

98TH CONGRESS
1ST SESSION

H. R. 1900

To assure the solvency of the Social Security Trust Funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 1983

Mr. ROSTENKOWSKI (for himself, Mr. PICKLE, and Mr. CONABLE) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To assure the solvency of the Social Security Trust Funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3

Sec. 143. Recommendations by Board of Trustees to remedy inadequate balances in the Social Security Trust Funds.

PART F—OTHER FINANCING AMENDMENTS

Sec. 151. Financing of noncontributory military wage credits.
Sec. 152. Accounting for certain unnegotiated checks for benefits under the social security program.

TITLE II—ADDITIONAL PROVISIONS RELATING TO LONG-TERM
FINANCING OF THE SOCIAL SECURITY SYSTEM

Sec. 201. Adjustments in OASDI benefit formula.
Sec. 202. Adjustments in OASDI tax rates.

TITLE III—MISCELLANEOUS AND TECHNICAL PROVISIONS

PART A—CASH MANAGEMENT

Sec. 301. Float periods.
Sec. 302. Interest on late State deposits.
Sec. 303. Trust fund investment procedures.
Sec. 304. Budgetary treatment of trust fund operations.

PART B—ELIMINATION OF GENDER-BASED DISTINCTIONS

Sec. 311. Divorced husbands.
Sec. 312. Remarriage of surviving spouse before age of eligibility.
Sec. 313. Illegitimate children.
Sec. 314. Transitional insured status.
Sec. 315. Equalization of benefits under section 228.
Sec. 316. Father's insurance benefits.
Sec. 317. Effect of marriage on childhood disability benefits and on other dependents' or survivors' benefits.
Sec. 318. Credit for certain military service.
Sec. 319. Conforming amendments.
Sec. 320. Effective date of part B.

PART C—COVERAGE

Sec. 321. Coverage of employees of foreign affiliates of American employers.
Sec. 322. Extension of coverage by international social security agreement.
Sec. 323. Treatment of certain service performed outside the United States.
Sec. 324. Treatment of pay after age 62 as wages.
Sec. 325. Treatment of contributions under simplified employee pensions.
Sec. 326. Effect of changes in names of State and local employee groups in Utah.
Sec. 327. Effective dates of international social security agreements.
Sec. 328. Technical correction with respect to withholding of sick pay of participants in multiemployer plans.
Sec. 329. Amount received under certain deferred compensation and salary reduction arrangements treated as wages for FICA taxes.
Sec. 330. Codification of Rowan decision with respect to meals and lodging.

PART D—OTHER AMENDMENTS

Sec. 331. Technical and conforming amendments to maximum family benefit provisions.
Sec. 332. Reduction from 72 to 70 of age beyond which no delayed retirement credits can be earned.

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- Sec. 333. Relaxation of insured status requirements for certain workers previously entitled to a period of disability.
- Sec. 334. Protection of benefits of illegitimate children of disabled beneficiaries.
- Sec. 335. One-month retroactivity of widow's and widower's insurance benefits.
- Sec. 336. Nonassignability of benefits.
- Sec. 337. Use of death certificates to prevent erroneous benefit payments to deceased individuals.
- Sec. 338. Public pension offset.
- Sec. 339. Study concerning the establishment of the Social Security Administration as an independent agency.
- Sec. 340. Conforming changes in medicare premium provisions to reflect changes in the cost-of-living benefit adjustments.

TITLE IV—SUPPLEMENTAL SECURITY INCOME BENEFITS

- Sec. 401. Increase in Federal SSI benefit standard.
- Sec. 402. Adjustments in Federal SSI pass-through provisions.
- Sec. 403. SSI Eligibility for temporary residents of emergency shelters for the homeless.
- Sec. 404. Disregarding of emergency and other in-kind assistance provided by non-profit organizations.

TITLE V—UNEMPLOYMENT COMPENSATION PROVISIONS

SUBTITLE A—FEDERAL SUPPLEMENTAL COMPENSATION

- Sec. 501. Extension of program.
- Sec. 502. Number of weeks for which compensation payable.
- Sec. 503. Coordination with trade readjustment program.
- Sec. 504. Effective date.

SUBTITLE B—MISCELLANEOUS PROVISIONS

- Sec. 511. Voluntary health insurance programs permitted.
- Sec. 512. Treatment of certain organizations retroactively determined to be described in section 501(c)(3) of the Internal Revenue Code of 1954.

TITLE VI—PROSPECTIVE PAYMENTS FOR MEDICARE INPATIENT HOSPITAL SERVICES

- Sec. 601. Medicare payments for inpatient hospital services on the basis of prospective rates.
- Sec. 602. Conforming amendments.
- Sec. 603. Reports, experiments and demonstration projects, and intent of Congress respecting new capital expenditures.
- Sec. 604. Effective dates.

1 **TITLE I—PROVISIONS AFFECTING**
2 **THE FINANCING OF THE**
3 **SOCIAL SECURITY SYSTEM**

4 **PART A—COVERAGE**

5 **COVERAGE OF NEWLY HIRED FEDERAL EMPLOYEES**

6 **SEC. 101. (a)(1)** Section 210(a) of the Social Security
7 Act is amended by striking out paragraphs (5) and (6) and
8 inserting in lieu thereof the following:

9 “(5) Service performed in the employ of the
10 United States or any instrumentality of the United
11 States, if such service—

12 “(A) would be excluded from the term ‘em-
13 ployment’ for purposes of this title if the provi-
14 sions of paragraphs (5) and (6) of this subsection
15 as in effect in January 1983 had remained in
16 effect, and

17 “(B) is performed by an individual who (i)
18 has been continuously in the employ of the United
19 States or an instrumentality thereof since Decem-
20 ber 31, 1983 (and for this purpose an individual
21 who returns to the performance of such service
22 after being separated therefrom following a previ-
23 ous period of such service shall nevertheless be
24 considered upon such return as having been con-
25 tinuously in the employ of the United States or an

1 instrumentality thereof, regardless of whether the
2 period of such separation began before or after
3 December 31, 1983, if the period of such separa-
4 tion does not exceed 365 consecutive days), or (ii)
5 is receiving an annuity from the Civil Service Re-
6 tirement and Disability Fund, or benefits (for
7 service as an employee) under another retirement
8 system established by a law of the United States
9 for employees of the Federal Government or
10 members of the uniformed services;

