

land, Oregon, and South Dakota—elected to adopt a limited pass-along of the July increase.

Eleven States elected to increase recipients' incomes by raising the State payment levels. Two of these States raised their payment levels twice during the year: Idaho in January for all persons and in August for persons in shelter homes; North Carolina in January and July for aged and disabled persons in domiciliary-care and personal-care facilities and in July for blind persons in

rest homes. For the remaining nine States, increases were as follows: (1) In March—Kentucky, for persons in domiciliary-care and personal-care facilities, Oklahoma, for all persons except those residing in nursing homes, and Wisconsin, for all persons, (2) in July—Nebraska and Washington, for all persons, (3) in August—Alaska and California, for all persons, (4) in September—New York, for all persons, and (5) in November (retroactive to July)—Michigan, for all persons

---

## Notes and Brief Reports

### Legislation in 1976\*

A number of bills signed into law by the President in 1976 either affect or are of specific interest to the Social Security Administration. A review of some of the year's legislation follows<sup>1</sup>.

*The Tax Reform Act of 1976 (P.L. 94-455)* — This law provides that any State (or political subdivision) now may use the social security number in administering any tax, general public assistance, driver's license, or motor vehicle registration law within its jurisdiction in order to establish the identity of an individual affected by such law. The individual may be requested to furnish the number.

The law makes it a misdemeanor to willfully, knowingly, and deceitfully use a social security number for any purpose. Until the enactment of P.L. 94-455 the misdemeanor applied only in cases involving obtaining or increasing benefit amounts under a social security or other federally funded program.

In another provision of this law, services performed by an individual on a boat used in fishing are excluded as "employment" for social security coverage if (a) the individual, by arrangement with the owner or operator, receives part of the catch or proceeds from the sale of that catch as the sole remuneration for his services and (b) the operating crew is normally fewer than 10 persons.

\* Prepared in the Office of Research and Statistics. Includes material adapted from Legislative Report No. 11, Office of Program Evaluation and Planning.

<sup>1</sup> See also *Social Security Bulletin*, October 1976, page 1.

The remuneration will be treated as net earnings from self-employment for taxable years ending after December 31, 1971. Remuneration for such services that was reported as wages in the past will be considered to have been reported correctly.

Social security coverage of self-employed individuals living outside the United States has been modified by this legislation. For a self-employed US citizen who is a bona fide resident of a foreign country for a full taxable year, or who is physically present in a foreign country for 510 days in a consecutive 18-month period and not residing in the United States for a full taxable year, the first \$15,000 earned outside the United States will be excluded from gross income for social security purposes for taxable years after December 31, 1975. An individual may elect not to have the exclusion apply to him in any year in which it would otherwise apply and all subsequent years. Consent of the Secretary of the Treasury is needed to revoke such election.

Under this law, the earned-income credit provision has been extended through 1977. This provision permits a low-income worker with a child who can be claimed as a dependent for Federal income tax purposes to receive a tax credit equal to 10 percent of the first \$4,000 of earned income, reduced by 10 percent of the adjusted gross income (or, if greater, the earned income) in excess of \$4,000.

*Public Law 94-563* — Under this law, for individuals employed by nonprofit organizations that have failed to file a certificate electing coverage but paid the social security contributions, the organization will be deemed to have filed such certificate if no refund or credit of social security taxes was made before September 9, 1976.

A nonprofit organization that has received a credit or refund of erroneously paid social security taxes will have 180 days after enactment (October 20, 1976) to voluntarily file a certificate electing coverage, along with a list of its employees who want the coverage. If a certificate is filed, coverage is effective beginning on the first day of the period for which taxes were refunded or credited, or 5 years before the date on which the certificate is filed—whichever is later.

If no certificate is filed within the 180-day limit the organization will be deemed to have filed one, and all its employees will be deemed to have elected coverage. In such cases, coverage begins on the first day of the period for which the refund or credit was made or the first calendar quarter within the statute of limitations before the bill's enactment—whichever is later.

*Unemployment Compensation Amendments of 1976 (Public Law 94-566)*—This law provides for the referral of blind and disabled children under age 16 to the agency administering the State plan for crippled children's services under title V of the Social Security Act or to an agency designated by the State. The State plan must provide, among other things, for coordination with other agencies serving disabled children, planning and monitoring individual services, and making medical, social, developmental, and rehabilitative services available to children aged 6 and under who have never attended public school and who require such services to prepare them for public educational services.

For fiscal year 1977 and the 2 succeeding fiscal years, Federal funding is provided for supplemental security income (SSI) recipients under age 16. A \$30 million-per-year limit is imposed on such funding, and funds are to be allocated to the States according to the total population aged 6 and under in each State. At least 90 percent of the funds must be used for services to children aged 6 and under who have not attended public school and would benefit as noted.

Another provision of P L 94-566 states that the Medicaid eligibility of individuals who are "categorically eligible" for Medicaid because they are eligible for Federal SSI benefits or State supplementary payments will not be terminated if they become ineligible solely as a result of a cost-of-living increase in social security benefits.

