

The bill was ordered to be read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

Public Law 91-630
91st Congress, S. 2984
December 31, 1970

An Act

To permit certain Federal employment to be counted toward retirement.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 115 of the Social Security Amendments of 1954 is hereby repealed.

Federal retirement. Covered employment. Repeal. 68 Stat. 1087. 42 USC 410 note.

SEC. 2. (a) The repeal of such section 115, made by the first section of this Act, shall not apply in the case of a person who, on the date of enactment of this Act, is receiving or is entitled to receive benefits under any retirement system established by the United States or any instrumentality thereof unless he requests, in writing, the office which administers his retirement system to apply it in his case.

(b) Any additional benefits payable pursuant to a request made under subsection (a) of this section shall commence on the first of the month following enactment of this Act.

Effective date.

Approved December 31, 1970.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 91-1722 (Comm. on Ways and Means).
SENATE REPORT No. 91-1191 (Comm. on Post Office and Civil Service).
CONGRESSIONAL RECORD, Vol. 116 (1970):
Sept. 23, considered and passed Senate.
Dec. 22, considered and passed House.

GPO 48-139

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 91-1716

DISREGARDING OF OASDI AND RAILROAD RETIREMENT INCOME IN DETERMINING NEED FOR PUBLIC ASSISTANCE

DECEMBER 10, 1970.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. MILLS, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 19915]

The Committee on Ways and Means, to whom was referred the bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of oldage, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF H.R. 19915

The purpose of H.R. 19915 is to make permanent section 1007 of the Social Security Amendments of 1969. Section 1007 was a temporary provision that accompanied the 15-percent increase in social security benefits, the principal purpose of the Social Security Amendments of 1969.

Under section 1007, the States were required to take action to assure that recipients of public assistance under the federally aided adult public assistance programs (the old-age assistance, aid to the blind, and aid to the permanently and totally disabled programs) who also received a social security benefit increase under the 1969 amendments would realize an increase in combined income from public assistance and social security equal to $4 a month or the amount of the social security benefit increase received by the recipient, if less. A State could meet this requirement either by disregarding a portion of the recipient's social security payment or by raising the State's standard of assistance for all recipients under the program involved.

Section 1007 of the 1969 amendments as originally enacted applied only to public assistance payments made before July 1970. The provision was enacted on a temporary basis in order to allow Congress time to consider the problem with which it dealt more thoroughly in connection with the work it has planned to do on major welfare proposals this year.

In April, the House of Representatives passed H.R. 16311, the administration's proposed welfare legislation. One of the sections of this bill provided for making section 1007 permanent law in the same manner as H.R. 19915.

In June of this year, when it became apparent that the Senate would not be able to complete action on H.R. 16311 before section 1007 was to expire, the Senate adopted an amendment to another pending bill (H.R. 14720) to extend the application of section 1007 through October of 1970. The Senate amendment also broadened section 1007 to apply to railroad retirement beneficiaries. The House agreed to this amendment and it was signed into law (Public Law 91–306).

The Senate has taken further action on this issue by including a provision to extend the application of section 1007 through December 31, 1971, in the pending Social Security Amendments of 1970 (H.R. 17550) which was ordered reported in the Senate on December 9.

Since section 1007 expired at the end of October and since both Houses of Congress have taken some action in the direction of extending its application to apply in the future, your committee believes it is imperative that action be taken on this legislation in order to prevent the States from ceasing to apply the provision, which in some instances could result in a $4 reduction in public assistance payments for some recipients. H.R. 19915 would apply retroactively to public assistance payments for months since October 1970.

Your committee is unanimous in recommending enactment of H.R. 19915.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, existing law in which no change is proposed is shown in roman):

Section 1007 of the Social Security Amendments of 1969

SEC. 1007. DISREGARDING OF INCOME OF OASDI RECIPIENTS AND RAILROAD RETIREMENT RECIPIENTS IN DETERMINING NEED FOR PUBLIC ASSISTANCE

In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual receiving aid or assistance for any month after March 1970 [and before

November 1970] who also receives in such month (1) a monthly insurance benefit under title II of such Act which is increased as a result of the enactment of the other provisions of this title, the sum of the aid or assistance received by him for such month, plus the monthly insurance benefit received by him in such month (not including any part of such benefit which is disregarded under section 1006), shall exceed the sum of the aid or assistance which would have been received by him for such month under such plan as in effect for March 1970, plus the monthly insurance benefit which would have been received by him in such month without regard to the other provisions of this title, by an amount equal to $4 or (if less) to such increase in his monthly insurance benefit under such title II (whether such excess is brought about by disregarding a portion of such monthly insurance benefit or otherwise), or (2) a monthly payment of annuity or pension under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1935 which is increased as a result of the enactment (after May 30, 1970, and before December 31, 1970) of any Act which provides general increases in the amount of the annuities or pensions payable under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1935, the sum of the aid or assistance received by him for such month, plus the monthly amount of such annuity or pension received by him in such month (not including any part of such annuity or pension which is disregarded under section 1006), shall (except as otherwise provided in the succeeding sentence) exceed the sum of the aid or assistance which would have been received by him for such month under such plan as in effect for March 1970, plus the monthly annuity or pension which would have been received by him in such month without regard to the provisions of the Act enacted by such enactment, by an amount equal to $4 or (if less) to such increase in his monthly annuity or pension under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1935 (whether such excess is brought about by disregarding a portion of such annuity or pension or other otherwise). If, in the case of any individual, the provisions of both clauses (1) and (2) of the preceding sentence are applicable to him with respect to any month, any increase in the annuity or pension (referred to in clause (2) of the preceding sentence) of such individual for such month shall, for purposes of such sentence, be treated as an additional increase in the amount of his monthly insurance benefit under title II of the Social Security Act for such month in lieu of an increase for such month in his annuity or pension (as so referred to).

○

Union Calendar No. 821

91ST CONGRESS
2D SESSION

H. R. 19915

[Report No. 91–1716]

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 7, 1970

Mr. BURTON of California introduced the following bill; which was referred to the Committee on Ways and Means

DECEMBER 10, 1970

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, effective with respect to months after October 1970, section 1007 of the Social Security Amendments of 1969 is amended by striking out "and before November 1970".

Union Calendar No. 821

91ST CONGRESS
2D SESSION

H. R. 19915

[Report No. 91–1716]

A BILL

To make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

By Mr. BURTON of California

DECEMBER 7, 1970

Referred to the Committee on Ways and Means

DECEMBER 10, 1970

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

DISREGARDING OF OASDI AND RAILROAD RETIREMENT INCOME IN DETERMINING NEED FOR PUBLIC ASSISTANCE

Mr. BOGGS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance, which was unanimously reported to the House by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Clerk read the bill as follows:

H.R. 19915

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, effective with respect to months after October 1970, section 1007 of the Social Security Amendments of 1969 is amended by striking out "and before November 1970".

Mr. BOGGS. Mr. Speaker, under section 1007, the States were required to take action to assure that recipients of public assistance under the federally aided adult public assistance programs—the old-age assistance, aid to the blind and aid to the permanently and totally disabled programs—who also received a social security benefit increase under the 1969 amendments would realize an in-

crease in combined income from public assistance and social security equal to $4 a month or the amount of the social security benefit increase received by the recipient if less. A State could meet this requirement either by disregarding a portion of the recipient's social security payment or by raising the State's standard of assistance for all recipients under the program involved.

Section 1007 of the 1969 amendments as originally enacted applied only to public assistance payments made before July 1970. The provision was enacted on a temporary basis in order to allow Congress time to consider the problem with which it dealt more thoroughly in connection with the work it had planned to do on major welfare proposals this year.

This matter has already been considered an acted upon by the House. In April, the House of Representatives passed H.R. 16311, the administration's proposed welfare legislation. One of the sections of this bill provided for making section 1007 permanent law in the same manner as H.R. 19915.

Under legislation enacted in June of this year, the provision was extended for another temporary period, through the end of October. The pending social security bill (H.R. 17550) as reported in the Senate contains a provision extending the application of section 1007, through December 31, 1971.

Mr. Speaker, I believe it is important that action be taken on this bill so that States will not discontinue applying the $4 income disregard. This legislation is required to protect many recipients against a cut in their public assistance payments. It is also required in order that the States may know whether or not they should continue to apply the income disregard provision.

Mr. Speaker, this bill was favorably reported unanimously by the committee.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Calendar No. 1558

91ST CONGRESS
2D SESSION

H. R. 19915

IN THE SENATE OF THE UNITED STATES

DECEMBER 28, 1970

Read twice and referred to the Committee on Finance

DECEMBER 31, 1970

The Committee on Finance discharged, and ordered to be placed on the calendar

AN ACT

To make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, effective with respect to months after October 1970, section 1007 of the Social Security Amendments of 1969 is amended by striking out "and before November 1970".

Passed the House of Representatives December 22, 1970.

Attest: W. PAT JENNINGS,

Clerk.

Calendar No. 1558

91ST CONGRESS
2D SESSION

H. R. 19915

AN ACT

To make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

DECEMBER 28, 1970

Read twice and referred to the Committee on Finance

DECEMBER 31, 1970

The Committee on Finance discharged, and ordered to be placed on the calendar

MAKING PERMANENT THE TEMPORARY PROVISION FOR DISREGARDING INCOME OF OLD AGE, SURVIVORS, AND DISABILITY INSURANCE AND RAILROAD RETIREMENT RECIPIENTS IN DETERMINING NEED FOR PUBLIC ASSISTANCE

The bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance was announced as next in order.

Mr. GRIFFIN. Mr. President, reserving the right to object, I understood there was an amendment to be offered on this bill.

Mr. MANSFIELD. Mr. President, if there is an amendment to be offered, then I believe, in view of that situation, I shall withdraw consideration of the bill.

Mr. President, I withdraw consideration of this bill.

The PRESIDING OFFICER. The bill will be withdrawn.

Mr. MANSFIELD subsequently said. Mr. President, I ask unanimous consent that the Senate turn to the consideration of Calendar No. 1558, H.R. 19915; that it be made the pending business, and that an amendment to it be considered.

The ACTING PRESIDENT pro tempore. The bill will be stated by title.

The legislative clerk read the bill by title, as follows: A bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

The ACTING PRESIDENT pro tempore. The bill is open to amendment.

Mr. MANSFIELD. Mr. President, there is an amendment at the desk.

The ACTING PRESIDENT pro tempore. The amendment will be read.

The legislative clerk read the amendment in the nature of a substitute as follows:

Strike out all after the enacting clause and insert:

"That section 1007 of the Social Security Amendments of 1969, as amended by section 2(b) of Public Law 91-306, is amended to read as follows:

"'SEC. 1007. In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual found eligible (as a result of the requirement imposed by this section or otherwise) for aid for any month after March 1970 and before January 1972 who also receives in such month—

"'(1) a monthly insurance benefit under title II of such Act, the sum of the aid received by him for such month, plus the monthly insurance benefit received by him in such month, shall not be less than the sum of the aid which would have been received by him for such month under the State plan as in effect for March 1970, plus either

"'(A) the monthly insurance benefit which was or would have been received by him in March 1970 without regard to the other provisions of this title plus $4, or

"'(B) the monthly insurance benefit which was or would have been received by him in March 1970 under the provisions of this title,

whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly insurance benefit or otherwise), or

"'(2) a monthly payment of annuity or pension under the Railroad Retirement Act

of 1937 or the Railroad Retirement Act of 1935, the sum of the aid received by him in such month, plus the monthly payment of such annuity or pension received by him in such month (not including any part of such annuity or pension which is disregarded under section 1006), shall (except as otherwise provided in the succeeding sentence) not be less than the sum of the aid which would have been received by him for such month under such plan as in effect for March 1970, plus either

"'(A) the monthly payment of annuity or pension which was or would have been received by him in March 1970 without regard to the provisions of any Act enacted after May 30, 1970, and before December 31, 1970, which provides general increases in the amount of such monthly payment of annuity or pension plus $4, or

"'(B) the monthly payment of annuity or pension which was or would have been received by him in March 1970, taking into account the provisions of such Act (if any), whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly payment of annuity or pension or otherwise).'"

The PRESIDING OFFICER. The question is on agreeing to the amendment.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. MILLER. Mr. President, the reason for the amendment is that the substance of this legislation was included in the social security bill. It was anticipated, at the time the Senate Finance Committee took action on this measure, that the House would agree to a conference and that we would have a social security bill. Unfortunately, those expectations have not been fulfilled, and in order to do equity, it is necessary to have this legislation. It is hoped that there will be a social security bill next year, and therefore, it is necessary to extend the application of this legislation only for 1 additional year.

That is what the purpose of the amendment is, and I hope the Senate will agree to it.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment.

The amendment was agreed to.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time, and passed.

The title was amended so as to read: "An Act to extend the temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance."

Mr. SCOTT. Mr. President, if the distinguished majority leader will yield, I might say, for the information of the Senate, that the reason we are passing the bill with an amendment today is that the distinguished chairman of the Ways and Means Committee in the other body is over there, and we hope this measure can be expeditiously adopted.

DISREGARDING INCOME FROM OASDI AND RAILROAD RETIREMENT FOR PUBLIC ASSISTANCE RECIPIENTS

Mr. BOGGS. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 19915) to make permanent the existing temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments as follows:

Strike out all after the enacting clause and insert: That section 1007 of the Social Security Amendments of 1969, as amended by section 2(b) of Public Law 91-306, is amended to read as follows:

"SEC. 1007. In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual found eligible (as a result of the requirement imposed by this section or otherwise) for aid for any month after March 1970 and before January 1972 who also receives in such month—

"(1) a monthly insurance benefit under title II of such Act, the sum of the aid received by him for such month, plus the monthly insurance benefit received by him in such month, shall not be less than the sum of the aid which would have been received by him for such month under the State plan as in effect for March 1970, plus either

"(A) the monthly insurance benefit which was or would have been received by him in March 1970 without regard to the other provisions of this title plus $4, or

"(B) the monthly insurance benefit which was or would have been received by him in March 1970 under the provisions of this title,

whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly insurance benefit or otherwise), or

"(2) a monthly payment of annuity or pension under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1935, the sum of the aid received by him in such month, plus the monthly payment of such annuity or pension received by him in such month (not including any part of such annuity or pension which is disregarded under section 1006), shall (except as otherwise provided in the succeeding sentence) not be less than the sum of the aid which would have been received by him for such month under such plan as in effect for March 1970, plus either

"(A) the monthly payment of annuity or pension which was or would have been received by him in March 1970 without regard to the provisions of any Act enacted after May 30, 1970, and before December 31, 1970, which provides general increases in the amount of such monthly payment of annuity or pension plus $4, or

"(B) the monthly payment of annuity or pension which was or would have been received by him in March 1970, taking into account the provisions of such Act (if any), whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly payment of annuity or pension or otherwise)."