11 except that this paragraph shall not apply with respect
12 to—

13 “(i) service performed as the President or
14 Vice President of the United States,

15 “(ii) service performed—

16 “(I) in a position placed in the Execu-
17 tive Schedule under sections 5312 through
18 5317 of title 5, United States Code,

19 “(II) as a noncareer appointee in the
20 Senior Executive Service or a noncareer
21 member of the Senior Foreign Service, or

22 “(III) in a position to which the individ-
23 ual is appointed by the President (or his des-
24 ignee) or the Vice President under section
25 105(a)(1), 106(a)(1), or 107 (a)(1) or (b)(1) of

1 title 3, United States Code, if the maximum
2 rate of basic pay for such position is at or
3 above the rate for level V of the Executive
4 Schedule,

5 “(iii) service performed as the Chief Justice
6 of the United States, an Associate Justice of the
7 Supreme Court, a judge of a United States Dis-
8 trict Court (including the district court of a terri-
9 tory), a judge of the United States Claims Court,
10 a judge of the United States Court of Internation-
11 al Trade, a judge of the United States Tax Court,
12 a United States magistrate, or a referee in bank-
13 ruptcy or United States bankruptcy judge,

14 “(iv) service performed as a Member, Dele-
15 gate, or Resident Commissioner of or to the Con-
16 gress, or

17 “(v) any other service in the legislative
18 branch of the Federal Government if such service
19 is performed by an individual who, on December
20 31, 1983, is not subject to subchapter III of
21 chapter 83 of title 5, United States Code;

22 “(6) Service performed in the employ of the
23 United States or any instrumentality of the United
24 States if such service is performed—

1 “(A) in a penal institution of the United
2 States by an inmate thereof;

3 “(B) by any individual as an employee in-
4 cluded under section 5351(2) of title 5, United
5 States Code (relating to certain interns, student
6 nurses, and other student employees of hospitals
7 of the Federal Government), other than as a
8 medical or dental intern or a medical or dental
9 resident in training; or

10 “(C) by any individual as an employee serv-
11 ing on a temporary basis in case of fire, storm,
12 earthquake, flood, or other similar emergency;”.

13 (2) Section 210(p) of such Act is amended by striking
14 out “provisions of—” and all that follows and inserting in
15 lieu thereof “provisions of subsection (a)(5).”.

16 (b)(1) Section 3121(b) of the Internal Revenue Code of
17 1954 is amended by striking out paragraphs (5) and (6) and
18 inserting in lieu thereof the following:

19 “(5) service performed in the employ of the
20 United States or any instrumentality of the United
21 States, if such service—

22 “(A) would be excluded from the term ‘em-
23 ployment’ for purposes of this title if the provi-
24 sions of paragraphs (5) and (6) of this subsection

1 as in effect in January 1983 had remained in
2 effect, and

3 “(B) is performed by an individual who (i)
4 has been continuously in the employ of the United
5 States or an instrumentality thereof since Decem-
6 ber 31, 1983 (and for this purpose an individual
7 who returns to the performance of such service
8 after being separated therefrom following a previ-
9 ous period of such service shall nevertheless be
10 considered upon such return as having been con-
11 tinuously in the employ of the United States or an
12 instrumentality thereof, regardless of whether the
13 period of such separation began before or after
14 December 31, 1983, if the period of such separa-
15 tion does not exceed 365 consecutive days), or (ii)
16 is receiving an annuity from the Civil Service Re-
17 tirement and Disability Fund, or benefits (for
18 service as an employee) under another retirement
19 system established by law of the United States for
20 employees of the Federal Government or mem-
21 bers of the uniformed services;

22 except that this paragraph shall not apply with respect
23 to—

24 “(i) service performed as the President or
25 Vice President of the United States,

1 (ii) service performed—

2 “(I) in a position placed in the Execu-
3 tive Schedule under Sections 5312 through
4 5317 of title 5, United States Code.

5 “(II) as a noncareer appointee in the
6 Senior Executive Service or a noncareer
7 member of the Senior Foreign Service, or

8 “(III) in a position to which the individ-
9 ual is appointed by the President (or his des-
10 ignee) or the Vice President under section
11 105(a)(1), 106(a)(1), or 107 (a)(1) or (b)(1) of
12 title 3, United States Code, if the maximum
13 rate of basic pay for such position is at or
14 above the rate for level V of the Executive
15 Schedule,

16 “(iii) service performed as the Chief Justice
17 of the United States, an Associate Justice of the
18 Supreme Court, a judge of a United States court
19 of appeals, a judge of a United States district
20 court (including the district court of a territory), a
21 judge of the United States Claims Court, a judge
22 of the United States Court of International Trade,
23 a judge of the United States Tax Court, a United
24 States magistrate, or a referee in bankruptcy or
25 United States bankruptcy judge,

1 “(iv) service performed as a Member, Dele-
2 gate, or Resident Commissioner of or to the Con-
3 gress, or

4 “(v) any other service in the legislative
5 branch of the Federal Government if such service
6 is performed by an individual who, on December
7 31, 1983, is not subject to subchapter III of
8 chapter 83 of title 5, United States Code;

9 “(6) service performed in the employ of the
10 United States or any instrumentality of the United
11 States if such service is performed—

12 “(A) in a penal institution of the United
13 States by an inmate thereof;

14 “(B) by any individual as an employee in-
15 cluded under section 5351(2) of title 5, United
16 States Code (relating to certain interns, student
17 nurses, and other student employees of hospitals
18 of the Federal Government), other than as a
19 medical or dental intern or a medical or dental
20 resident in training; or

21 “(C) by any individual as an employee serv-
22 ing on a temporary basis in case of fire, storm,
23 earthquake, flood, or other similar emergency;”.

24 (2) Section 3121(u)(1) of such Code is amended to read
25 as follows:

1 “(1) IN GENERAL.—For purposes of the taxes im-
2 posed by sections 3101(b) and 3111(b), subsection (b)
3 shall be applied without regard to paragraph (5) there-
4 of.”.