This provision applies for benefit increases in June 1977 and later.

The law authorizes SSI payments for persons in publicly operated community residences serving no more than 16 persons, beginning October 1, 1976. Any assistance based on need (including vendor payments) made to or on behalf of such SSI recipients by State or local governments is excluded from income.

The Social Security Act provision for reducing SSI payments on a dollar-for-dollar basis when a State subsidizes a recipient's care in a substandard medical facility has been changed so that beginning October 1, 1977 (1) States are required to establish, maintain, and enforce standards for group-living arrangement facilities in which SSI recipients are likely to reside and (2) SSI payments for residents of facilities that do not meet the State standards will be reduced by the amount of any State or local payments toward the recipient's care in the facility.

Under another provision of P L 94-566, cost-of-living increases, or any other general increase, in Federal SSI payments becoming effective after June 30, 1977, and before July 1, 1979, are disregarded in determining the amount the Federal Government must contribute toward the cost of supplementary payments provided by the three "hold-harmless" States (Massachusetts, Hawaii, and Wisconsin). These States will thus be able to pass along to SSI recipients any Federal increases occurring between those dates at no additional cost to the States.

Public Law 94-566 also amended the unemployed fathers program under aid to families with dependent children (AFDC-UF). Before they can receive any AFDC-UF benefits for which they might qualify, unemployed fathers must collect any unemployment insurance benefits to which they are entitled. Where an individual collecting unemployment insurance meets the State AFDC-UF eligibility requirements, the State is required to supplement the unemployment insurance benefits up to AFDC-UF benefit levels.

This amendment was introduced in response to a Supreme Court decision (*Philbrook v Glodgett*) which held that an unemployed father of dependent children eligible for AFDC-UF, who is also entitled to unemployment insurance benefits, must be given the option of receiving either unemployment insurance or AFDC-UF. Before

this ruling, an unemployed father entitled to unemployment insurance benefits was prohibited from receiving AFDC-UF, even if he met the AFDC-UF eligibility requirements and payments under AFDC-UF were higher than his unemployment insurance payments. The new legislation is aimed at shifting the source of funds back to the unemployment insurance trust funds and away from Federal and State general revenues used to finance AFDC-UF. The legislation affects the 28 States that participate in the AFDC-UF program.

The law also provides, in connection with the requirements for registering for employment under the work incentive program and the unemployment insurance program, that the States and the Federal government enter into agreements to simplify the procedures for registration for work and manpower services. Where possible a single registration is to be used to satisfy the requirements of both programs.

One other change in P.L. 94-566 requires State employment offices to furnish information to welfare agencies on unemployment insurance beneficiary status for the purpose of administering the AFDC or child support programs. The State employment service is to be reimbursed by the welfare or child support agencies for the cost of supplying this information.

Details of the provisions of this law that deal directly with the unemployment insurance program are described in the note that follows immediately.

*Public Law 94-585*—Beginning with SSI increases after June 1977, as a condition for receiving Federal Medicaid funds, States must maintain whatever supplements they have been paying when the Federal SSI level is increased, under the provisions of this law. The requirement will be met if a State does not maintain each individual's supplement but does maintain levels that, over the 12 months following an SSI increase, cost the State as much in total payments as in the previous year. States supplementing the Federal SSI payment in December 1976 must maintain their supplements at the December 1976 level. States with no supplementation in that month who later begin supplementary payments will be required to maintain the level payable in the first month of supplementation.

Hold-harmless protection is made permanent

for the three present hold-harmless States. Increases in Federal SSI payments effective after June 1977 are to be disregarded in measuring the difference between the Federal level and the adjusted payment levels (the difference is the amount of State supplement protected by the hold-harmless provisions).

*Public Law 94-569*—Two provisions of this Act affect the SSI program as follows: (1) Effective October 20, 1976, the value of a home in which an individual resides will be excluded from the determination of his resources, regardless of its value and (2) for months after November 1976, SSI payments to presumptively blind applicants are authorized for up to 3 months.

*Public Law 94-505*—This Act establishes an Office of Inspector General in the Department of Health, Education, and Welfare. Within this office, a separate staff will have specific responsibility for antifraud and abuse activities as they relate to maternal and child health care services, Medicare, Medicaid, and the end-stage renal disease program authorized by the Social Security Act.

*Public Law 94-437*—This law provides for Medicare reimbursement to Indian Health Service facilities. To be eligible for such reimbursement Indian Health Service hospitals and skilled-nursing facilities must meet the Medicare conditions of participation or must submit to the Secretary of Health, Education, and Welfare an acceptable plan for meeting the requirements. In the latter case, eligibility is limited to 1 year and Medicare payments to the institution must be used to make the necessary improvements.

---

## Unemployment Compensation Amendments of 1976\*

On October 20, 1976, President Ford signed the Unemployment Compensation Amendments of 1976 (Public Law 94-566). The major features of this law affecting the Federal-State unemployment insurance system raise the amount of wages subject to the Federal unemployment tax, increase the rate of such tax, and extend coverage

\* By Alfred M. Skolnik, Division of Retirement and Survivor Studies.