Amend the title so as to read: "An Act to extend the temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance."

Mr. BOGGS. Mr. Speaker, H.R. 19915, as passed by the House on December 22, 1970, would have continued indefinitely a provision of law which guaranteed aged, blind, and disabled people on welfare that they would benefit by at least $4 a month from the 15 percent social security benefit increase, effective in January 1970. This provision was enacted in conjunction with that 15-percent benefit increase as a temporary measure and it expired at the end of last October.

I am pleased that many of the States have taken action to meet the $4 pass-along requirement by increasing their payments for adult recipients generally, but there are still a number of States that need to have the pass-along provision extended to permit them to continue applying their income disregarding provisions.

The Senate has passed H.R. 19915 with an amendment which would extend the pass-along provision through December 1971. I urge the House to adopt this bill as amended by the Senate. This will guarantee that the $4 provision will continue to be effective. There will be sufficient time during the first session of the 92d Congress to take further action on this matter.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

Public Law 91-669
91st Congress, H. R. 19915
January 11, 1971

An Act

To extend the temporary provision for disregarding income of old-age, survivors, and disability insurance and railroad retirement recipients in determining their need for public assistance.

OASDI and railroad retirement recipients. Public assistance, extension. Ante, p. 408. 42 USC 301, 1201, 1351, 1381. 84 STAT. 2038 84 STAT. 2039 42 USC 401.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That section 1007 of the Social Security Amendments of 1969, as amended by section 2(b) of Public Law 91-306, is amended to read as follows:

"SEC. 1007. In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual found eligible (as a result of the requirement imposed by this section or otherwise) for aid for any month after March 1970 and before January 1972 who also receives in such month—

"(1) a monthly insurance benefit under title II of such Act, the sum of the aid received by him for such month, plus the monthly insurance benefit received by him in such month, shall not be less than the sum of the aid which would have been received by him for such month under the State plan as in effect for March 1970, plus either

"(A) the monthly insurance benefit which was or would have been received by him in March 1970 without regard to the other provisions of this title plus $4, or

"(B) the monthly insurance benefit which was or would have been received by him in March 1970 under the provisions of this title,

whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly insurance benefit or otherwise), or

"(2) a monthly payment of annuity or pension under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1935, the sum of the aid received by him in such month, plus the monthly payment of such annuity or pension received by him in such month (not including any part of such annuity or pension which is disregarded under section 1006), shall (except as otherwise provided in the succeeding sentence) not be less than the sum of the aid which would have been received by him for such month under such plan as in effect for March 1970, plus either

50 Stat. 307. 45 USC 228a-228s-2. 49 Stat. 967. 45 USC 215-228 notes. Ante, p. 407.

"(A) the monthly payment of annuity or pension which was or would have been received by him in March 1970 without regard to the provisions of any Act enacted after May 30, 1970, and before December 31, 1970, which provides general increases in the amount of such monthly payment of annuity or pension plus $4, or

"(B) the monthly payment of annuity or pension which was or would have been received by him in March 1970, taking into account the provisions of such Act (if any),

whichever is less (whether this requirement is satisfied by disregarding a portion of his monthly payment of annuity or pension or otherwise)."

Approved January 11, 1971.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 91-1716 (Comm. on Ways and Means).
CONGRESSIONAL RECORD, Vol. 116 (1970):
Dec. 22, considered and passed House.
Jan. 2, considered and passed Senate, amended; House agreed to Senate amendment.

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 91-1676

REASONABLE APPROVAL OF RURAL HOSPITALS FOR MEDICARE PURPOSES

DECEMBER 7, 1970.—Ordered to be printed

Mr. BURLESON, of Texas, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 19470]

The Committee on Ways and Means, to whom was referred the bill (H.R. 19470) to amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert the following:

That section 1861(e)(5) of the Social Security Act is amended by adding immediately after the semicolon at the end thereof the following:

"except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the provision of 24-hour nursing service rendered or supervised by a registered professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided during at least the regular daytime shift), where immediately preceding such one-year period he finds that—

"(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

"(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

"(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area;".

PURPOSE

The purpose of H.R. 19470, as amended, is to permit certain hospitals which have had difficulty in securing required nursing services to continue to participate in the medicare program for up to 5 years under specified conditions.

GENERAL STATEMENT

According to policy established by the Social Security Administration, a hospital or extended care facility is certified for participation in medicare if it is in full compliance (meets all the requirements of the Social Security Act and is in accordance with all regulatory requirements for participation), or if it is in "substantial" compliance (meets all the statutory requirements and the most important regulatory conditions for participation). Thus, while an institution may be deficient with respect to one or more standards of participation, it may still be found to be in substantial compliance, if the deficiencies do not represent a hazard to patient health or safety, and efforts are being made to correct the deficiencies.

It has been recognized that there is a need to assure continuing availability of medicare-covered institutional care in rural areas, many of which may have only one hospital, without jeopardizing the health and safety of patients. To achieve this objective, the approach has been adopted by Social Security of certifying "access" hospitals while documenting their deficiencies and requiring upgrading of plant and staff. State agencies have also been required to provide consultation and assistance to these facilities in an effort to help them achieve compliance with the standards. Certain "access" hospitals, to the extent that they are capable, have succedded in overcoming deficiencies. However, many hospitals have not demonstrated sufficient willingness to take the steps necessary to correct deficiencies and have instead been willing to continue as "access" hospitals with all the limitations in quality care that this status entails. In other areas, some rural hospitals despite proper efforts have been unable to secure required personnel or otherwise comply.

To deal with the dilemma created by the need to assure the availability of hospital services of adequate quality in rural areas and the fact that existing shortages of qualified nursing personnel make it difficult for some rural hospitals to meet the nursing staff requirements of present law, your committee's bill would authorize the Secretary, under certain conditions, to waive the requirement that an access hospital have registered professional nurses on duty around the clock. This requirement could be waived only if the Secretary finds that the hospital:

(*a*) Has at least one registered nurse on the day shift and has made, and is continuing to make, a bona fide effort to comply with the registered nursing staff requirement with respect to other shifts (which, in the absence of an R.N. are covered by licensed practical nurses) but is unable to employ the qualified personnel necessary, at prevailing wage or salary levels, because of nursing personnel shortages in the area;

(*b*) Is located in an isolated geographical area in which hospitals are in short supply and the closest other participating hospitals are not readily accessible to people of the area; and

(*c*) Nonparticipation of the "access" hospital would seriously reduce the availability of hospital services to medicare beneficiaries residing in the area.

Under the provision, the Secretary would regularly review the situation with respect to each hospital, and the waiver would be granted on an annual basis for not more than one-year at a time. The waiver authority would be applicable only with respect to the nursing staff requirement; no waiver authority would be provided under the amendment with respect to any other conditions of participation or any standards relating to health and safety.

The proposed waiver authority would expire December 31, 1975.

Your committee is unanimous in recommending the enactment of this bill.

Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Section 1861(c) of the Social Security Act

DEFINITION OF SERVICES, INSTITUTIONS, ETC.

SEC. 1861. For purposes of this title—

(a) * * *

* * * * * * *

HOSPITAL

(c) The term "hospital" (except for purposes of sections 1814(d) and 1835(b), subsection (a)(2) of this section, paragraph (7) of this subsection, and subsections (i) and (n) of this section) means an institution which—

(1) is primarily engaged in providing, by or under the supervision of physicians, to inpatients (A) diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or (B) rehabilitation services for the rehabilitation of injured, disabled, or sick persons;

(2) maintains clinical records on all patients;

(3) has bylaws in effect with respect to its staff of physicians;

(4) has a requirement that every patient must be under the care of a physician;

(5) provides 24-hour nursing service rendered or supervised by a registered professional nurse, and has a licensed practical nurse or registered professional nurse on duty at all times; *except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the provision of 24-hour nursing service rendered or supervised by a registered*

professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided during at least the regular daytime shift), where immediately preceding such one-year period he finds that—

(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area,

(6) has in effect a hospital utilization review plan which meets the requirements of subsection (k);

(7) in the case of an institution in any State in which State or applicable local law provides for the licensing of hospitals, (A) is licensed pursuant to such law or (B) is approved, by the agency of such State or locality responsible for licensing hospitals, as meeting the standards established for such licensing; and

(8) meets such other requirements as the Secretary finds necessary in the interest of the health and safety of individuals who are furnished services in the institution, except that such other requirements may not be higher than the comparable requirements prescribed for the accreditation of hospitals by the Joint Commission on Accreditation of Hospitals (subject to the second sentence of section 1863).

For purposes of subsection (a)(2), such term includes any institution which meets the requirements of paragraph (1) of this subsection. For purposes of sections 1814(d) and 1835(b) (including determination of whether an individual received inpatient hospital services or diagnostic services for purposes of such sections), and subsections (i) and (n) of this section, such term includes any institution which (i) meets the requirements of paragraphs (5) and (7) of this subsection, (ii) is not primarily engaged in providing the services described in section 1861(j)(1)(A) and (iii) is primarily engaged in providing, by or under the supervision of individuals referred to in paragraph (1) of section 1861(r) to inpatients diagnostic services and therapeutic services for medical diagnosis, treatment, and care of injured, disabled, or sick persons, or rehabilitation services for the rehabilitation of injured, disabled, or sick persons.

Notwithstanding the preceding provisions of this subsection, such term shall not, except for purposes of subsection (a)(2), include any institution which is primarily for the care and treatment of mental diseases or tuberculosis unless it is a tuberculosis hospital (as defined in subsection (g) or unless it is a psychiatric hospital (as defined in subsection (f)). The term "hospital" also includes a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Mass., but only with respect to items and services ordinarily furnished by such institution to inpatients, and payment may be made with respect to services provided by or in such an institution only to such extent and under

such conditions, limitations, and requirements (in addition to or in lieu of the conditions, limitations, and requirements otherwise applicable) as may be provided in regulations. For provisions deeming certain requirements of this subsection to be met in the case of accredited institutions, see section 1865.

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Union Calendar No. 808

91ST CONGRESS
2D SESSION

H. R. 19470

[Report No. 91-1676]

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 28, 1970

Mr. BURLESON of Texas (for himself and Mr. BUSH) introduced the following bill; which was referred to the Committee on Ways and Means

DECEMBER 7, 1970

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, ~~That section 1861 (e) (5) of the Social Security Act is amended by inserting "(A)" after "(5)", and by inserting before the semicolon at the end thereof the following: ", or (B) in the case of an institution having fifty or fewer inpatient beds, provides (under the general supervision of a registered professional nurse) twenty-four-hour nursing service~~

~~rendered by licensed practical nurses (including vocational nurses) or registered professional nurses, or both".~~

~~SEC. 2. Section 1861 (e) (8) of the Social Security Act is amended—~~

~~(1) by inserting "(A)" after "except that"; and~~

~~(2) by inserting before the period at the end thereof the following: ", and (B) such other requirements when applied to an institution having fifty or fewer inpatient beds may not include (i) a requirement that the institution have fire sprinklers, (ii) a requirement that any specified number of deaths in the institution be subject to autopsy, or (iii) any nursing service requirement more stringent than the requirement imposed by paragraph (5) (B)".~~

That section 1861(e)(5) of the Social Security Act is amended by adding immediately after the semicolon at the end thereof the following: "except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the provision of twenty-four-hour nursing service rendered or supervised by a registered professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided, during

at least the regular daytime shift), where immediately preceding such one-year period he finds that—

"(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

"(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

"(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area;"

Union Calendar No. 808

91ST CONGRESS
2D SESSION

H. R. 19470

[Report No. 91–1676]

A BILL

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

By Mr. BURLESON of Texas and Mr. BUSH

SEPTEMBER 28, 1970

Referred to the Committee on Ways and Means

DECEMBER 7, 1970

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

REASONABLE APPROVAL OF RURAL HOSPITAL FOR MEDICARE PURPOSES

Mr. BOGGS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 19470) to amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions, which was unanimously reported to the House by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

Mr. PICKLE. Mr. Speaker, reserving the right to object, I notice that the bill H.R. 19470 is similar to the bill, which I introduced last September, and other Members joined me, giving relief to these small rural hospitals. Certainly this legislation should be moved forward. I understand that the essence of this legislation reportedly at least is in the social security bill. That bill may or may not move forward. Regardless of that, it is the intent of the committee to move this legislation forward to give relief to the small hospitals.

Mr. Speaker, I would like to speak in favor of the purpose of this bill. The necessity for this legislation was brought about by the Social Security Administration's demands that all hospitals provide 24-hour coverage by registered nurses in order to receive medicare certification. Due to a general shortage of manpower, many small hospitals cannot find nurses to comply with this requirement.

I fully realize that this requirement, where it can be met, is beneficial to the patients and to our national health service. However, until we get enough nurses to fill the need, it is harsh medicine to close these rural and smalltown hospitals. Many small hospitals in Texas and other States face the strong possibility of closing if they are cut off from medicare funds.

This bill that we are considering will keep these small hospitals open, but at the same time it will be consistent with the goal of trying to give the best health service possible. Under this bill the Secretary can waive the 24-hour requirement if the hospital meets the following requirements:

First. The hospital has at least one registered nurse on duty on the day shift and is continuing to make a bona fide effort to comply with the 24-hour requirement with respect to the other shifts. During the shifts which do not have a registered nurse present, there must be a licensed practical nurse on hand.

Second. The hospital must be in a geographic area where hospitals are in short supply and the closest other hospitals participating in medicare are not readily accessible to people of the area.

Third. Nonparticipation of the hospital in the medicare program would seriously reduce the availability of hospital services to medicare beneficiaries residing in the area.

Under this legislation the Secretary would regularly review the particular situation of each hospital and the waiver of the 24-hour registered nurse requirement would be granted on annual basis for not more than 1 year at a time.

The waiver authority under this bill expires in 1975. The purpose of this expiration date is to cause Congress to reassess the supply of medical personnel at that time to see if the waiver provision is still needed. This reassessment of the need for the waiver is in line with our overall purpose of seeing that the best medical care possible is supplied. Mr. Speaker, I think this is a good bill and one that is desperately needed.

I withdraw my objections to the consideration of this legislation.

Mr. BOGGS. The gentleman is correct. Of course, it is our very firm hope that the bill will move ahead in the other body, but it is very difficult to give any guarantee.

Mr. PICKLE. I commend the committee for bringing this forward.

Mr. BOGGS. The gentleman's colleague from Texas joined him in sponsoring this legislation.

Mr. KAZEN. Mr. Speaker, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Texas (Mr. KAZEN).

Mr. KAZEN. Mr. Speaker, I commend the committee for bringing this bill out. It is a much needed bill. As one who has had experience in having a rural hospital closed down because of this particular deficiency, I welcome this bill. I hope it will help all the rural areas of this country.