5 (c)(1) Section 209 of the Social Security Act is amended
6 by adding at the end thereof the following new paragraph:

7 “For purposes of this title, in the case of an individual
8 performing service under the provisions of section 294 of title
9 28, United States Code (relating to assignment of retired jus-
10 tices and judges to active duty), the term ‘wages’ shall, sub-
11 ject to the provisions of subsection (a) of this section, include
12 any payment under section 371(b) of such title 28 which is
13 received during the period of such service.”.

14 (2) Section 3121(i) of the Internal Revenue Code of
15 1954 (relating to computation of wages in certain cases) is
16 amended by adding at the end thereof the following new
17 paragraph:

18 “(5) SERVICE PERFORMED BY CERTAIN RETIRED
19 JUSTICES AND JUDGES.—For purposes of this chapter,
20 in the case of an individual performing service under
21 the provisions of section 294 of title 28, United States
22 Code (relating to assignment of retired justices and
23 judges to active duty), the term ‘wages’ shall, subject
24 to the provisions of subsection (a)(1) of this section, in-
25 clude any payment under section 371(b) of such title

1 28 which is received during the period of such serv-
2 ice.”.

3 (d) The amendments made by this section shall be effec-
4 tive with respect to remuneration paid after December 31,
5 1983.

6 COVERAGE OF EMPLOYEES OF NONPROFIT

7 ORGANIZATIONS

8 SEC. 102. (a) Section 210(a)(8) of the Social Security
9 Act is amended—

10 (1) by striking out “(A)” immediately after “(8)”;

11 (2) by striking out “subparagraph” where it first
12 appears and inserting in lieu thereof “paragraph”; and

13 (3) by striking out subparagraph (B).

14 (b)(1) Section 3121(b)(8) of the Internal Revenue Code
15 of 1954 is amended—

16 (A) by striking out “(A)” immediately after “(8)”;

17 (B) by striking out “subparagraph” where it first
18 appears and inserting in lieu thereof “paragraph”; and

19 (C) by striking out subparagraph (B).

20 (2) Section 3121(k) of such Code is repealed.

21 (3) Section 3121(r) of such Code is amended—

22 (A) by striking out “subsection (b)(8)(A)” and
23 “section 210(a)(8)(A)” in paragraph (3) and inserting in
24 lieu thereof “subsection (b)(8)” and “section 210(a)(8)”,
25 respectively; and

1 (B) by striking out paragraph (4).

2 (c) The amendments made by the preceding provisions
3 of this section shall be effective with respect to service per-
4 formed after December 31, 1983 (but the provisions of sec-
5 tions 2 and 3 of Public Law 94-563 and section 312(c) of
6 Public Law 95-216 shall continue in effect, to the extent
7 applicable, as though such amendments had not been made).

8 (d) The period for which a certificate is in effect under
9 section 3121(k) of the Internal Revenue Code of 1954 may
10 not be terminated under paragraph (1)(D) or (2) thereof on or
11 after March 31; but no such certificate shall be effective with
12 respect to any service to which the amendments made by this
13 section apply.

14 (e)(1) If any individual—

15 (A) on January 1, 1984, is age 55 or over, and is
16 an employee of an organization described in section
17 210(a)(8)(B) of the Social Security Act (A) which does
18 not have in effect (on that date) a waiver certificate
19 under section 3121(k) of the Internal Revenue Code of
20 1954 and (B) to the employees of which social security
21 coverage is extended on January 1, 1984, solely by
22 reason of the enactment of this section, and

23 (B) after January 1, 1984, acquires the number of
24 quarters of coverage (within the meaning of section

1 213 of the Social Security Act) which is required for
 2 purposes of this subparagraph under paragraph (2),
 3 then such individual shall be deemed to be a fully insured
 4 individual (as defined in section 214 of the Social Security
 5 Act) for all of the purposes of title II of such Act.

6 (2) The number of quarters of coverage which is re-
 7 quired for purposes of subparagraph (B) of paragraph (1) shall
 8 be determined as follows:

In the case of an individual who on January 1, 1984, is—	The number of quarters of coverage so required shall be—
age 60 or over	6
age 59 or over but less than age 60	8
age 58 or over but less than age 59	12
age 57 or over but less than age 58	16
age 55 or over but less than age 57	20.

9 (f) Effective for cost reporting periods beginning on or
 10 after October 1, 1982, paragraph (6) of section 1886(b) of the
 11 Social Security Act is repealed.

12 DURATION OF AGREEMENTS FOR COVERAGE OF STATE
 13 AND LOCAL EMPLOYEES

14 SEC. 103. (a) Section 218(g) of the Social Security Act
 15 is amended to read as follows:

16 "Duration of Agreement

17 "(g) No agreement under this section may be terminat-
 18 ed, either in its entirety or with respect to any coverage
 19 group, on or after the date of the enactment of the Social
 20 Security Act Amendments of 1983."

21 (b) The amendment made by subsection (a) shall apply
 22 to any agreement in effect under section 218 of the Social

1 ments of 1983,” after “as in effect in December 1978”
2 where it first appears.

3 (2) Section 215(i) of such Act as in effect in December
4 1978, and as applied in certain cases under the provisions of
5 such Act as in effect after December 1978, is amended—

6 (A) by striking out “March 31 in each year after
7 1974” in paragraph (1)(A) and inserting in lieu thereof
8 “September 30 in each year after 1982”;

9 (B) by striking out “June” in paragraph (2)(A)(ii)
10 and inserting in lieu thereof “December”; and

11 (C) by striking out “May” each place it appears in
12 paragraph (2)(B) and inserting in lieu thereof “Novem-
13 ber”.

14 (c)(1) Section 203(f)(8)(A) of such Act is amended by
15 striking out “June” and inserting in lieu thereof “Decem-
16 ber”.

17 (2) Section 230(a) of such Act is amended by striking
18 out “June” and inserting in lieu thereof “December”.

19 (3) Section 202(m) of such Act (as it applies in certain
20 cases by reason of section 2 of Public Law 97-123) is amend-
21 ed by striking out “May” and inserting in lieu thereof “No-
22 vember”.

23 (d) The amendments made by this section shall apply
24 with respect to cost-of-living increases determined under sec-
25 tion 215(i) of the Social Security Act for years after 1982;

1 except that the amendments made by subsections (a)(1) and
2 (b)(2)(A) shall apply only with respect to cost-of-living in-
3 creases determined under such section 215(i) for years after
4 1983.