Mr. BOGGS. I might say to the gentleman the Senate Finance Committee has reported this bill and the overall bill, and for us to pass it will make it possible for them to consider this separately.

Mr. Speaker, I yield to the author of the bill, the gentleman from Texas (Mr. BURLESON).

Mr. BURLESON of Texas. Mr. Speaker, I join the gentleman and my associates who have explained the situation, which is really critical. There is no question about the need or the reasonableness or the practicality of this approach.

Mr. Speaker, when H.R. 19470 was originally introduced, it provided a broader judgment and discretion on the part of HEW and our State health officials in establishing standards for hospitals under medicare.

There must be adequate standards for adequate health care. This we all recognize. There is, however, the practical aspect of what can be immediately provided in certain areas of the country.

In many small towns of the more rural sections there is only one hospital. In many instances it is miles removed from a larger town hospital and is necessary to the community. To establish standards and requirements which cannot be met at this time and a few years in the immediate future, would work an extreme hardship on medicare patients who have no other place to go.

Medicare patients should not be required to leave their home community, their familiar surroundings and, particularly, their doctor for care in another area not familiar to them.

The bill before the House permits discretion on the part of the Secretary of Health, Education, and Welfare to determine, under certain criteria, whether a registered nurse must be required around the clock at these particular hospitals. Originally, the bill which I introduced included a relaxation of rather stringent requirements in connection with physical facilities. Since there is some latitude already permitted in connection with these standards, H.R. 19470 was amended in the Ways and Means Committee to apply only to registered nurses. Under present law it appears there is no discretion on the part of those who make these determinations to waive for any period of time this provision.

Mr. Speaker, it is my feeling that a greater latitude should be given in the requirements of physical facilities but, in this measure, we are reaching for the possible and it is needed immediately. The Senate Finance Committee has tentatively adopted language applicable only to the nursing requirement and, therefore, it is hoped that with narrowing my original proposal we can get this much accomplished in the hope that these other things will come along in due time.

The bill before us is temporary in nature in that it allows the nursing requirement discretion to be exercised for a period of 5 years. The Secretary may determine on a year-to-year basis whether a hospital can provide around the clock nursing care and if it is found that such is impractical and impossible, then the requirement may be waived year by year for the next 5 years.

I repeat that physical facilities are not involved in this more narrow legislation since some discretion can evidently be applied. The requirements necessary to the interest of the health and safety of patients must be protected to the greatest possible extent. The requirement of a sprinkler system is an example of these requirements. It is true enough that some of the hospitals in the "access" category at the present time must show that efforts are being made to comply with safety standards. Although it is going to be difficult for some of the small rural hospitals to meet this standard, it is likely most will make the effort and, with time allowed, will be able to qualify in a reasonable time. The nursing requirement, however, creates a situation which can not be solved until there is available more nursing and health care personnel. As you know, Mr. Speaker, we have passed legislation for this purpose and other proposals are pending which, it is hoped, within the period allowed, will alleviate the present situation in connection with the availability of nursing care.

I urge the passage of this much needed revision in the Social Security Act which will give relief for this specified time and not work such a hardship on medicare patients who depend entirely upon local care and facilities.

(Mr. BURLESON of Texas asked and was given permission to revise and extend his remarks.)

Mr. YATES. Mr. Speaker, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Illinois.

Mr. YATES. Mr. Speaker, will the gentleman tell the House why the same thing should not be accorded for the urban as well as the rural nursing homes?

Mr. BOGGS. Mr. Speaker, I yield to the gentleman from Texas to respond.

Mr. BURLESON of Texas. Mr. Speaker, if I may respond to my colleague, the gentleman from Illinois, there is pending legislation which will do exactly what the gentleman expresses a concern about. There is a gap between urban hospital care and rural care. There is legislation pending which I think will take care of both situations. The gentleman is exactly right. There is a critical situation in the urban areas, and it may be that legislation will be considered by the Ways and Means Committee in the early part of the coming session which will address itself to that problem.

Mr. YATES. Mr. Speaker, I thank the gentleman for that assurance.

Mr. BOGGS. There is no intention on the part of the committee to discriminate against the urban hospitals or nursing homes. The bill was presented to us as an emergency measure and it contains many safeguards which were written into it.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Clerk read the bill as follows:

H.R. 19470

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1861 (c) (5) of the Social Security Act is amended by inserting "(A)" after "(5)", and by inserting before the semicolon at the end thereof the following: ", or (B) in the case of an institution having fifty or fewer inpatient beds, provides (under the general supervision of a registered professional nurse) twenty-four-hour nursing service rendered by licensed practical nurses (including vocational nurses) or registered professional nurses, or both".

SEC. 2. Section 1861(c)(8) of the Social Security Act is amended—

(1) by inserting "(A)" after "except that"; and

(2) by inserting before the period at the end thereof the following: ", and (B) such other requirements when applied to an institution having fifty or fewer inpatient beds may not include (i) a requirement that the institution have fire sprinklers, (ii) a requirement that any specified number of deaths in the institution be subject to autopsy, or (iii) any nursing service requirement more stringent than the requirement imposed by paragraph (5)(B)".

With the following committee amendment:

Strike out all after the enacting clause and insert the following:

That section 1861(e)(5) of the Social Security Act is amended by adding immediately after the semicolon at the end thereof the following:

"except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the provision of 24-hour nursing service rendered or supervised by a registered professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided during at least the regular daytime shift), where immediately preceding such one-year period he finds that—

"(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

"(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

"(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area:".

The committee amendment was agreed to.

Mr. BOGGS. Mr. Speaker, the purpose of the bill, as amended, which was in-

troduced by our colleague, the Honorable OMAR BURLESON, is to permit certain hospitals which have had difficulty in securing required nursing services to continue to participate in medicare for up to 5 years under specified conditions.

The Secretary of Health, Education, and Welfare would be empowered to grant waivers, no longer than a year at a time, on the requirement that the hospital have registered professional nurses on duty around the clock. The requirement could be waived only if:

First, the hospital has a registered nurse on the day shift and is making bona fide efforts to hire registered nurses for all shifts;

Second, the hospital is located in an isolated geographic area with no other medicare hospitals within a reasonable distance; and

Third, hospital services to medicare beneficiaries in the area would be seriously reduced if the hospital could not participate in medicare.

Enactment of this bill will assure that medicare beneficiaries living in remote areas will not be denied access to the only hospital care available in their communities. The committee is unanimous in recommending enactment of H.R. 19470.

Mr. BYRNES of Wisconsin. Mr. Speaker, I rise in support of H.R. 19470, a bill which would enable small hospitals in rural areas to continue qualifying as providers under medicare even if they are temporarily unable to obtain certain nursing services required by the law.

As we all know, Mr. Speaker, a number of hospital throughout the country have great difficulty in finding and employing enough professional registered nurses. This is particularly true in sparsely populated areas.

Although the medicare law was designed to recognize hospitals with facilities, equipment, and personnel deemed adequate by nationally accepted standards, it also was designed to assure continuing availability of institutional care for medicare beneficiaries. Consequently, the Social Security Administration has adopted the practice of certifying certain institutions as "access" hospitals, which means that they can retain medicare status if they strive to upgrade staff and plant deficiencies which have been documented.

One of the most prevalent documented deficiencies has been in registered professional nursing staffs. And in order to deal with this particular problem, H.R. 19470 would authorize the Secretary of Health, Education, and Welfare to waive the requirement that an access hospital have registered professional nurses on duty 24 hours a day if the following conditions could be met:

First. The hospital would be required to have at least one registered nurse on the day shift and would have to show that it was making a continuing effort to fill the gap on other shifts.

Second. It would have to be situated in a remote area where hospitals as well as nurses were in short supply.

Third. Participating hospitals would have to be so scarce and/or far away that nonparticipation of this particular access hospital would "seriously reduce" the availability of hospital services to medicare beneficiaries.

The proposed waiver could be granted by the Secretary only for a year at a time, and would expire at the end of 1975.

Mr. Speaker, the committee was unanimous in reporting this bill, and I urge the House to take affirmative action now.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

91ST CONGRESS
2D SESSION

H. R. 19470

IN THE SENATE OF THE UNITED STATES

DECEMBER 28, 1970

Read twice and referred to the Committee on Finance

AN ACT

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1861 (e) (5) of the Social Security Act is amended by adding immediately after the semicolon at the end thereof the following: "except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the

provision of twenty-four-hour nursing service rendered or supervised by a registered professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided, during at least the regular daytime shift), where immediately preceding such one-year period he finds that—

"(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

"(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

"(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area;"

Passed the House of Representatives December 22, 1970.

Attest: W. PAT JENNINGS,

Clerk.

91ST CONGRESS
2D SESSION

H. R. 19470

AN ACT

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

DECEMBER 28, 1970
Read twice and referred to the Committee on Finance

MODIFICATION OF NURSING SERVICE REQUIREMENTS

Mr. LONG. Mr. President, I ask unanimous consent that the Committee on Finance be discharged from the further consideration of H.R. 19470.

The PRESIDING OFFICER (Mr. McINTYRE). Without objection, it is so ordered.

Mr. LONG. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the bill (H.R. 19470).

The PRESIDING OFFICER. Is there objection to the consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. LONG. I should like briefly to explain what the bill does. I might mention that it was included as part of the social security bill that was passed by the Senate. The bill would make it possible for small rural hospitals that are having difficulty meeting medicare standards, as regards having registered nurses available around the clock, to provide medical and hospital care under the medicare program. This legislation has been strenuously urged by the Senator from Texas (Mr. YARBOROUGH), and in view of the fact that this provision was included as part of the social security bill already passed by the Senate, and since it now appears the social security bill is not going to become law, it seems to me that this House-passed bill concerning small hospitals should be passed by the Senate.

Mr. KENNEDY. These are hospitals that would lose their certification who are still trying to retain their eligibility for medicare; is that correct?

Mr. LONG. Yes. This measure has been agreed to unanimously by the committee. It has to do with small hospitals that cannot obtain enough nurses and thus cannot quite meet the medicare standards even though they are doing the best they can to obtain nurses.

Mr. KENNEDY. We had a situation like that even in the Boston City Hospital. There was also one in St. Louis, and in the Cook County Hospital, where accreditation was being threatened for a number of reasons, although I think they were all providing great services but were in danger of losing the opportunity for social security payments. There were a number of us, I know, about a year ago, who were trying to urge this kind of legislation to permit the hospitals to operate who are trying to meet these critical needs. In many instances, they are hospitals which are providing services to the poor and the indigent and, of course, they are the most heavily overburdened and are in considerable need. If I understand the explanation of the Senator from Louisiana correctly, it is a matter of great interest, and I want to say that I think it is of great value.

Mr. LONG. This particular bill, however, applies only to rural hospitals, and it is mainly concerned with the problem in the rural areas of getting sufficient numbers of registered nurses. If the hospital cannot get them, it will still be permitted to continue to operate under medicare with the personnel it can get until January 1, 1976. Of course the Secretary of HEW does not have to waive the nursing requirement, but he can waive the requirement of having a registered nurse around the doing the best it can to find them but it cannot get them.

Mr. President, I ask unanimous consent to have printed in the RECORD an explanation of this provision.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

PROVIDE FOR REASONABLE APPROVAL OF RURAL HOSPITALS

According to policy established by the Social Security Administration, a hospital or extended care facility is certified for participation in medicare if it is in full compliance (meets all the requirements of the Social Security Act and is in accordance with all regulatory requirements for participation), or if it is in "substantial" compliance (meets all the statutory requirements and the most important regulatory conditions for participation). Thus, while an institution may be deficient with respect to one or more standards of participation, it may still be found to be in substantial compliance, if the deficiencies do not represent a hazard to patient health or safety, and efforts are being made to correct the deficiencies.

It has been recognized that there is a need to assure continuing availability of medicare-covered institutional care in rural areas.

many of which may have only one hospital, without jeopardizing the health and safety of patients. To achieve this objective, the approach has been adopted by Social Security of certifying "access" hospitals while documenting their deficiencies and requiring upgrading of plant and staff. State agencies have also been required to provide consultation and assistance to these facilities in an effort to help them achieve compliance with the standards. Certain "access" hospitals, to the extent that they are capable, have succeeded in overcoming deficiencies; however, other hospitals have not demonstrated sufficient willingness to take the steps necessary to correct deficiencies and have instead been willing to continue as "access" hospitals with all the limitations in quality care that this status entails. In other areas, some rural hospitals despite good faith efforts have been unable to secure required personnel or otherwise comply.

To deal with the dilemma created by the need to assure the availability of hospital services of adequate quality in rural areas and the fact that existing shortages of qualified nursing personnel generally make it difficult for some rural hospitals to meet the nursing staff requirements of present law, the committee's bill would authorize the Secretary, under certain conditions, to waive the requirement that an access hospital have registered professional nurses on duty around the clock. This requirement could be waived only if the Secretary finds that the hospital:

(a) has a registered nurse at least on the daytime shift and has made and is continuing to make a bona fide effort to comply with the registered nursing staff requirement with respect to other shifts (which, in the absence of an R.N., are covered by licensed practical nurses) but is unable to employ the qualified personnel necessary because of nursing personnel shortages in the area; and

(b) is located in an isolated geographical area in which hospital facilities are in short supply and the closest other facilities are not readily accessible to people of the area; and

(c) nonparticipation of the "access" hospital would seriously reduce the availability of hospital services to medicare beneficiaries residing in the area.

Under the provision, the Secretary would regularly review the situation with respect to each hospital, and the waiver would be granted on an annual basis for not more than a one-year period. The waiver authority would be applicable only with respect to the nursing staff requirement; no waiver authority would be provided under the amendment with respect to any other conditions of participation relating to health and safety.

The proposed waiver authority would expire December 31, 1975.

Mr. MILLER. Mr. President, will the Senator from Louisiana yield?

Mr. LONG. I yield.

Mr. MILLER. The Senator from Louisiana has stated the position of the Finance Committee correctly. We deliberated on this at considerable length. It was pointed out in the case of many of the smaller hospitals in the smaller communities that, at this time, present requirements would be impossible to meet. As the Senator from Louisiana has said, they are doing the best they can but cannot overcome the impossible situations they are confronted with at this time.

If the program for increasing the number of nurses in this country continues, we may hope that this will be achieved; but, in the meantime, it is important to take action.

I strongly support the bill that the Senator from Louisiana (Mr. LONG) has asked the Senate to approve.

Mr. LONG. Mr. President, I ask that the bill be approved.

The PRESIDING OFFICER. If there be no amendment to be ordered, the question is on the third reading and passage of the bill.

The bill (H.R. 19470) was ordered to be read a third time, was read the third time, and passed.