5 (e) Notwithstanding any provision to the contrary in
6 section 215(i) of the Social Security Act, the "base quarter"
7 (as defined in paragraph (1)(A)(i) of such section) in the calen-
8 dar year 1983 shall be a "cost-of-living computation quarter"
9 within the meaning of paragraph (1)(B) of such section (and
10 shall be deemed to have been determined by the Secretary of
11 Health and Human Services to be a "cost-of-living computa-
12 tion quarter" under paragraph (2)(A) of such section) for all
13 of the purposes of such Act as amended by this section and
14 by other provisions of this Act, without regard to the extent
15 by which the Consumer Price Index has increased since the
16 last prior cost-of-living computation quarter which was estab-
17 lished under such paragraph (1)(B).

18 COST-OF-LIVING INCREASES TO BE BASED ON EITHER
19 WAGES OR PRICES (WHICHEVER IS LOWER) WHEN
20 BALANCE IN OASDI TRUST FUNDS FALLS BELOW
21 SPECIFIED LEVEL

22 SEC. 112. (a) Section 215(i)(1) of the Social Security
23 Act is amended—

24 (1) by striking out "in which" in subparagraph (B)
25 and all that follows down through the first semicolon in

1 such subparagraph and inserting in lieu thereof “with
2 respect to which the applicable increase percentage is
3 3 percent or more;”;

4 (2) by striking out “and” at the end of subpara-
5 graph (B);

6 (3) by redesignating subparagraph (C) as subpara-
7 graph (H); and

8 (4) by inserting after subparagraph (B) the follow-
9 ing new subparagraphs:

10 “(C) the term ‘applicable increase percentage’
11 means—

12 “(i) with respect to a base quarter or cost-of-
13 living computation quarter in any calendar year
14 before 1988, or in any calendar year after 1987
15 for which the OASDI fund ratio is 20.0 percent
16 or more, the CPI increase percentage; and

17 “(ii) with respect to a base quarter or cost-
18 of-living computation quarter in any calendar year
19 after 1987 for which the OASDI fund ratio is less
20 than 20.0 percent, the CPI increase percentage
21 or the wage increase percentage, whichever (with
22 respect to that quarter) is the lower;

23 “(D) the term ‘CPI increase percentage’, with re-
24 spect to a base quarter or cost-of-living computation
25 quarter in any calendar year, means the percentage

1 (rounded to the nearest one-tenth of 1 percent) by
2 which the Consumer Price Index for that quarter ex-
3 ceeds such index for the most recent prior calendar
4 quarter which was a base quarter under subparagraph
5 (A)(ii) or, if later, the most recent cost-of-living compu-
6 tation quarter under subparagraph (B);

7 “(E) the term ‘wage increase percentage’, with
8 respect to a base quarter or cost-of-living computation
9 quarter in any calendar year, means the percentage
10 (rounded to the nearest one-tenth of 1 percent) by
11 which the SSA average wage index for the year imme-
12 diately preceding such calendar year exceeds such
13 index for the year immediately preceding the most
14 recent prior calendar year which included a base quar-
15 ter under subparagraph (A)(ii) or, if later, which includ-
16 ed a cost-of-living computation quarter;

17 “(F) the term ‘OASDI fund ratio’, with respect to
18 any calendar year, means the ratio of—

19 “(i) the combined balance in the Federal Old-
20 Age and Survivors Insurance Trust Fund and the
21 Federal Disability Insurance Trust Fund, reduced
22 by the outstanding amount of any loan (including
23 interest thereon) theretofore made to either such
24 Fund from the Federal Hospital Insurance Trust

1 Fund under section 201(l), as of the beginning of
2 such year, to

3 “(ii) the total amount which (as estimated by
4 the Secretary) will be paid from the Federal Old-
5 Age and Survivors Insurance Trust Fund and the
6 Federal Disability Insurance Trust Fund during
7 such calendar year for all purposes authorized by
8 section 201 (other than payments of interest on,
9 or repayments of, loans from the Federal Hospital
10 Insurance Trust Fund under section 201(l)), but
11 excluding any transfer payments between such
12 trust funds and reducing the amount of any trans-
13 fers to the Railroad Retirement Account by the
14 amount of any transfers into either such trust fund
15 from that Account;

16 “(G) the term ‘SSA average wage index’, with
17 respect to any calendar year, means the average of the
18 total wages reported to the Secretary of the Treasury
19 or his delegate for the preceding calendar year as de-
20 termined for purposes of subsection (b)(3)(A)(ii); and”.

21 (b) Section 215(i)(2)(A)(ii) of such Act is amended by
22 striking out “by the same percentage” and all that follows
23 down through the semicolon, in the sentence immediately fol-
24 lowing subdivision (III), and inserting in lieu thereof “by the
25 applicable increase percentage;”.

1 (c) Section 215(i) of such Act is further amended by
2 adding at the end thereof the following new paragraph:

3 “(5)(A) If—

4 “(i) with respect to any calendar year the ‘appli-
5 cable ‘increase percentage’ was determined under
6 clause (ii) of paragraph (1)(C) rather than under clause
7 (i) of such paragraph, and the increase becoming effec-
8 tive under paragraph (2) in such year was accordingly
9 determined on the basis of the wage increase percent-
10 age rather than the CPI increase percentage (or there
11 was no such increase becoming effective under para-
12 graph (2) in that year because the wage increase per-
13 centage was less than 3 percent), and

14 “(ii) for any subsequent calendar year in which an
15 increase under paragraph (2) becomes effective the
16 OASDI fund ratio is greater than 32.0 percent,

17 then each of the amounts described in subdivisions (I), (II),
18 and (III) of paragraph (2)(A)(ii), as increased under para-
19 graph (2) effective with the month of December in such sub-
20 sequent calendar year, shall be further increased (effective
21 with such month) by an additional percentage, which shall be
22 determined under subparagraph (B) and shall apply as pro-
23 vided in subparagraph (C).

24 “(B) The applicable additional percentage by which the
25 amounts described in subdivisions (I), (II), and (III) of para-

1 graph (2)(A)(ii) are to be further increased under subpara-
2 graph (A) in the subsequent calendar year involved shall be
3 the difference between—

4 “(i) the compounded percentage benefit increases
5 that would have been paid if all increases under para-
6 graph (2) had been made on the basis of the CPI in-
7 crease percentage, and

8 “(ii) the compounded percentage benefit increases
9 that were actually paid under paragraph (2) and this
10 paragraph,

11 with such increases being measured—

12 “(iii) in the case of amounts described in subdivi-
13 sion (I) of paragraph (2)(A)(ii), over the period begin-
14 ning with the calendar year in which the individual
15 first became entitled to monthly benefits described in
16 such subdivision and ending with such subsequent cal-
17 endar year, and

18 “(iv) in the case of amounts described in subdivi-
19 sions (II) and (III) of paragraph (2)(A)(ii), over the
20 period beginning with the calendar year in which the
21 individual whose primary insurance amount is in-
22 creased under such subdivision (II) initially became eli-
23 gible for an old-age or disability insurance benefit, or
24 died before becoming so eligible, and ending with such
25 subsequent calendar year;

1 except that if the Secretary determines in any case that the
2 application (in accordance with subparagraph (C)) of the addi-
3 tional percentage as computed under the preceding provisions
4 of this subparagraph would cause the OASDI fund ratio to
5 fall below 32.0 percent in the calendar year immediately fol-
6 lowing such subsequent year, he shall reduce such applicable
7 additional percentage to the extent necessary to ensure that
8 the OASDI fund ratio will remain at or above 32.0 percent
9 through the end of such following year.

10 “(C) Any applicable additional percentage increase in an
11 amount described in subdivision (I), (II), or (III) of paragraph
12 (2)(A)(ii), made under this paragraph in any calendar year,
13 shall thereafter be treated for all the purposes of this Act as a
14 part of the increase made in such amount under paragraph (2)
15 for that year.”

16 (d)(1) Section 215(i)(2)(C) of such Act is amended by
17 adding at the end thereof the following new clause:

18 “(iii) The Secretary shall determine and promulgate the
19 OASDI fund ratio and the SSA wage index for each calendar
20 year before November 1 of that year, based upon the most
21 recent data then available, and shall include a statement of
22 such fund ratio and wage index (and of the effect such ratio
23 and the level of such index may have upon benefit increases
24 under this subsection) in any notification made under clause

1 (ii) and any determination published under subparagraph
2 (D).”.

3 (2) Section 215(i)(4) of such Act (as amended by section
4 111(b)(1) of this Act) is further amended by striking out “sec-
5 tion 111(b)(2)” and inserting in lieu thereof “sections
6 111(b)(2) and 112”.

7 (e) The amendments made by the preceding provisions
8 of this section shall apply with respect to monthly benefits
9 under title II of the Social Security Act for months after
10 December 1987.

11 (f) Notwithstanding anything to the contrary in section
12 215(i)(1)(F) of the Social Security Act (as added by subsec-
13 tion (a)(4) of this section), the combined balance in the Trust
14 Funds which is to be used in determining the “OASDI fund
15 ratio” with respect to the calendar year 1988 under such
16 section shall be the estimated combined balance in such
17 Funds as of the close of that year (rather than as of its begin-
18 ning).

19 **ELIMINATION OF WINDFALL BENEFITS FOR INDIVIDUALS**

20 **RECEIVING PENSIONS FROM NONCOVERED EMPLOYMENT**

21 **SEC. 113.** (a) Section 215(a) of the Social Security Act
22 is amended by adding at the end thereof the following new
23 paragraph:

1 “(7)(A) In the case of an individual whose primary in-
2 surance amount would be computed under paragraph (1) of
3 this subsection, who—

4 “(i) attains age 62 after 1985 (except where he or
5 she became entitled to a disability insurance benefit
6 before 1986 and remained so entitled in any of the 12
7 months immediately preceding his or her attainment of
8 age 62), or

9 “(ii) would attain age 62 after 1985 and becomes
10 entitled to a disability insurance benefit after 1985,
11 and who is entitled to a monthly periodic payment (including
12 a payment determined under subparagraph (C)) based in
13 whole or in part upon his or her earnings for service which
14 did not constitute ‘employment’ as defined in section 210 for
15 purposes of this title (hereafter in this paragraph and in sub-
16 section (d)(5) referred to as ‘noncovered service’), the primary
17 insurance amount of that individual during his or her concur-
18 rent entitlement to such monthly periodic payment and to
19 old-age or disability insurance benefits shall be computed or
20 recomputed under subparagraph (B) with respect to the ini-
21 tial month in which the individual becomes eligible for such
22 benefits. Notwithstanding the preceding sentence, in no case
23 shall the primary insurance amount of an insured individual
24 be computed or recomputed under this paragraph if the
25 monthly periodic payment to which such individual is entitled

1 is based in whole or in part on earnings derived from the
2 performance of service as an employee of the United States,
3 or of an instrumentality of the United States, before 1971,
4 and such service constituted 'employment' as defined in sec-
5 tion 210(a).

6 “(B) If paragraph (1) of this subsection would apply to
7 such an individual (except for subparagraph (A) of this para-
8 graph), there shall first be computed an amount equal to the
9 individual's primary insurance amount under the preceding
10 paragraphs of this subsection, except that for purposes of
11 such computation the percentage of the individual's average
12 indexed monthly earnings established by subparagraph (A)(i)
13 of paragraph (1) shall be 61 percent. There shall then be
14 computed (without regard to this paragraph) a second
15 amount, which shall be equal to the individual's primary in-
16 surance amount under the preceding paragraphs of this sub-
17 section, except that such second amount shall be reduced by
18 an amount equal to one-half of the portion of the monthly
19 periodic payment which is attributable to noncovered service
20 (with such attribution being based on the proportionate
21 number of years of noncovered service) and to which the indi-
22 vidual is entitled (or is deemed to be entitled) for the initial
23 month of his or her eligibility for old-age or disability insur-
24 ance benefits. The individual's primary insurance amount
25 shall be the larger of the two amounts computed under this

1 subparagraph (before the application of subsection (i)) and
2 shall be deemed to be computed under paragraph (1) of this
3 subsection for the purpose of applying other provisions of this
4 title.