Public Law 91-690
91st Congress, H. R. 19470
January 12, 1971

An Act

To amend title XVIII of the Social Security Act to modify the nursing service requirement and certain other requirements which an institution must meet in order to qualify as a hospital thereunder so as to make such requirements more realistic insofar as they apply to smaller institutions.

Nursing service requirements, modification.
79 Stat. 315.
42 USC 1395x.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1861 (e)(5) of the Social Security Act is amended by adding immediately after the semicolon at the end thereof the following: "except that until January 1, 1976, the Secretary is authorized to waive the requirement of this paragraph for any one-year period with respect to any institution, insofar as such requirement relates to the provision of twenty-four-hour nursing service rendered or supervised by a registered professional nurse (except that in any event a registered professional nurse must be present on the premises to render or supervise the nursing service provided, during at least the regular daytime shift), where immediately preceding such one-year period he finds that—

"(A) such institution is located in a rural area and the supply of hospital services in such area is not sufficient to meet the needs of individuals residing therein,

"(B) the failure of such institution to qualify as a hospital would seriously reduce the availability of such services to such individuals, and

"(C) such institution has made and continues to make a good faith effort to comply with this paragraph, but such compliance is impeded by the lack of qualified nursing personnel in such area;".

Approved January 12, 1971.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 91-1676 (Comm. on Ways and Means).
CONGRESSIONAL RECORD, Vol. 116 (1970):
Dec. 22, considered and passed House.
Dec. 31, considered and passed Senate.

GPO 48-139

Calendar No. 441

91ST CONGRESS
1st Session

SENATE

REPORT
No. 91-445

MRS. MARJORIE ZUCK

OCTOBER 2, 1969.—Ordered to be printed

Mr. HRUSKA, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany S. 476]

The Committee on the Judiciary, to which was referred the bill (S. 476) for the relief of Mrs. Marjorie Zuck, having considered the same, reports favorably thereon, with an amendment and recommends that the bill, as amended, do pass.

AMENDMENT

On page 1, line 8, strike the figure "487-42-4467" and insert in lieu thereof the figure "487-42-7467".

PURPOSE OF AMENDMENT

The purpose of the amendment is to conform the social security account number of Emery Zuck with information contained in the report of the Department of Health, Education, and Welfare, appended hereto.

PURPOSE

The purpose of this legislation, as amended, is to determine the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Mo., to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered 487-42-7467). If the said Mrs. Marjorie Zuck files application for such benefits within 6 months after the date of the enactment of this act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

STATEMENT

The Department of Health, Education, and Welfare has no objection to enactment of this legislation.

In its report to the Committee on the Judiciary under date of May 1, 1968, the Department states:

> The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mrs. Marjorie Rose Zuck filed an application an September 8, 1965, for wife's insurance benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. (Mr. Zuck's account number, 487-42-7476, is incorrectly shown as 487-42-4467 in S. 1142.) Mrs. Zuck's application was disallowed. She was not validly married to Mr. Emery Zuck because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half brothers—and she is consequently not entitled to wife's benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.
>
> The bill would provide that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage. As a result, Mrs. Zuck would be eligible for social security wife's insurance benefits.
>
> We believe that because of the very sympathetic circumstances in this case, special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment of benefits in such a case, we would favor enactment of such legislation. We would therefore have no objection to enactment of the bill.

The committee, after reviewing the facts of this case, concurs in the conclusions of the Department of Health, Education, and Welfare, and accordingly recommends that favorable consideration be given to S. 476, as amended.

Attached hereto and made a part hereof is the report of the Department of Health, Education, and Welfare, to the chairman of the Committee on the Judiciary, together with an accompanying memorandum.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 1, 1968.

Hon. JAMES O. EASTLAND,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of March 8, 1967, for a report on S. 1142, a bill for the relief of Mrs. Marjorie Zuck.

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mrs. Marjorie Rose Zuck filed an application on September 8, 1965, for wife's insurance

benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. (Mr. Zuck's account number, 487–42–7467, is incorrectly shown as 487–42–4467 in S. 1142.) Mrs. Zuck's application was disallowed. She was not validly married to Mr. Emery Zuck because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half brothers—and she is consequently not entitled to wife's benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The bill would provide that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage. As a result, Mrs. Zuck would be eligible for social security wife's insurance benefits.

We believe that because of the very sympathetic circumstances in this case special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment of benefits in such a case, we would favor enactment of such legislation. We would, therefore, have no objection to enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

WILBUR J. COHEN,
Acting Secretary.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON S. 1142

S. 1142 would provide that for purposes of determining the entitlement of Mrs. Marjorie R. Zuck to benefits under the social security program, the marriage entered into by Mrs. Marjorie Zuck and Emery Zuck would be considered to have been a valid marriage. If the bill were enacted, Mrs. Zuck could become entitled to social security benefits for months after October 1965.

Under the law, an applicant is the wife of an insured individual for social security purposes if the courts of the State in which the insured individual is domiciled at the time the application is filed would find that the applicant and the insured individual were validly married at the time the application is filed. If the courts would not find that the applicant and the insured individual were validly married, the applicant nevertheless is deemed to be the wife of the insured individual if she would, under the laws applied by the courts in determining the devolution of intestate personal property, have the same status with respect to the taking of such property as a wife of the insured individual.

Majorie Rose Zuck and Emery Zuck are first cousins of the halfblood; that is, their fathers were half brothers. (Mrs. Zuck has emphasized her belief that she and Mr. Zuck are not first cousins, since they have only one common grandparent.) They were married in Sydney,

Iowa, on November 26, 1921, having obtained a marriage license, and the ceremony was recorded. The marriage was apparently entered into in good faith.

The validity of their marriage must be determined by the laws of either the State in which they reside or the State where the marriage was performed. Under Iowa law, marriage contracted in Iowa between cousins is void and under the laws of Missouri, where the couple is domiciled, a marriage between first cousins is void. The courts have used very broad language in holding that relationships of the halfblood are equivalents of relationships of the whole blood, and it is believed that the courts would take that view with respect to first cousins. Since the marriage cannot be held to be a valid one, Mrs. Zuck does not meet the requirements of the Social Security Act for eligibility for wife's benefits.

○

MRS. MARJORIE ZUCK

The Senate proceeded to consider the bill (S. 476) for the relief of Mrs. Marjorie Zuck, which had been reported from the Committee on the Judiciary, with an amendment, on page 1, line 8, after the word "numbered", strike out "(487-42-4467)" and insert "(487-42-7467)"; so as to make the bill read:

S. 476

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That, for purposes of determining the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Missouri, to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emory Zuck (social security account numbered (487-42-7467) if the said Mrs. Marjorie Zuck files application for such benefits within six months after the date of the enactment of this Act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on

November 26, 1921, shall be held and considered to have been a valid marriage.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 91-445), explaining the purposes of the measure.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE OF AMENDMENT

The purpose of the amendment is to conform the social security account number of Emery Zuck with information contained in the report of the Department of Health, Education, and Welfare, appended hereto.

PURPOSE

The purpose of this legislation, as amended, is to determine the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Mo., to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered 487-42-7467). If the said Mrs. Marjorie Zuck files application for such benefits within 6 months after the date of the enactment of this act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

STATEMENT

The Department of Health, Education, and Welfare has no objection to enactment of this legislation.

In its report to the Committee on the Judiciary under date of May 1, 1968, the Department states:

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mrs. Marjorie Rose Zuck filed an application on September 8, 1965, for wife's insurance benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. (Mr. Zuck's account number, 487-42-7476, is incorrectly shown as 487-42-4467 in S. 1142.) Mrs. Zuck's application was disallowed. She was not validly married to Mr. Emery Zuck because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half brothers—and she is consequently not entitled to wife's benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The bill would provide that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage. As a result, Mrs. Zuck would be eligible for social security's wife's insurance benefits.

We believe that because of the very sympathetic circumstances in this case, special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment of benefits in such a case, we would favor enactment of such legislation. We would therefore have no objection to enactment of the bill.

The committee, after reviewing the facts of this case, concurs in the conclusions of the Department of Health, Education, and Welfare, and accordingly recommends that favorable consideration be given to S. 476, as amended.

91ST CONGRESS
1ST SESSION

S. 476

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 7, 1969

Referred to the Committee on the Judiciary

AN ACT

For the relief of Mrs. Marjorie Zuck.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for purposes of determining the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Missouri, to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered (487-42-7467)) if the said Mrs. Marjorie Zuck files application for such benefits within six months after the date of the enactment of this Act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

Passed the Senate October 6, 1969.

Attest: FRANCIS R. VALEO,
Secretary.

91ST CONGRESS
1ST SESSION

S. 476

AN ACT

For the relief of Mrs. Marjorie Zuck.

OCTOBER 7, 1969
Referred to the Committee on the Judiciary

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 91-616

MRS. MARJORIE ZUCK

NOVEMBER 12, 1969.—Committed to the Committee of the Whole House and ordered to be printed

Mr. SMITH of New York, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany S. 476]

The Committee on the Judiciary, to whom was referred the bill (S. 476) for the relief of Mrs. Marjorie Zuck, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of this legislation is to determine the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Mo., to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered 487-42-7467). If the said Mrs. Marjorie Zuck files application for such benefits within 6 months after the date of enactment of this act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

STATEMENT

The Department of Health, Education, and Welfare, in its report to the Senate Committee on the Judiciary, stated that it had no objection to enactment of this legislation.

Mrs. Marjorie Rose Zuck filed an application on September 8, 1965, for wife's insurance benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. Mrs. Zuck's application was disallowed. The Social Security Administration ruled that it could not hold their marriage to be valid because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half-brothers. For this reason she was denied

entitlement to wife's benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The benefits were denied Mrs. Zuck because of the determination by the Department that an applicant will only be recognized as the wife of an insured individual for social security purposes if the courts of the State in which the insured individual is domiciled at the time the application is filed would find that the applicant and the insured individual were validly married at the time the application is filed. If the courts would not find that the applicant and the insured individual were validly married, the applicant nevertheless is deemed to be the wife of the insured individual if she would, under the laws applied by the courts in determining the devolution of interstate personal property, have the same status with respect to the taking of such property as a wife of the insured individual.

However, in this case, no such relief appears to be available on an administrative basis since Marjorie Rose Zuck and Emery Zuck are first cousins of the halfblood; that is, their fathers were half brothers. (Mrs. Zuck has emphasized her belief that she and Mr. Zuck are not first cousins, since they have only one common grandparent.) They were married in Sydney, Iowa on November 26, 1921, having obtained a marriage license and the marriage was recorded as required by applicable State law. The Department in the memorandum accompanying its report stated on the basis of the information it had received on the case that the marriage was apparently entered into in good faith by both parties.

While, as a legal matter, the validity of a marriage must be determined by the laws of either the State in which the parties reside or the marriage performed. Neither alternative would aid Mrs. Zuck in this situation. Under Iowa law a marriage contracted in Iowa between cousins is void and under the laws of Missouri where the couple is domiciled, a marriage between first cousins is also void. The Department reasoned that since courts have used very broad language in holding that relationships of halfblood are equivalent to relationships of the whole blood, it was forced to conclude that the courts would take the same view with respect to first cousins of the halfblood. The Department for this reason concluded that the marriage could not be held to be valid in order to qualify Mrs. Zuck for wife's benefits.

The bill would grant relief on an equitable basis by providing that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage in order to qualify Mrs. Zuck for social security wife's benefits. In indicating that it would have no objection to such relief the Department of Health, Education, and Welfare stated in its report:

> We believe that because of the very sympathetic circumstances in this case, special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment benefits in such a case, we would favor enactment of such legislation. We would therefore have no objection to enactment of the bill.

In view of the circumstances of the parties including the sympathetic considerations referred to by the Department of Health, Education,

and Welfare and the indication by that Department that it would have no objection to relief, it is recommended that the bill be considered favorably.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,

May 1, 1968.

Hon. JAMES O. EASTLAND,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of March 8, 1967, for a report on S. 1142, a bill for the relief of Mrs. Marjorie Zuck.

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mrs. Marjorie Rose Zuck filed an application on September 8, 1965, for wife's insurance benefits on the social security account of Emery Zuck, who had previously filed an application for old-age insurance benefits. (Mr. Zuck's account number, 487–42–7467, is incorrectly shown as 487–42–4467 in S. 1142.) Mrs. Zuck's application was disallowed. She was not validly married to Mr. Emery Zuck because she and Mr. Zuck are first cousins of the halfblood—that is, their fathers were half brothers—and she is consequently not entitled to wife's benefits on his account. The disallowance and a subsequently reconsidered determination of the Social Security Administration have been reaffirmed by a hearing examiner of the Bureau of Hearings and Appeals of the Social Security Administration.

The bill would provide that the marriage entered into by Mr. and Mrs. Zuck would be held to be a valid marriage. As a result, Mrs. Zuck would be eligible for social security wife's insurance benefits.

We believe that because of the very sympathetic circumstances in this case special legislation is not undesirable. Moreover, while we have not yet been able to develop a satisfactory proposal for general legislation that would permit payment of benefits in such a case, we would favor enactment of such legislation. We would, therefore, have no objection to enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

WILBUR J. COHEN,
Acting Secretary.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON S. 1142

S. 1142 would provide that for purposes of determining the entitlement of Mrs. Marjorie R. Zuck to benefits under the social security program, the marriage entered into by Mrs. Marjorie Zuck and Emery Zuck would be considered to have been a valid marriage. If the bill were enacted, Mrs. Zuck could become entitled to social security benefits for months after October 1965.

Under the law, an applicant is the wife of an insured individual for social security purposes if the courts of the State in which the insured

individual is domiciled at the time the application is filed would find that the applicant and the insured individual were validly married at the time the application is filed. If the courts would not find that the applicant and the insured individual were validly married, the applicant nevertheless is deemed to be the wife of the insured individual if she would, under the laws applied by the courts in determining the devolution of intestate personal property, have the same status with respect to the taking of such property as a wife of the insured individual.

Majorie Rose Zuck and Emery Zuck are first cousins of the half-blood; that is, their fathers were half brothers. (Mrs. Zuck has emphasized her belief that she and Mr. Zuck are not first cousins, since they have only one common grandparent.) They were married in Sydney, Iowa, on November 26, 1921, having obtained a marriage license, and the ceremony was recorded. The marriage was apparently entered into in good faith.

The validity of their marriage must be determined by the laws of either the State in which they reside or the State where the marriage was performed. Under Iowa law, marriage contracted in Iowa between cousins is void and under the laws of Missouri, where the couple is domiciled, a marriage between first cousins is void. The courts have used very broad language in holding that relationships of the halfblood are equivalents of relationships of the whole blood, and it is believed that the courts would take that view with respect to first cousins. Since the marriage cannot be held to be a valid one, Mrs. Zuck does not meet the requirements of the Social Security Act for eligibility for wife's benefits.