5 “(C)(i) Any periodic payment which otherwise meets the
6 requirements of subparagraph (A), but which is paid on other
7 than a monthly basis, shall be allocated on a basis equivalent
8 to a monthly payment (as determined by the Secretary), and
9 such equivalent monthly payment shall constitute a monthly
10 periodic payment for purposes of this paragraph.

11 “(ii) In the case of an individual who has elected to
12 receive a periodic payment that has been reduced so as to
13 provide a survivors benefit to any other individual, the pay-
14 ment shall be deemed to be increased (for purposes of any
15 computation under this paragraph or subsection (d)(5)) by the
16 amount of such reduction.

17 “(iii) If an individual to whom subparagraph (A) applies
18 is eligible for a periodic payment beginning with a month that
19 is subsequent to the month in which he or she becomes eligi-
20 ble for old-age or disability insurance benefits, the amount of
21 that payment (for purposes of subparagraph (B)) shall be
22 deemed to be the amount to which he or she is, or is deemed
23 to be, entitled (subject to clauses (i), (ii), and (iv) of this sub-
24 paragraph) in such subsequent month.

1 “(iv) For purposes of this paragraph, the term ‘periodic
2 payment’ includes a payment payable in a lump sum if it is a
3 commutation of, or a substitute for, periodic payments.”.

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

6 “(5) In the case of an individual whose primary insur-
7 ance amount is not computed under paragraph (1) of subsec-
8 tion (a) by reason of paragraph (4)(B)(ii) of that subsection,
9 who—

10 “(A) attains age 62 after 1985 (except where he
11 or she became entitled to a disability insurance benefit
12 before 1986, and remained so entitled in any of the 12
13 months immediately preceding his or her attainment of
14 age 62), or

15 “(B) would attain age 62 after 1985 and becomes
16 entitled to a disability insurance benefit after 1985,
17 and who is entitled to a monthly periodic payment (including
18 a payment determined under subsection (a)(7)(C)) based (in
19 whole or in part) upon his or her earnings in noncovered
20 service, the primary insurance amount of such individual
21 during his or her concurrent entitlement to such monthly pe-
22 riodic payment and to old-age or disability insurance benefits
23 shall be the primary insurance amount computed or recom-
24 puted under this subsection (without regard to this paragraph

1 and before the application of subsection (i)) reduced by an
2 amount equal to the smaller of—

3 “(i) one-half of the primary insurance amount
4 (computed without regard to this paragraph and before
5 the application of subsection (i)), or

6 “(ii) one-half of the portion of the monthly period-
7 ic payment (or payment determined under subsection
8 (a)(7)(C)) which is attributable to noncovered service
9 (with such attribution being based on the proportionate
10 number of years of noncovered service) and to which
11 that individual is entitled (or is deemed to be entitled)
12 for the initial month of his or her eligibility for old-age
13 or disability insurance benefits.

14 Notwithstanding the preceding sentence, in no case shall the
15 primary insurance amount of an insured individual be com-
16 puted or recomputed under this paragraph if the monthly pe-
17 riodic payment to which such individual is entitled is based in
18 whole or in part on earnings derived from the performance of
19 service as an employee of the United States, or of an instru-
20 mentality of the United States, before 1971, and such service
21 constituted ‘employment’ as defined in section 210(a).’.

22 (c) Section 215(f) of such Act is amended by adding at
23 the end thereof the following new paragraph:

24 “(9)(A) In the case of an individual who becomes enti-
25 tled to a periodic payment determined under subsection

1 (a)(7)(A) (including a payment determined under subsection
2 (a)(7)(C)) in a month subsequent to the first month in which
3 he or she becomes entitled to an old-age or disability insur-
4 ance benefit, and whose primary insurance amount has been
5 computed without regard to either such subsection or subsec-
6 tion (d)(5), such individual's primary insurance amount shall
7 be recomputed, in accordance with either such subsection or
8 subsection (d)(5), as may be applicable, effective with the first
9 month of his or her concurrent entitlement to such benefit
10 and such periodic payment.

11 “(B) If an individual's primary insurance amount has
12 been computed under subsection (a)(7) or (d)(5), and it be-
13 comes necessary to recompute that primary insurance
14 amount under this subsection—

15 “(i) so as to increase the monthly benefit amount
16 payable with respect to such primary insurance amount
17 (except in the case of the individual's death), such in-
18 crease shall be determined as though such primary in-
19 surance amount had initially been computed without
20 regard to subsection (a)(7) or (d)(5), or

21 “(ii) by reason of the individual's death, such pri-
22 mary insurance amount shall be recomputed without
23 regard to (and as though it had never been computed
24 with regard to) subsection (a)(7) or (d)(5).”.

1 (d) Sections 202(e)(2) and 202(f)(3) of such Act are each
2 amended by striking out “section 215(f)(5) or (6)” wherever
3 it appears and inserting in lieu thereof “section 215(f)(5),
4 215(f)(6), or 215(f)(9)(B)”.

5 INCREASE IN OLD-AGE INSURANCE BENEFIT AMOUNTS ON
6 ACCOUNT OF DELAYED RETIREMENT

7 SEC. 114. (a) Section 202(w)(1)(A) of the Social Secu-
8 rity Act is amended to read as follows:

9 “(A) the applicable percentage (as determined
10 under paragraph (6)) of such amount, multiplied by”.

11 (b) Section 202(w) of such Act is further amended by
12 adding at the end thereof the following new paragraph:

13 “(6) For purposes of paragraph (1)(A), the ‘applicable
14 percentage’ is—

15 “(A) $\frac{1}{12}$ of 1 percent in the case of an individual
16 who first becomes eligible for an old-age insurance
17 benefit in any calendar year before 1979;

18 “(B) $\frac{1}{4}$ of 1 percent in the case of an individual
19 who first becomes eligible for an old-age insurance
20 benefit in any calendar year after 1978 and before
21 1987;

22 “(C) in the case of an individual who first be-
23 comes eligible for an old-age insurance benefit in a cal-
24 endar year after 1986 and before 2005, a percentage
25 equal to the applicable percentage in effect under this

1 paragraph for persons who first became eligible for an
 2 old-age insurance benefit in the preceding calendar
 3 year (as increased pursuant to this subparagraph), plus
 4 $\frac{1}{24}$ of 1 percent if the calendar year in which that
 5 particular individual first becomes eligible for such
 6 benefit is not evenly divisible by 2; and

7 “(D) $\frac{2}{3}$ of 1 percent in the case of an individual
 8 who first becomes eligible for an old-age insurance
 9 benefit in a calendar year after 2004.”