○

MRS. MARJORIE ZUCK

The Clerk called the bill (S. 476) for the relief of Mrs. Majorie Zuck.

There being no objection, the Clerk read the bill as follows:

S. 476

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for purposes of determining the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Missouri, to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered (487-42-7467)) if the said Mrs. Marjorie Zuck files application for such benefits within six months after the date of the enactment of this Act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Private Law 91-76
91st Congress, S. 476
February 2, 1970

An Act

For the relief of Mrs. Marjorie Zuck.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for purposes of determining the entitlement of Mrs. Marjorie Zuck, Rural Route 1, Watson, Missouri, to benefits under title II of the Social Security Act for the months after October 1965, on the basis of the wages and self-employment income of Emery Zuck (social security account numbered (487-42-7467)) if the said Mrs. Marjorie Zuck files application for such benefits within six months after the date of the enactment of this Act, the marriage entered into by the said Mrs. Marjorie Zuck and Emery Zuck on November 26, 1921, shall be held and considered to have been a valid marriage.

Approved February 2, 1970.

GPO 37-128

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 91-299

ALBERT E. JAMESON, JR.

JUNE 9, 1969.—Committed to the Committee of the Whole House and ordered to be printed

Mr. HUNGATE, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 5337]

The Committee on the Judiciary, to whom was referred the bill (H.R. 5337) for the relief of the late Albert E. Jameson, Jr., having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to provide that the late Albert E. Jameson, Jr., is to be deemed to have filed an application for social security disability benefits prior to his death on November 1, 1964, in order to permit the consideration of a claim for retroactive disability benefits for a period prior to Mr. Jameson's death.

STATEMENT

The Department of Health, Education, and Welfare, in a report dated August 19, 1968 on a previous bill, stated that it did not oppose enactment of the bill. The report of the Department of Health, Education, and Welfare states that the enactment of the bill would permit the consideration of the claim which involves the right of the widow of Mr. Jameson to receive 4 months' retroactive benefits on the basis of the disability of her deceased husband. The problem in this case is that an application for disability benefits was not actually filed before Mr. Jameson's death. The bill would have the effect of waiving this requirement. The memorandum accompanying the report of the Department of Health, Education, and Welfare states:

Before the death of Albert E. Jameson, Jr. (which occurred on November 1, 1964) Mrs. Jameson telephoned the Roxbury, Mass., Social Security district office about the possibility of claiming disability insurance benefits for him. The specific date of the telephone inquiry cannot be established, but it occurred during October 1964. Mrs. Jameson apparently could not go to the Social Security office to file an application on behalf of her husband. Under the Social Security Administration procedures effective at that time, in such situations a representative of the Social Security office would go to the disabled worker as soon as practicable to obtain the required application. In this instance, there was some delay in making a visit to the disabled worker's home, and the application for disability insurance benefits was not obtained before Mr. Jameson's death. (Social security regulations in effect since November 10, 1964, permit the filing of a prescribed application form on behalf of a deceased individual, provided that the deceased individual or a proper person on his behalf filed with the Social Security Administration prior to his death, a signed written statement indicating an intent to claim benefits.)

Mrs. Jameson attempted to assert a claim to the disability benefits by filing an application on January 11, 1966; however, since that application was not filed while the disabled worker was alive, the claim for benefits had to be denied. This action was reconsidered and the denial was affirmed on May 19, 1966. As has been noted, the bill, H.R. 5337 would remedy this defect with the result that disability insurance benefits could be paid on Mr. Jameson's behalf to his widow. If it is acknowledged that Mr. Jameson met the definition of disability contained in the social security law from December 8, 1963, which is the date he stopped work, as stated by Mrs. Jameson, until his death, 4 months of benefits would be payable to Mr. Jameson. The memorandum of the Department states that, under applicable law, benefits payable to a disabled insured worker cannot begin until the worker has been disabled throughout a waiting period of 6 full calendar months; therefore, the first month's benefit is paid for the seventh full calendar month of disability. As a result, the 4 months for which benefits could be paid would be July through October of 1964.

The memorandum accompanying the departmental report also points out that, assuming that the duration of the disability is as stated by Mrs. Jameson, the bill would permit the establishment of a "disability freeze" with respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings on which the amount of any survivor's benefits that might be payable later would be based. The Department noted that in view of the relatively short duration of the period of disability, a disability freeze would have no significant effect in this instance.

The report of the Department of Health, Education, and Welfare states that as a general proposition, special legislation involving the application of social security law as in this instance is viewed as undesirable and ordinarily the Department would recommend against

enactment of a private bill. In this connection the committee would note that the rules of Subcommittee No. 2, the Claims Subcommittee, bar the consideration of such bills unless adqeuate basis is shown for a waiver of the rule. It has been concluded in this instance that the facts outlined in the departmental report justify the consideration of this matter and, in this connection, the departmental report stated facts which show that actual notice was given to the Social Security Administration of the existence of disability prior to Mr. Jameson's death. The committee feels that the following quotation from the departmental report outlines the basis for legislative relief in this instance and reflects the equities which justify an exception in this case:

> However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application, and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Admistration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson's death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, August 19, 1968.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of June 7, 1967, for a report on H.R. 10450, a bill for the relief of the late Albert E. Jameson, Jr.

The bill provides that the late Albert E. Jameson, Jr., be deemed to have filed, prior to his death on November 1, 1964, an application for social security disability benefits. Based on the time of onset of Mr. Jameson's disability as stated by Mrs. Jameson, enactment of this bill would enable her to receive 4 months' retroactive benefits on the basis of her deceased husband's disability. The facts upon which this private relief bill is based are stated in the accompanying memorandum.

The enactment of H.R. 10450 would make inapplicable in this instance a generally applicable requirement of present law—namely that an application for disability benefits must be filed before the death of the disabled worker. We believe that special legislation of this kind is generally undesirable, and would ordinarily recommend against the enactment of a bill of this kind. However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application, and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social

security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Administration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson's death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid.

In view of this, we would not oppose the enactment of H.R. 10450.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

WILBUR J. COHEN, *Secretary.*

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

As a condition for entitlement to social security disability insurance benefits, the law requires that an application for the benefits must be filed by or on behalf of the disabled worker while he is alive.

Before the death of Albert E. Jameson, Jr. (which occurred on November 1, 1964) Mrs. Jameson telephoned the Roxbury, Mass., Social Security district office about the possibility of claiming disability insurance benefits for him. The specific date of the telephone inquiry cannot be established, but it occurred during October 1964. Mrs. Jameson apparently could not go to the Social Security office to file an application on behalf of her husband. Under the Social Security Administration procedures effective at that time, in such situations a representative of the Social Security office would go to the disabled worker as soon as practicable to obtain the required application. In this instance, there was some delay in making a visit to the disabled worker's home, and the application for disability insurance benefits was not obtained before Mr. Jameson's death. (Social security regulations in effect since November 10, 1964, permit the filing of a prescribed application form on behalf of a deceased individual, provided that the deceased individual or a proper person on his behalf filed with the Social Security Administration prior to his death, a signed written statement indicating an intent to claim benefits.)

On January 11, 1966, Mrs. Jameson filed a disability application on behalf of her deceased husband. However, since the application was not filed while the disabled worker was alive, the claim for benefits had to be denied. A reconsideration of the claim was requested, and on May 19, 1966. the denial was affirmed.

Under H.R. 10450, Mr. Jameson would be deemed to have filed an application for disability insurance benefits prior to his death, and as a result disability insurance benefits could

be paid on his behalf to Mrs. Jameson. Assuming that Mr. Jameson met the definition of disability in the law from December 8, 1963 (the date he stopped work as stated by Mrs. Jameson), until his death, 4 months of benefits (July through October 1964) would be payable to Mrs. Jameson. (Under the law, benefits payable to a disabled insured worker cannot begin until after the worker has been disabled throughout a waiting period of 6 full calendar months. The first month's benefits is for the 7th full calendar month of disability.)

The enactment of H.R. 10450 would also permit (assuming that the duration of disability is as stated by Mrs. Jameson) the establishment of a "disability freeze" in respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings, on which the amount of any survivors benefits that might be payable later on would be based. However, in view of the relatively short duration of the period of disability, a disability freeze would have no significant effect in this instance.

In view of the facts outlined in this report and in the report and memorandum of the Department of Health, Education, and Welfare, the committee has concluded that this is a proper subject for legislative relief and accordingly recommends that the bill be considered favorably.

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Private Calendar No. 108

91ST CONGRESS
1ST SESSION

H. R. 5337

[Report No. 91–299]

IN THE HOUSE OF REPRESENTATIVES

JANUARY 29, 1969

Mr. BURKE of Massachusetts introduced the following bill; which was referred to the Committee on the Judiciary

JUNE 9, 1969

Committed to the Committee of the Whole House and ordered to be printed

A BILL

For the relief of the late Albert E. Jameson, Junior.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Albert E. Jameson, Junior (Social Security Account Number 011–09–9887), of Hyde Park, Massachusetts, to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216(i) of such Act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such Act (and for the establishment of a period of disability as required by section

216 (i) (2) (B) of such Act) immediately before his death on November 1, 1964.

Private Calendar No. 108

91st CONGRESS
1st SESSION

H. R. 5337

[Report No. 91-299]

A BILL

For the relief of the late Albert E. Jameson, Junior.

By Mr. BURKE of Massachusetts

JANUARY 29, 1969

Referred to the Committee on the Judiciary

JUNE 9, 1969

Committed to the Committee of the Whole House and ordered to be printed

ALBERT E. JAMESON, JR.

The Clerk called the bill (H.R. 5337) for the relief of the late Albert E. Jameson, Jr.

There being no objection, the Clerk read the bill, as follows:

H.R. 5337

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Albert E. Jameson, Junior (Social Security Account Number 011-09-9887), of Hyde Park, Massachusetts, to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216(i) of such Act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such Act (and for the establishment of a period of disability as required by section 216(i)(2)(B) of such Act) immediately before his death on November 1, 1964.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsdier was laid on the table.

Calendar No. 1061

91ST CONGRESS
2d Session

SENATE

REPORT
No. 91-1056

ALBERT E. JAMESON, JR.

JULY 30, 1970.—Ordered to be printed

Mr. BURDICK, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 5337]

The Committee on the Judiciary, to which was referred the bill (H.R. 5337) for the relief of the late Albert E. Jameson, Jr., having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to entitle Albert E. Jameson, Jr. to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216(i) of such act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such act (and for the establishment of a period of disability as required by section 216(i)(2)(B) of such act) immediately before his death on November 1, 1964.

STATEMENT

The proposed legislation passed the House of Representatives June 17, 1969. The Department of Health, Education, and Welfare, the administrative agency most directly affected, is in favor of enactment of this legislation. The facts of the case as stated in the accompanying House Report No. 91-299 are as follows:

> The Department of Health, Education, and Welfare, in a report dated August 19, 1968 on a previous bill, stated that it did not oppose enactment of the bill. The report of the De-

partment of Health, Education, and Welfare states that the enactment of the bill would permit the consideration of the claim which involves the right of the widow of Mr. Jameson to receive 4 months' retroactive benefits on the basis of the disability of her deceased husband. The problem in this case is that an application for disability benefits was not actually filed before Mr. Jameson's death. The bill would have the effect of waiving this requirement. The memorandum accompanying the report of the Department of Health, Education, and Welfare states:

"Before the death of Albert E. Jameson, Jr. (which occurred on November 1, 1964) Mrs. Jameson telephoned the Roxbury, Mass., Social Security district office about the possibility of claiming disability insurance benefits for him. The specific date of the telephone inquiry cannot be established, but it occurred during October 1964. Mrs. Johnson apparently could not go on to the Social Security office to file an application on behalf of her husband. Under the Social Security Administration procedures effective at that time, in such situations a representative of the Social Security office would go to the disabled worker as soon as practicable to obtain the required application. In this instance, there was some delay in making a visit to the disabled worker's home, and the application for disability insurance benefits was not obtained before Mr. Jameson's death. (Social Security regulations in effect since November 10, 1964, permit the filing of a prescribed application form on behalf of a deceased individual, provided that the deceased individual or a proper person on his behalf filed with the Social Security Administration prior to his death, a signed written statement indicating an intent to claim benefits.)"

Mrs. Jameson attempted to assert a claim to the disability benefits by filing an application on January 11, 1966; however, since that application was not filed while the disabled worker was alive, the claim for benefits had to be denied. This action was reconsidered and the denial was affirmed on May 19, 1966. As has been noted, the bill, H.R. 5337, would remedy this defect with the result that disability insurance benefits could be paid on Mr. Jameson's behalf to his widow. If it is acknowledged that Mr. Jameson met the definition of disability contained in the social security law from December 8, 1963, which is the date he stopped work, as stated by Mrs. Jameson, until his death, 4 months of benefits would be payable to Mr. Jameson. The memorandum of the Department states that, under applicable law, benefits payable to a disabled insured worker cannot begin until the worker has been disabled throughout a waiting period of 6 full calendar months; therefore, the first month's benefit is paid for the seventh full calendar month of disability. As a result, the 4 months for which benefits could be paid would be July through October of 1964.

The memorandum accompanying the departmental report also points out that, assuming that the duration of the dis-

ability is as stated by Mrs. Jameson, the bill would permit the establishment of a "disability freeze" with respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings on which the amount of any survivor's benefits that might be payable later would be based. The Department noted that in view of the relatively short duration of the period of disability, a disability freeze would have no significant effect in this instance.

The report of the Department of Health, Education, and Welfare states that as a general proposition, special legislation involving the application of social security law as in this instance is viewed as undesirable and ordinarily the Department would recommend against enactment of a private bill. In this connection the committee would note that the rules of Subcommittee No. 2, the Claims Subcommittee, bar the consideration of such bills unless adequate basis is shown for a waiver of the rule. It has been concluded in this instance that the facts outlined in the departmental report justify the consideration of this matter and, in this connection, the departmental report stated facts which show that actual notice was given to the Social Security Administration of the existence of disability prior to Mr. Jameson's death. The committee feels that the following quotation from the departmental report outlines the basis for legislative relief in this instance and reflects the equities which justify an exception in this case:

"However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application, and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Administration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson's death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid."

In agreement with the views of both the House of Representatives and the Department of Health, Education, and Welfare, the committee recommends the proposed legislation favorably.

Attached hereto and made a part hereof is the persuasive aforementioned report of the Department of Health, Education, and Welfare.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, August 19, 1968.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of June 7, 1967, for a report on H.R. 10450, a bill for the relief of the late Albert E. Jameson, Jr.

The bill provides that the late Albert E. Jameson, Jr., be deemed to have filed, prior to his death on November 1, 1964, an application for social security disability benefits. Based on the time of onset of Mr. Jameson's disability as stated by Mrs. Jameson, enactment of this bill would enable her to receive 4 months' retroactive benefits on the basis of her deceased husband's disability. The facts upon which this private relief bill is based are stated in the accompanying memorandum.

The enactment of H.R. 10450 would make inapplicable in this instance a generally applicable requirement of present law—namely that an application for disability benefits must be filed before the death of the disabled worker. We believe that special legislation of this kind is generally undesirable, and would ordinarily recommend against the enactment of a bill of this kind. However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application, and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Administration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson's death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid.

In view of this, we would not oppose the enactment of H.R. 10450.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

WILBUR J. COHEN, *Secretary.*

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

As a condition for entitlement to social security disability insurance benefits, the law requires that an application for the benefits must be filed by or on behalf of the disabled worker while he is alive.

Before the death of Albert E. Jameson, Jr. (which occurred on November 1, 1964), Mrs. Jameson telephoned the Roxbury, Mass., social security district office about the pos-

sibility of claiming disability insurance benefits for him. The specific date of the telephone inquiry cannot be established, but it occurred during October 1964. Mrs. Jameson apparently could not go to the social security office to file an application on behalf of her husband. Under the Social Security Administration procedures effective at that time, in such situations a representative of the social security office would go to the disabled worker as soon as practicable to obtain the required application. In this instance, there was some delay in making a visit to the disabled worker's home, and the application for disability insurance benefits was not obtained before Mr. Jameson's death. (Social security regulations in effect since November 10, 1964, permit the filing of a prescribed application form on behalf of a deceased individual, provided that the deceased individual or a proper person on his behalf filed with the Social Security Administration prior to his death, a signed written statement indicating an intent to claim benefits.)

On January 11, 1966, Mrs. Jameson filed a disability application on behalf of her deceased husband. However, since the application was not filed while the disabled worker was alive, the claim for benefits had to be denied. A reconsideration of the claim was requested, and on May 19, 1966, the denial was affirmed.

Under H.R. 10450, Mr. Jameson would be deemed to have filed an application for disability insurance benefits prior to his death, and as a result disability insurance benefits could be paid on his behalf to Mrs. Jameson. Assuming that Mr. Jameson met the definition of disability in the law from December 8, 1963 (the date he stopped work as stated by Mrs. Jameson), until his death, 4 months of benefits (July through October 1964) would be payable to Mrs. Jameson. (Under the law, benefits payable to a disabled insured worker cannot begin until after the worker has been disabled throughout a waiting period of 6 full calendar months. The first month's benefits is for the seventh full calendar month of disability.)

The enactment of H.R. 10450 would also permit (assuming that the duration of disability is as stated by Mrs. Jameson) the establishment of a "disability freeze" in respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings, on which the amount of any survivors benefits that might be payable later on would be based. However, in view of the relatively short duration of the period of disability, a disability freeze would have no significant effect in this instance.

In view of the facts outlined in this report and in the report and memorandum of the Department of Health, Education, and Welfare, the committee has concluded that this is a proper subject for legislative relief and accordingly recommends that the bill be considered favorably.

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ALBERT E. JAMESON, JR.

The bill (H.R. 5337) for the relief of the late Albert E. Jameson, Jr., was considered, ordered to a third reading, read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 91-1056), explaining the purposes of the measure.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

The purpose of the proposed legislation is to entitle Albert E. Jameson, Jr. to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216(i) of such act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such act (and for the establishment of a period of disability as required by section 216(i)(2)(B) of such act) immediately before his death on November 1, 1964.

STATEMENT

The proposed legislation passed the House of Representatives June 17, 1969. The Department of Health, Education, and Welfare, the administrative agency most directly affected, is in favor of enactment of this legislation. The facts of the case as stated in the accompanying House Report No. 91-299 are as follows:

The Department of Health, Education, and Welfare, in a report dated August 19, 1968 on a previous bill, stated that it did not oppose enactment of the bill. The report of the Department of Health, Education, and Welfare states that the enactment of the bill would permit the consideration of the claim which involves the right of the widow of Mr. Jameson to receive 4 months' retroactive benefits on the basis of the disability of her deceased husband. The problem in this case is that an application for disability benefits was not actually filed before Mr. Jameson's death. The bill would have the effect of waiving this requirement. The memorandum accompanying the report of the Department of Health, Education, and Welfare states:

"Before the death of Albert E. Jameson, Jr. (which occurred on November 1, 1964) Mrs. Jameson telephoned the Roxbury, Mass., Social Security district office about the possibility of claiming disability insurance benefits for him. The specific date of the telephone inquiry cannot be established, but it occurred during October 1964. Mrs. Johnson apparently could not go on to the Social Security office to file an application on behalf of her husband. Under the Social Security Administration procedures effective at that time, in such situations a representative of the Social Security office would go to the disabled worker as soon as practicable to obtain the required application. In this instance, there was some delay in making a visit to the disabled worker's home, and the application for disability insurance benefits was not obtained before Mr. Jameson's death. (Social Security regulations in effect since November 10, 1964, permit the filing of a prescribed application form on behalf of a deceased individual provided that the deceased individual or a proper person on his behalf filed with the Social Security Administration prior to his death, a signed written statement indicating an intent to claim benefits.)"

Mrs. Jameson attempted to assert a claim to the disability benefits by filing an application on January 11, 1966; however, since that application was not filed while the disabled worker was alive, the claim for benefits had to be denied. This action was reconsidered and the denial was affirmed on May 19, 1966. As has been noted, the bill, H.R. 5337, would remedy this defect with the result that disability insurance benefits could be paid on Mr. Jameson's behalf to his widow. If it is acknowledged that Mr. Jameson met the definition of disability contained in the social security law from December 8, 1963, which is the date he stopped work, as stated by Mrs. Jameson, until his death, 4 months of benefits would be payable to Mr. Jameson. The memorandum of the Department states that, under applicable law, benefits payable to a disabled insured worker cannot begin until the worker has been disabled throughout a waiting period of 6 full calendar months; therefore, the first month's benefit is paid for the seventh full calendar month of disability. As a result, the 4 months for which benefits could be paid would be July through October of 1964.

The memorandum accompanying the departmental report also points out that, assuming that the duration of the disability is as stated by Mrs. Jameson, the bill would permit the establishment of a "disability freeze" with respect to Mr. Jameson's social security earnings record. Under the disability freeze, the period of time during which Mr. Jameson met the social security definition of disability would be excluded in computing his average monthly earnings on which the amount of any survivor's benefits might be payable later would be based. The Department noted that in view of the relatively short duration of the period of disability, a disability freeze would have no signficant effect in this instance.

The report of the Department of Health, Education, and Welfare states that as a general proposition, special legislation involving the application of social security law as in this instance is viewed as undersirable and ordinarily the Department would recommend against enactment of a private bill. In this connection the committee would note that the rules of Subcommittee No. 2, the Claims Subcommittee, bar the consideration of such bills unless adequate basis is shown for a waiver of the rule. It has been concluded in this instance that the facts outlined in the departmental report justify the consideration of this matter and, in this connection, the departmental report stated facts which show that actual notice was given to the Social Security Administration of the existence of disability prior to Mr. Jameson's death. The committee feels that the following quotation from the departmental report outlines the basis for legislative relief in this

instance and reflects the equities which justify an exception in this case:

"However, it is clear that the Social Security Administration was informally notified by Mrs. Jameson, prior to her husband's death, of an intention to file the required application and that extremely unusual circumstances in this case prevented the timely filing of the application. In addition, social security regulations in effect since November 10, 1964, permit the filing of a valid application on behalf of a deceased individual provided that the deceased person or a proper person on his behalf has filed with the Social Security Administration prior to his death a signed, written statement requesting benefits. If this regulation had been in effect in October 1964, prior to Mr. Jameson's death on November 1, 1964, it is reasonable to assume that Mrs. Jameson would have filed the written statement and that the benefits payable under H.R. 10450 would have been paid."

In agreement with the views of both the House of Representatives and the Department of Health, Education, and Welfare, the committee recommends the proposed legislation favorably.

Private Law 91-125
91st Congress, H. R. 5337
August 14, 1970

An Act

For the relief of the late Albert E. Jameson, Junior.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Albert E. Jameson, Junior (Social Security Account Number 011-09-9887), of Hyde Park, Massachusetts, to disability insurance benefits under section 223 of the Social Security Act (and to a period of disability under section 216(i) of such Act), the said Albert E. Jameson shall be deemed to have filed application for such benefits as required by section 223(a)(1)(C) of such Act (and for the establishment of a period of disability as required by section 216(i)(2)(B) of such Act) immediately before his death on November 1, 1964.

Approved August 14, 1970.

GPO 48.128

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 91-60

ENRICO DEMONTE

MARCH 12, 1969.—Committed to the Committee of the Whole House and ordered to be printed

Mr. DONOHUE, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 2335]

The Committee on the Judiciary, to whom was referred the bill (H.R. 2335) for the relief of Enrico DeMonte, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

An identical bill was favorably reported and passed the House during the 90th Congress, but no action was taken in the Senate. The facts concerning the matter are set forth in House Report No. 1353 which is appended hereto and made a part of this report. The committee concurs with its previous recommendation.

[H. Rept. 1353, 90th Cong., second sess.]

PURPOSE

The purpose of the proposed legislation is to provide that in the determination of the right of Enrico DeMonte, of Niagara Falls, N.Y. to widower's insurance benefits under section 202(f)(1) of the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), he is held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1962.

STATEMENT

Mr. Enrico DeMonte was completely disabled from performing gainful employment in an industrial accident in 1928. The accident caused an injury to Mr. DeMonte's eyes with the result that his eyesight was so impaired that he has been held to be functionally blind for purposes of earning a living and his own support. His sole

personal source of income, except for a small amount of interest upon a savings account, is and has been the meager monthly sum of $100. This represents a disability payment which is made out of the New York State insurance fund. Considering that Mr. and Mrs. DeMonte were the parents of three children, this amount was inadequate for the purposes of providing the minimal support necessary for their subsistence. His wife was, therefore, forced to obtain employment in 1930 or 1931 in order to properly support themselves and their three minor children. Prior to that time, she was unable to obtain any employment because of the economic depression which existed.

Mrs. DeMonte was forced to continue full-time employment, as and when she was able to obtain it, and in 1941 or 1942, she obtained a full-time job at the Chisholm-Rider Co., Inc., in Niagara Falls, N.Y., where she continued her employment until the year 1959 when a plantwide strike caused her employer to discontinue normal operation and go into a minimal operation under a skeleton crew.

Mrs. DeMonte was then forced to seek new employment whenever and wherever available and of any type available to her. For a period of approximately 3 months, she collected unemployment insurance benefits, but thereafter she obtained part-time employment with the Board of Education in Niagara Falls, N.Y., where she worked during the years 1959 through the time of her accidental death on October 15, 1963. Unfortunately, Mrs. DeMonte was killed in an automobile accident which occurred on that date. Mrs. DeMonte, while laid off during the years 1959 through 1963, fully expected to be recalled to the Chisholm-Rider Co. plant and as a union member with 17 years seniority at the time of the layoff, she would have been recalled. This belief is strengthened by the fact that some time in the year 1964 the Chisholm-Rider plant reopened production and commenced the recall of former employees released because of the plant shutdown.

Mr. DeMonte made application for widower's insurance benefits under the Social Security Act following his wife's death. He applied for these benefits because his wife was and had been the main support of the family for many years.

Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower's insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of her death.

As is noted in the memorandum accompanying the Health, Education, and Welfare report, the information furnished to the Social Security Administration showed that in the 12-month period before she died, on October 15, 1963, Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen's compensation payments. (Mr. DeMonte had been receiving such payments since 1928, when he became disabled.) Mrs. DeMonte had a net income of $1,674.50

in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple for that period was $2,974.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,974.50 or $1,487.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 15, 1963. He therefore upheld the Social Security Administration's determination that Mr. DeMonte was not entitled to widower's insurance benefits.

The committee has determined that the unusual circumstances of this case have served to deny social security benefits to a dependent individual, who is clearly of a class of individuals who were intended to be benefited by the Social Security Act.

The beneficiary of this bill is a man who, according to the information supplied to the committee, was not gainfully employed since 1928. As has been noted in this report and as outlined in the departmental memorandum, the law only permitted a consideration of a 12-month period immediately preceding Mrs. DeMonte's death and did not make it possible to examine the history prior to that time when the actual facts show that she was the main support of the family and had she died in that period, Mr. DeMonte would have been eligible for the benefits he now seeks. The Department has questioned relief on the grounds that it would be preferential in this instance. However, the committee feels the facts are sufficiently unique that legislative relief should be extended in this instance and accordingly recommends that the bill be considered favorably.

DEPARTMENTAL REPORT

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, October 21, 1965.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of January 27, 1965, for a report on H.R. 2761, a bill for the relief of Enrico DeMonte.

This private relief bill would provide that for the purpose of qualifying for social security benefits, Mr. Enrico DeMonte is to be considered to have been receiving at least one-half of his support from his deceased wife, Rose DeMonte, at the time of her death on October 15, 1963 (as the result of a typographical error the bill indicates she died in 1962). If this bill were enacted, Mr. DeMonte would be

eligible for widower's benefits based on his deceased wife's social security account.

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mr. Enrico DeMonte filed an application for widower's insurance benefits under the social security program on November 12, 1963. In order to qualify for these benefits he would have to have been receiving at least one-half of his support from his wife at the time of her death. His claim was disallowed because he did not meet this requirement.

Enactment of the bill, then, would extend to Mr. DeMonte a special advantage that under the law must be denied to other people in similar situations. We believe that special legislation providing an advantage to one person under conditions identical to those in which others are denied similar treatment is undesirable. We therefore recommend against enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

WILBUR J. COHEN,
Under Secretary.

Enclosure.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON H.R. 2761

Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower's insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of her death. If H.R. 2761 were enacted, widower's benefits would be payable to Mr. DeMonte even though he was not receiving one-half of his support from his wife at the time of her death.

The information furnished to the Social Security Administration showed that in the 12-month period before she died, on October 15, 1963, Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen's compensation payments. (Mr. DeMonte had been receiving such payments since 1928, when he became disabled.) Mrs. DeMonte had a net income of $1,674.50 in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple forthat period was $2,974.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,974.50 or $1,487.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support

from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 15, 1963. He therefore upheld the Social Security Administration's determination that Mr. DeMonte was not entitled to widower's insurance benefits.

A request for a review of the hearing examiner's decision by the Appeals Council of the Bureau of Hearings and Appeals, Social Security Administration, was denied because a review of the decision would have resulted in no advantage to Mr. DeMonte.