10 **PART C—REVENUE PROVISIONS**

11 **SEC. 121. TAXATION OF SOCIAL SECURITY TIER 1 AND RAIL-**
 12 **ROAD RETIREMENT BENEFITS.**

13 (a) **GENERAL RULE.**—Part II of subchapter B of chap-
 14 ter 1 of the Internal Revenue Code of 1954 (relating to
 15 amounts specifically included in gross income) is amended by
 16 redesignating section 86 as section 87 and by inserting after
 17 section 85 the following new section:

18 **“SEC. 86. SOCIAL SECURITY AND TIER 1 RAILROAD RETIRE-**
 19 **MENT BENEFITS.**

20 “(a) **IN GENERAL.**—Gross income for the taxable year
 21 of any taxpayer described in subsection (b) includes social
 22 security benefits in an amount equal to the lesser of—

23 “(1) one-half of the social security benefits re-
 24 ceived during the taxable year, or

1 “(2) one-half of the excess described in subsection
2 (b).

3 “(b) TAXPAYERS TO WHOM SUBSECTION (a) AP-
4 PLIES.—A taxpayer is described in this subsection if—

5 “(1) the sum of—

6 “(A) the adjusted gross income of the tax-
7 payer for the taxable year (determined without
8 regard to this section and sections 221, 911, and
9 931), plus

10 “(B) one-half of the social security benefits
11 received during the taxable year, exceeds

12 “(2) the base amount.

13 “(c) BASE AMOUNT.—For purposes of this section, the
14 term ‘base amount’ means—

15 “(1) except as otherwise provided in this subsec-
16 tion, \$25,000,

17 “(2) \$32,000, in the case of a joint return, and

18 “(3) zero, in the case of a taxpayer who—

19 “(A) is married at the close of the taxable
20 year (within the meaning of section 143) but does
21 not file a joint return for such year, and

22 “(B) does not live apart from his spouse at
23 all times during the taxable year.

24 “(d) SOCIAL SECURITY BENEFIT.—

1 “(1) IN GENERAL.—For purposes of this section,
2 the term ‘social security benefit’ means any amount re-
3 ceived by the taxpayer by reason of entitlement to—

4 “(A) a monthly benefit under title II of the
5 Social Security Act, or

6 “(B) a tier 1 railroad retirement benefit.

7 “(2) ADJUSTMENT FOR REPAYMENTS DURING
8 YEAR.—

9 “(A) IN GENERAL.—For purposes of this
10 section, the amount of social security benefits re-
11 ceived during any taxable year shall be reduced
12 by any repayment made by the taxpayer during
13 the taxable year of a social security benefit previ-
14 ously received by the taxpayer (whether or not
15 such benefit was received during the taxable
16 year).

17 “(B) DENIAL OF DEDUCTION.—If (but for
18 this subparagraph) any portion of the repayments
19 referred to in subparagraph (A) would have been
20 allowable as a deduction for the taxable year
21 under section 165, such portion shall be allowable
22 as a deduction only to the extent it exceeds the
23 social security benefits received by the taxpayer
24 during the taxable year (and not repaid during
25 such taxable year).

1 “(3) WORKMEN’S COMPENSATION BENEFITS
2 SUBSTITUTED FOR SOCIAL SECURITY BENEFITS.—For
3 purposes of this section, if, by reason of section 224 of
4 the Social Security Act (or by reason of section 3(a)(1)
5 of the Railroad Retirement Act of 1974), any social se-
6 curity benefit is reduced by reason of the receipt of a
7 benefit under a workmen’s compensation act, the term
8 ‘social security benefit’ includes that portion of such
9 benefit received under the workmen’s compensation act
10 which equals such reduction.

11 “(4) TIER 1 RAILROAD RETIREMENT BENEFIT.—
12 For purposes of paragraph (1), the term ‘tier 1 railroad
13 retirement benefit’ means a monthly benefit under sec-
14 tion 3(a), 4(a), 4(f) of the Railroad Retirement Act of
15 1974.

16 “(e) LIMITATION ON AMOUNT INCLUDED WHERE
17 TAXPAYER RECEIVES LUMP-SUM PAYMENT.—

18 “(1) LIMITATION.—If—

19 “(A) any portion of a lump-sum payment of
20 social security benefits received during the taxable
21 year is attributable to prior taxable years, and

22 “(B) the taxpayer makes an election under
23 this subsection for the taxable year,

24 then the amount included in gross income under this section
25 for the taxable year by reason of the receipt of such portion

1 shall not exceed the sum of the increases in gross income
2 under this chapter for prior taxable years which would result
3 solely from taking into account such portion in the taxable
4 years to which it is attributable.

5 “(2) SPECIAL RULES.—

6 “(A) YEAR TO WHICH BENEFIT ATTRIBUT-
7 ABLE.—For purposes of this subsection, a social
8 security benefit is attributable to a taxable year if
9 the generally applicable payment date for such
10 benefit occurred during such taxable year.

11 “(B) ELECTION.—An election under this
12 subsection shall be made at such time and in such
13 manner as the Secretary shall by regulations pre-
14 scribe. Such election, once made, may be revoked
15 only with the consent of the Secretary.

16 “(f) TREATMENT AS PENSION OR ANNUITY FOR CER-
17 TAIN PURPOSES.—For purposes of—

18 “(1) section 43(c)(2) (defining earned income),

19 “(2) section 219(f)(1) (defining compensation),

20 “(3) section 221(b)(2) (defining earned income),

21 and

22 “(4) section 911(b)(1) (defining foreign earned
23 income),

24 any social security benefit shall be treated as an amount re-
25 ceived as a pension or annuity.”