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Private Calendar No. 5

91ST CONGRESS
1ST SESSION

H. R. 2335

[Report No. 91–60]

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1969

Mr. SMITH of New York introduced the following bill; which was referred to the Committee on the Judiciary

MARCH 12, 1969

Committed to the Committee of the Whole House and ordered to be printed

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A BILL

For the relief of Enrico DeMonte.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in the determination of the right of Enrico DeMonte, of Niagara Falls, New York, to widower's insurance benefits under section 202 (f) (1) of the Social Security Act, as amended (42 U.S.C. 402 (f) (1), as amended), the said Enrico DeMonte shall be held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1962.

Private Calendar No. 5

91ST CONGRESS
1ST SESSION

H. R. 2335

[Report No. 91–60]

A BILL

For the relief of Enrico DeMonte.

By Mr. SMITH of New York

JANUARY 6, 1969
Referred to the Committee on the Judiciary

MARCH 12, 1969
Committed to the Committee of the Whole House and ordered to be printed

ENRICO DEMONTE

The Clerk called the bill (H.R. 2335) for the relief of Enrico DeMonte.

There being no objection, the Clerk read the bill, as follows:

H.R. 2335

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in the determination of the right of Enrico DeMonte, of Niagara Falls, New York, to widower's insurance benefits under section 202(f)(1) of the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), the said Enrico DeMonte shall be held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1962.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table

Calendar No. 1410

91ST CONGRESS
2d Session

SENATE

REPORT
No. 91-1394

ENRICO DEMONTE

DECEMBER 3, 1970.—Ordered to be printed

Mr. EASTLAND, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 2335]

The Committee on the Judiciary, to which was referred the bill (H.R. 2335) for the relief of Enrico DeMonte, having considered the same, reports favorably thereon, without amendment, and recommends that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to provide that in the determination of the right of Enrico DeMonte, of Niagara Falls, N.Y. to widower's insurance benefits under section 202(f)(1) of the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), he is held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1963.

STATEMENT

In its favorable report on the proposed legislation, the Committee on the Judiciary of the House of Representatives said:

> Mr. Enrico DeMonte was completely disabled from performing gainful employment in an industrial accident in 1928. The accident caused an injury to Mr. DeMonte's eyes with the result that his eyesight was so impaired that he has been held to be functionally blind for purposes of earning a living and his own support. His sole personal source of income, except for a small amount of interest upon a savings account, is and has been the meager monthly sum of $100. This

represents a disability payment which is made out of the New York State insurance fund. Considering that Mr. and Mrs. DeMonte were the parents of three children, this amount was inadequate for the purposes of providing the minimal support necessary for their subsistence. His wife was, therefore, forced to obtain employment in 1930 or 1931 in order to properly support themselves and their three minor children. Prior to that time, she was unable to obtain any employment because of the economic depression which existed.

Mrs. DeMonte was forced to continue full-time employment, as and when she was able to obtain it, and in 1941 or 1942, she obtained a full-time job at the Chisholm-Rider Co., Inc., in Niagara Falls, N.Y., where she continued her employment until the year 1959 when a plantwide strike caused her employer to discontinue normal operation and go into a minimal operation under a skeleton crew.

Mrs. DeMonte was then forced to seek new employment whenever and wherever available and of any type available to her. For a period of approximately 3 months, she collected unemployment insurance benefits, but thereafter she obtained part-time employment with the board of education in Niagara Falls, N.Y., where she worked during the years 1959 through the time of her accidental death on October 15, 1963. Unfortunately, Mrs. DeMonte was killed in an automobile accident which occurred on that date. Mrs. DeMonte, while laid off during the years 1959 through 1963, fully expected to be recalled to the Chisholm-Rider Co. plant and as a union member with 17 years seniority at the time of the layoff, she would have been recalled. This belief is strengthened by the fact that some time in the year 1964 the Chisholm-Rider plant reopened production and commenced the recall of former employees released because of the plant shutdown.

Mr. DeMonte made application for widower's insurance benefits under the Social Security Act following his wife's death. He applied for these benefits because his wife was and had been the main support of the family for many years.

Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower's insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of her death.

As is noted in the memorandum accompanying the Health, Education, and Welfare report, the information furnished to the Social Security Administration showed that in the 12-

month period before she died, on October 15, 1963, Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen's compensation payments. (Mr. DeMonte had been receiving such payments since 1928, when he became disabled.) Mrs. DeMonte had a net income of $1,674.50 in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple for that period was $2,974.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,974.50 or $1,487.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 15, 1963. He therefore upheld the Social Security Administration's determination that Mr. DeMonte was not entitled to widower's insurance benefits.

The committee has determined that the unusual circumstances of this case have served to deny social security benefits to a dependent individual, who is clearly of a class of individuals who were intended to be benefited by the Social Security Act.

The beneficiary of this bill is a man who, according to the information supplied to the committee, was not gainfully employed since 1928. As has been noted in this report and as outlined in the departmental memorandum, the law only permitted a consideration of a 12-month period immediately preceding Mrs. DeMonte's death and did not make it possible to examine the history prior to that time when the actual facts show that she was the main support of the family and had she died in that period, Mr. DeMonte would have been eligible for the benefits he now seeks. The Department has questioned relief on the grounds that it would be preferential in this instance. However, the committee feels the facts are sufficiently unique that legislative relief should be extended in this instance and accordingly recommends that the bill be considered favorably.

The committee believes that the bill is meritorious and recommends it favorably.

Attached and made a part of this report is a letter dated October 21, 1965, from the Department of Health, Education, and Welfare.

DEPARTMENTAL REPORT

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, October 21, 1965.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of January 27, 1965, for a report on H.R. 2761, a bill for the relief of Enrico DeMonte.

This private relief bill would provide that for the purpose of qualifying for social security benefits, Mr. Enrico DeMonte is to be considered to have been receiving at least one-half of his support from his deceased wife, Rose DeMonte, at the time of her death on October 15, 1963 (as the result of a typographical error the bill indicates she died in 1962). If this bill were enacted, Mr. DeMonte would be eligible for widower's benefits based on his deceased wife's social security account.

The facts upon which this private relief bill is based are stated in the accompanying memorandum. In substance, Mr. Enrico DeMonte filed an application for widower's insurance benefits under the social security program on November 12, 1963. In order to qualify for these benefits he would have to have been receiving at least one-half of his support from his wife at the time of her death. His claim was disallowed because he did not meet this requirement.

Enactment of the bill, then, would extend to Mr. DeMonte a special advantage that under the law must be denied to other people in similar situations. We believe that special legislation providing an advantage to one person under conditions identical to those in which others are denied similar treatment is undesirable. We therefore recommend against enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

WILBUR J. COHEN,
Under Secretary.

Enclosure.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON H.R. 2761

Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower's insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of

her death. If H.R. 2761 were enacted, widower's benefits would be payable to Mr. DeMonte even though he was not receiving one-half of his support from his wife at the time of her death.

The information furnished to the Social Security Administration showed that in the 12-month period before she died, on October 15, 1963. Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen's compensation payments. (Mr. DeMonte had been receiving such payments since 1928, when he became disabled.) Mrs. DeMonte had a net income of $1,674.50 in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple for that period was $2,974.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,974.50 or $1,487.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 15, 1963. He therefore upheld the Social Security Administration's determination that Mr. DeMonte was not entitled to widower's insurance benefits.

A request for a review of the hearing examiner's decision by the Appeals Council of the Bureau of Hearings and Appeals, Social Security Administration, was denied because a review of the decision would have resulted in no advantage to Mr. DeMonte.

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ENRICO DeMONTE

The bill (H.R. 2335) for the relief of Enrico DeMonte was considered, ordered to a third reading, read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 91–1394), explaining the purposes of the measure.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

The purpose of the proposed legislation is to provide that in the determination of the right of Enrico DeMonte, of Niagara Falls, N.Y. to widower's insurance benefits under section 202(f)(1) of the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), he is held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1963.

STATEMENT

In its favorable report on the proposed legislation, the Committee on the Judiciary of the House of Representatives said:

"Mr. Enrico DeMonte was completely disabled from performing gainful employment in an industrial accident in 1928. The accident caused an injury to Mr. DeMonte's eyes with the result that his eyesight was so impaired that he has been held to be functionally blind for purposes of earning a living and his own support. His sole personal source of income, except for a small amount of interest upon a savings account, is and has been the meager monthly sum of $100. This represents a disability payment which is made out of the New York State insurance fund. Considering that Mr. and Mrs. DeMonte were the parents of three children, this amount was inadequate for the purposes of providing the minimal support necessary for their subsistence. His wife was, therefore, forced to obtain employment in 1930 or 1931 in order to properly support themselves and their three minor children. Prior to that time, she was unable to obtain any employment because of the economic depression which existed.

"Mrs. DeMonte was forced to continue full-time employment, as and when she was able to obtain it, and in 1941 or 1942, she obtained a full-time job at the Chisholm-Rider Co., Inc., in Niagara Falls, N.Y., where she continued her employment until the year 1959 when a plantwide strike caused her employer to discontinue normal operation and go into a minimal operation under a skeleton crew.

"Mrs. DeMonte was then forced to seek new employment whenever and wherever available and of any type available to her. For a period of approximately 3 months, she collected unemployment insurance benefits, but thereafter she obtained part-time employment with the board of education in Niagara Falls, N.Y., where she worked during the years 1959 through the time of her accidental death on October 15, 1963. Unfortunately, Mrs. DeMonte was killed in an automobile accident which occurred on that date. Mrs. DeMonte, while laid off during the years 1959 through 1963, fully expected to be recalled to the Chisholm-Rider Co. plant and as a union member with 17 years seniority at the time of the layoff, she would have been recalled. This belief is strengthened by the fact that some time in the year 1964 the Chisholm-Rider plant reopened production and commenced the recall of former employees released because of the plant shutdown.

"Mr. DeMonte made application for widower's insurance benefits under the Social Security Act following his wife's death. He applied for these benefits because his wife was and had been the main support of the family for many years.

"Under the Social Security Act a widower must have been receiving at least one-half of his support from his wife at the time of her death in order to qualify for widower's insurance benefits. (Under the regulations of the Social Security Administration, a widower meets this requirement if his wife was contributing at least one-half of his support for a reasonable period before her death. A period of 12 months preceding the date of death is considered a reasonable period unless there is a change in the support situation during such period.) The reason for the support requirement is to assure that benefits will be paid only in situations where the widower had been dependent on his deceased wife for his support and lost that support as a result of her death.

"As is noted in the memorandum accompanying the Health, Education, and Welfare report, the information furnished to the Social Security Administration showed that in the 12-month period before she died, on October 15, 1963, Mrs. DeMonte was working part time and Mr. DeMonte was getting biweekly workmen's compensation payments since 1928, when he became disabled.) Mrs. DeMonte had a net income of $1,674.50 in the 12 months immediately preceding her death. In the same period her husband's income was $1,300 in workmen's compensation (which is not subject to taxes). The total income to the couple for that period was $2,974.50, and the value of Mr. DeMonte's support was determined to be one-half of $2,974.50 or $1,487.25. Since Mr. DeMonte's income of $1,300 was more than half that amount, the Social Security Administration determined that Mr. DeMonte did not receive one-half of his support from his wife in the year before her death and that he was not entitled to widower's insurance benefits.

"On October 13, 1964, Mr. DeMonte requested a hearing before an examiner of the examiner of the Bureau of Hearings and Appeals of the Social Security Administration. The specific issue determined at the hearing, which was held on March 24, 1965, was whether Mr. DeMonte was receiving at least one-half of his support from his wife at the time of her death. The hearing examiner found that Mr. DeMonte's tax-free income of $1,300 a year had provided more than one-half of his support prior to the death of his wife on October 15, 1963. He therefore upheld the Social Security Administration's

determination that Mr. DeMonte was not entitled to widower's insurance benefits.

"The committee has determined that the unusual circumstances of this case have served to deny social security benefits to a dependent individual, who is clearly of a class of individuals who were intended to be benefited by the Social Security Act.

"The beneficiary of this bill is a man who, according to the information supplied to the committee, was not gainfully employed since 1928. As has been noted in this report and as outlined in the departmental memorandum, the law only permitted a consideration of a 12-month period immediately preceding Mrs. DeMonte's death and did not make it possible to examine the history prior to that time when the actual facts show that she was the main support of the family and had she died in that period, Mr. DeMonte would have been eligible for the benefits he now seeks. The Department has questioned relief on the grounds that it would be preferential in this instance. However, the committee feels the facts are sufficiently unique that legislative relief should be extended in this instance and accordingly recommends that the bill be considered favorably."

The committee believes that the bill is meritorious and recommends it favorably.

Private Law 91-213
91st Congress, H. R. 2335
December 21, 1970

An Act

For the relief of Enrico DeMonte.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in the determination of the right of Enrico DeMonte, of Niagara Falls, New York, to widower's insurance benefits under section 202(f)(1) of the Social Security Act, as amended (42 U.S.C. 402(f)(1), as amended), the said Enrico DeMonte shall be held and considered to have been receiving at least one-half of his support from his late wife, Rose DeMonte, at the time of her death on October 15, 1962.

Approved December 21, 1970.

91ST CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 91-622

MRS. PEARL C. DAVIS

NOVEMBER 12.—Committed to the Committee of the Whole House and ordered to be printed.

Mr. RAILSBACK, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 7264]

The Committee on the Judiciary, to whom was referred the bill (H.R. 7264) for the relief of Mrs. Pearl C. Davis, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to provide that for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Conn., to widow's insurance benefits under section 202(e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis (social security account No. 044-12-3912), the said Mrs. Pearl C. Davis shall be deemed to have satisfactorily established her marital relationship with the said Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this act) which are payable to her by reason of the preceding sentence.

STATEMENT

The bill, H.R. 7264, would make it possible for Mrs. Pearl C. Davis to be deemed to have established that she was the legal widow of Elbert C. Davis at the time she first applied for widow's benefits in April 1954. The bill would further make it possible to pay Mrs.

Davis an amount equal to the widow's benefits she would have received from the period April 1955 to November 1962. The information supplied to the committee indicates that Mrs. Pearl C. Davis is advanced in years and her understanding of matters such as this is limited so that her comprehension of the formal requirement of claims and appeals inhibited her attempts to secure widow's benefits. It appears that it was not until she received the assistance of an attorney that the relatively simple proof required in this case were submitted and her entitlement to benefits was confirmed.

The attempts by Mrs. Davis to secure widow's benefits date back to April 1954 when she reached age 65 and applied for social security widow's benefits based on the earnings record of Alver Davis (account No. 044-12-3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

On both of these occasions she was advised of her right to appeal the decision made in her case, but she did not avail herself of this right. Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1963, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claim not be pressed any further, and accordingly her claim was disallowed.

Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stating that Mrs. Pearl C. Davis was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1962.

The committee has carefully reviewed the history of this case as outlined above and has concluded that it is a proper subject for legislative relief. The issue in this case is not Mrs. Davis' right to benefits for it has been established that she was, in fact, a widow eligible to benefits under the Social Security Act. She was just as eligible at the date of her first application as she was when benefits began to be paid to her. These benefits were intended to aid and protect widows like Mrs. Davis. Accordingly, it is recommended that the bill be considered favorably.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., December 27, 1967.

Hon. EMANUEL CELLER,
Chairman, Committee on the Judiciary, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of May 2, 1967, for a report on H.R. 9082, a bill "for the relief of Mrs. Pearl C. Davis."

The facts on which this private relief bill is based are stated in the accompanying memorandum. In substance, in 1954 Mrs. Pearl C. Davis reached age 65 and applied for widow's insurance benefits based on the social security account of Mr. Alver C. Davis. However, because Mrs. Davis failed to submit proof of her marriage to Mr.Davis and establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954. Mrs. Davis again filed application in September 1954. In June of 1954, and again in January 1955, when she was notified of the denial of her claims for benefits, Mrs. Davis was advised of her right to appeal the determination if she did not agree with it. Mrs. Davis failed to do so on both occasions.

Mrs. Davis again filed application for benefits in November 1963. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, she asked that her claim not be pressed any further, and accordingly her claim was disallowed. On July 15, 1964, however, the decision on the claim of November 1963 was appealed by Mrs. Davis and her attorney, who submitted further evidence which established that she was the legal widow of Mr. Davis. On the basis of this evidence, it was determined that Mrs. Davis was entitled to social security benefits on the basis of her application of November 1963. Since the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied, it was determined that the first month for which she was entitled to benefits was November 1962.

The bill provides that Mrs. Davis would be deemed to have established that she was the legal widow of Alver C. Davis at the time she first applied for widow's benefits in April 1954. The bill further requires that Mrs. Davis be paid an amount equal to the widow's benefits she would have received for the period from April 1955 to November 1962.

Present law and regulations of the Social Security Administration state that initial determinations of the Social Security Administration

are final and binding unless they are reconsidered at the claimant's request within 6 months of the date of the notice of the initial determination or are revised within 12 months from the date of the notice of the initial determination to the claimant, or, upon a finding of good cause for reopening the determination or decision, within 4 years after the date of the notice of the initial determination. In this case the 4-year period has expired. There is no authority for the Administration to reopen or revise the initial determination.

Enactment of the bill would extend to Mrs. Pearl C. Davis a special advantage that under the law must be denied to others in similar situations. We believe that special legislation providing an advantage to some people under conditions identical to those in which others are denied similar treatment is generally undesirable. We therefore recommend against enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

WILLIAM J. COHEN,
Under Secretary.

Enclosure.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON H.R. 9082

In April 1954, Mrs. Pearl C. Davis reached age 65 and applied for social security widow's benefits based on the earnings record of Alver Davis (account No. 044-12-3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

On both of these occasions she was advised of her right to appeal the decision made in her case, but she did not avail herself of this right. Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1963, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claim not be pressed any further, and accordingly her claim was disallowed.

Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stating that Mrs. Pearl C. Davis

was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1962. (There is no indication why the date of April 1955 was selected; Mrs. Davis reached age 65 and first applied for widows' benefits in April 1954.)

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Private Calendar No. 181

91ST CONGRESS
1ST SESSION

H. R. 7264

[Report No. 91–622]

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 19, 1969

Mr. GIAIMO introduced the following bill; which was referred to the Committee on the Judiciary

NOVEMBER 12, 1969

Committed to the Committee of the Whole House and ordered to be printed

A BILL

For the relief of Mrs. Pearl C. Davis.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Connecticut, to widow's insurance benefits under section 202 (e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis (Social Security Account Numbered 044–12–3912), the said Mrs. Pearl C. Davis shall be deemed to have satisfactorily established her marital relationship with the said Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid

to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this Act) which are payable to her by reason of the preceding sentence.

Private Calendar No. 181

91ST CONGRESS
1ST SESSION

H. R. 7264

[Report No. 91–622]

A BILL

For the relief of Mrs. Pearl C. Davis.

By Mr. GIAIMO

FEBRUARY 19, 1969
Referred to the Committee on the Judiciary

NOVEMBER 12, 1969
Committed to the Committee of the Whole House and ordered to be printed

marital relationship with the said Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this Act) which are payable to her by reason of the preceding sentence.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MRS. PEARL C. DAVIS

The Clerk called the bill (H.R. 7264) for the relief of Mrs. Pearl C. Davis.

There being no objection, the Clerk read the bill as follows:

H. R. 7264

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Connecticut, to widow's insurance benefits under section 202(e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis (Social Security Account Numbered 044-12-3912), the said Mrs. Pearl C. Davis shall be deemed to have satisfactorily established her

Calendar No. 1499

91ST CONGRESS
2d Session

SENATE

REPORT
No. 91-1485

MRS. PEARL C. DAVIS

DECEMBER 17 (legislative day, DECEMBER 15), 1970.—Ordered to be printed

Mr. EASTLAND, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 7264]

The Committee on the Judiciary, to which was referred the bill (H.R. 7264), for the relief of Mrs. Pearl C. Davis, having considered the same, reports favorably thereon, without amendment, and recommends that the bill do pass.

PURPOSE

The purpose of the proposed legislation is to provide that for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Conn., to widow's insurance benefits under section 202(e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this act (which are payable to her by reason of the preceding sentence.

STATEMENT

The bill, H.R. 7264, would make it possible for Mrs. Pearl C. Davis, to be deemed to have established that she was the legal widow of Alver C. Davis at the time she first applied for widow's benefits in April 1954. The bill would further make it possible to pay Mrs. Davis an amount equal to the widow's benefits she would have received from the period April 1955 to November 1962. The information supplied to the committee indicates that Mrs. Pearl C. Davis is advanced in years and her understanding of matters such as this is limited so that her comprehension of the formal requirement of claims and appeals inhibited her attempts to secure widow's benefits. It appears that it was not until she received the assistance of an attorney that the relatively simple proof required in his case were submitted and her entitlement to benefits was confirmed.

The attempts by Mrs. Davis to secure widow's benefits date back to April 1954 when she reached age 65 and applied for social security widow's benefits based on the earnings record of Alver Davis (account No. 044–12–3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

On both of these occasions she was advised of her right to appeal the decision made in her case, but she did not avail herself of this right.

The most apparent and truthful answer seems to be that she simply did not understand the meaning of the word and had considerable difficulty even appreciating the reason for her denial. In lieu of any appeal, she persisted in making applications on a somewhat rapid-fire basis.

Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1963, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claim not be pressed any further, and accordingly her claim was disallowed.

Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stated that Mrs. Pearl C. Davis was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

that Mrs. Davis was entitled to social security benefits on the basis of her application of November 1963. Since the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied, it was determined that the first month for which she was entitled to benefits was November 1962.

The bill provides that Mrs. Davis would be deemed to have established that she was the legal widow of Alver C. Davis at the time she first applied for widow's benefits in April 1954. The bill further requires that Mrs. Davis be paid an amount equal to the widow's benefits she would have received for the period from April 1955 to November 1962.

Present law and regulations of the Social Security Administration state that initial determinations of the Social Security Administration are final and binding unless they are reconsidered at the claimant's request within 6 months of the date of the notice of the initial determination or are revised within 12 months from the date of the notice of the initial determination to the claimant, or, upon a finding of good cause for reopening the determination or decision, within 4 years after the date of the notice of the initial determination. In this case the 4-year period has expired. There is no authority for the Administration to reopen or revise the initial determination.

Enactment of the bill would extend to Mrs. Pearl C. Davis a special advantage that under the law must be denied to others in similar situations. We believe that special legislation providing an advantage to some people under conditions identical to those in which others are denied similar treatment is generally undesirable. We therefore recommend against enactment of the bill.

We are advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

WILLIAM J. COHEN,
Under Secretary.

Enclosure.

MEMORANDUM TO ACCOMPANY THE REPORT OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON H.R. 9082

In April 1954, Mrs. Pearl C. Davis reached age 65 and applied for social security widow's benefits based on the earnings record of Alver Davis (account No. 044–12–3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

On both of these occasions she was advised of her right to appeal the decision made in her case, but she did not avail herself of this right.

On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1962.

The House Committee reviewed the history of this case and concluded that it is a proper subject for legislative relief. The issue in this case is not Mrs. Davis' right to benefits for it has been established that she was, in fact, a widow eligible to benefits under the Social Security Act. She was just as eligible at the date of her first application as she was when benefits began to be paid to her. These benefits were intended to aid and protect widows like Mrs. Davis. The committee is in agreement with the House Committee that this bill is meritorious and accordingly recommends favorable consideration of H.R. 7264 without amendment.

Attached hereto and made a part hereof is the report of the Department of Health, Education, and Welfare.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., December 27, 1970.

HON. EMANUEL CELLER,
Chairman, Committee on the Judiciary, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of May 2, 1967, for a report on H.R. 9082, a bill "for the relief of Mrs. Pearl C. Davis."

The facts on which this private relief bill is based are stated in the accompanying memorandum. In substance, in 1954 Mrs. Pearl C. Davis reached age 65 and applied for widow's insurance benefits, based on the social security account of Mr. Alver C. Davis. However, because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954. Mrs. Davis again filed application in September 1954. In June of 1954, and again in January 1955, when she was notified of the denial of her claims for benefits, Mrs. Davis was advised of her right to appeal the determination if she did not agree with it. Mrs. Davis failed to do so on both occasions.

Mrs. Davis again filed application for benefits in November 1963. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, she asked that her claim not be pressed any further, and accordingly her claim was disallowed. On July 15, 1964, however, the decision on the claim of November 1963 was appealed by Mrs. Davis and her attorney, who submitted further evidence which established that she was the legal widow of Mr. Davis. On the basis of this evidence, it was determined

Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1963, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claim not be pressed any further, and accordingly her claim was disallowed.

Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stating that Mrs. Parl C. Davis was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1962. (There is no indication why the date of April 1955 was selected; Mrs. Davis reached age 65 and first applied for widows' benefits in April 1954.)

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MRS. PEARL C. DAVIS

The bill (H.R. 7264) for the relief of Mrs. Pearl C. Davis was considered, ordered to a third reading, read the third time, and passed.

Mr. KENNEDY. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 91-1485), explaining the purposes of the measure.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

The purpose of the proposed legislation is to provide that for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Conn., to widow's insurance benefits under section 202(e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this act) to which are payable to her by reason of the preceding sentence.

STATEMENT

The bill, H.R. 7264, would make it possible for Mrs. Pearl C. Davis, to be deemed to have established that she was the legal widow of Alver C. Davis at the time she first applied for widow's benefits in April 1954. The bill would further make it possible to pay Mrs. Davis an amount equal to the widow's benefits she would have received from the period April 1955 to November 1962. The information supplied to the committee indicates that Mrs. Pearl C. Davis is advanced in years and her understanding of matters such as this is limited so that her comprehension of the formal requirement of claims and appeals inhibited her attempts to secure widow's benefits. It appears that it was not until she received the assistance of an attorney that the relatively simple proof required in his case was submitted and her entitlement to benefits was confirmed.

The attempts by Mrs. Davis to secure widow's benefits date back to April 1954 when she reached age 65 and applied for social security widow's benefits based on the earnings record of Alvert Davis (account No. 044-12-3912). Because Mrs. Davis failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed and a notice of the disallowance was sent to her on June 16, 1954.

On September 23, 1954, Mrs. Davis filed a new application for widow's benefits. Since she again failed to submit proof of her marriage to Mr. Davis and to establish that she was his legal widow, her claim was disallowed. A notice of the second disallowance was sent to her on January 26, 1955.

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Efforts were made by the Social Security Administration to assist Mrs. Davis to develop proof of her marriage by checking with the Bureau of Vital Statistics in New York City and by trying to locate records at the church in which Mrs. Davis alleged she was married; the results of these contacts proved negative.

Mrs. Davis again filed an application on November 27, 1963, for widow's insurance benefits, and submitted a warranty deed dated September 20, 1938, which she had witnessed as Mrs. Pearl C. Davis. On March 17, 1964, after she had been advised that she still had not submitted proof that she was the legal widow of Mr. Davis, Mrs. Davis asked that her claims not be pressed any further, and accordingly her claim was disallowed.

Mrs. Davis and her attorney later appealed this decision, however, and submitted further evidence, which showed that Mr. and Mrs. Davis had in 1942 and 1943 filed joint tax returns. A letter from the Metropolitan Life Insurance Co. stated that Mrs. Pearl C. Davis was designated as Alver C. Davis' beneficiary and shown as his wife on an insurance policy issued prior to his death, and statements by two neighbors that the couple were always known as husband and wife were also submitted.

On the basis of the evidence submitted, it was determined that Mrs. Davis was the legal widow of Alver C. Davis and was therefore entitled to benefits based on her application of November 1963. Section 202(j)(1) of the Social Security Act provides that benefits are payable for up to 12 months preceding the month in which an application is filed if the individual could have been entitled to benefits for that period had he applied. November 1962 was therefore the first month for which Mrs. Davis was entitled to social security benefits.

Mrs. Davis and her attorney have appealed this decision and have requested that she be paid benefits from April 1955, rather than from November 1962.

The House Committee reviewed the history of this case and concluded that it is a proper subject for legislative relief. The issue in this case is not Mrs. Davis' right to benefits for it has been established that she was, in fact, a widow eligible to benefits under the Social Security Act. She was just as eligible at the date of her first application as she was when benefits began to be paid to her. These benefits were intended to aid and protect widows like Mrs. Davis. The committee is in agreement with the House Committee that this bill is meritorious and accordingly recommends favorable consideration of H.R. 7264 without amendment.

Private Law 91-228
91st Congress, H. R. 7264
December 31, 1970

An Act

For the relief of Mrs. Pearl C. Davis.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of determining the entitlement of Mrs. Pearl C. Davis, of New Haven, Connecticut, to widow's insurance benefits under section 202 (e) of the Social Security Act on the basis of the wages and self-employment income of her late husband Alver C. Davis (Social Security Account Numbered 044–12–3912), the said Mrs. Pearl C. Davis shall be deemed to have satisfactorily established her marital relationship with the said Alver C. Davis at the time she first filed application for such benefits in 1954. There shall be paid to the said Mrs. Pearl C. Davis, in a lump sum from the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the total of the additional widow's insurance benefits (for the period beginning with the month of April 1955, and ending with the month preceding the first month for which she was entitled to such benefits without regard to this Act) which are payable to her by reason of the preceding sentence.

Approved December 31, 1970.

GPO 48-128