1 “(b) STATEMENTS TO BE FURNISHED TO INDIVID-
2 UALS WITH RESPECT TO WHOM INFORMATION IS FUR-
3 NISHED.—Every person making a return under subsection
4 (a) shall furnish to each individual whose name is set forth in
5 such return a written statement showing—

6 “(1) the name of the agency making the pay-
7 ments, and

8 “(2) the aggregate amount of payments, of repay-
9 ments, and of reductions, with respect to the individual
10 as shown on such return.

11 The written statement required under the preceding sentence
12 shall be furnished to the individual on or before January 31
13 of the year following the calendar year for which the return
14 under subsection (a) was made.

15 “(c) DEFINITIONS.—For purposes of this section—

16 “(1) APPROPRIATE FEDERAL OFFICIAL.—The
17 term ‘appropriate Federal official’ means—

18 “(A) the Secretary of Health and Human
19 Services in the case of social security benefits de-
20 scribed in section 86(d)(1)(A), and

21 “(B) the Railroad Retirement Board in the
22 case of social security benefits described in section
23 86(d)(1)(B).

1 “(2) SOCIAL SECURITY BENEFIT.—The term
2 ‘social security benefit’ has the meaning given to such
3 term by section 86(d)(1).”

4 (c) TREATMENT OF NONRESIDENT ALIENS.—

5 (1) AMENDMENT OF SECTION 871(a).—Subsection
6 (a) of section 871 of such Code (relating to tax on
7 income not connected with United States business) is
8 amended by adding at the end thereof the following
9 new paragraph:

10 “(3) TAXATION OF SOCIAL SECURITY BENE-
11 FITS.—For purposes of this section and section
12 1441—

13 “(A) one-half of any social security benefit
14 (as defined in section 86(d)) shall be included in
15 gross income, and

16 “(B) section 86 shall not apply.”

17 (2) AMENDMENT OF SECTION 1441.—Section
18 1441 of such Code (relating to withholding of tax on
19 nonresident aliens) is amended by adding at the end
20 thereof the following new subsection:

21 “(g) CROSS REFERENCE.—

**“For provision treating one-half of social security
 benefits as subject to withholding under this section, see
 section 871(a)(3).”**

22 (3) DISCLOSURE OF INFORMATION TO SOCIAL
23 SECURITY ADMINISTRATION OR RAILROAD RETIRE-
24 MENT BOARD.—

1 (A) **IN GENERAL.**—Subsection (h) of section
2 6103 of such Code (relating to disclosure to cer-
3 tain Federal officers and employees for purposes
4 of tax administration, etc.) is amended by adding
5 at the end thereof the following new paragraph:

6 “(6) **WITHHOLDING OF TAX FROM SOCIAL SECUR-**
7 **ITY BENEFITS.**—Upon written request, the Secretary
8 may disclose available return information from the
9 master files of the Internal Revenue Service with re-
10 spect to the address and status of an individual as a
11 nonresident alien or as a citizen or resident of the
12 United States to the Social Security Administration or
13 the Railroad Retirement Board for purposes of carrying
14 out its responsibilities for withholding tax under section
15 1441 from social security benefits (as defined in section
16 86(d)).”

17 (B) **CONFORMING AMENDMENT.**—Paragraph
18 (4) of section 6103(p) of such Code (relating to
19 safeguards) is amended by inserting “(h)(6),” after
20 “(h)(2),” in the material preceding subparagraph
21 (A) and in subparagraph (F)(ii), thereof.

22 (d) **SOCIAL SECURITY BENEFITS TREATED AS UNITED**
23 **STATES SOURCED.**—Subsection (a) of section 861 of such
24 Code (relating to income from sources within the United

1 States) is amended by adding at the end thereof the following
2 new paragraph:

3 “(8) SOCIAL SECURITY BENEFITS.—Any social
4 security benefit (as defined in section 86(d)).”

5 (e) TRANSFERS TO TRUST FUNDS.—

6 (1) IN GENERAL.—There are hereby appropriated
7 to each payor fund amounts equivalent to the aggregate
8 increase in tax liabilities under chapter 1 of the
9 Internal Revenue Code of 1954 which is attributable
10 to the application of sections 86 and 871(a)(3) of such
11 Code (as added by this section) to payments from such
12 payor fund.

13 (2) TRANSFERS.—The amounts appropriated by
14 paragraph (1) to any payor fund shall be transferred
15 from time to time (but not less frequently than quarter-
16 ly) from the general fund of the Treasury on the basis
17 of estimates made by the Secretary of the Treasury of
18 the amounts referred to in such paragraph. Any such
19 quarterly payment shall be made on the first day of
20 such quarter and shall take into account social security
21 benefits estimated to be received during such quarter.
22 Proper adjustments shall be made in the amounts sub-
23 sequently transferred to the extent prior estimates
24 were in excess of or less than the amounts required to
25 be transferred.

1 (3) DEFINITIONS.—For purposes of this subsec-
2 tion—

3 (A) PAYOR FUND.—The term “payor fund”
4 means any trust fund or account from which pay-
5 ments of social security benefits are made.

6 (B) SOCIAL SECURITY BENEFITS.—The
7 term “social security benefits” has the meaning
8 given such term by section 86(d)(1) of the Internal
9 Revenue Code of 1954.

10 (4) REPORTS.—The Secretary of the Treasury
11 shall submit annual reports to the Congress and to the
12 Secretary of Health and Human Services and the Rail-
13 road Retirement Board on—

14 (A) the transfers made under this subsection
15 during the year, and the methodology used in de-
16 termining the amount of such transfers and the
17 funds or account to which made, and

18 (B) the anticipated operation of this subsec-
19 tion during the next 5 years.

20 (f) TECHNICAL AMENDMENTS.—

21 (1) Subsection (a) of section 85 of such Code is
22 amended by striking out “this section,” and inserting
23 in lieu thereof “this section, section 86,”.

24 (2) Subparagraph (B) of section 128(c)(3) of such
25 Code (as in effect for taxable years beginning after De-

1 cember 31, 1984) is amended by striking out "85" and
2 inserting in lieu thereof "85, 86".

3 (3) The table of sections for part II of subchapter
4 B of chapter 1 of such Code is amended by striking out
5 the item relating to section 86 and inserting in lieu
6 thereof the following:

 "Sec. 86. Social security and tier 1 railroad retirement benefits.
 "Sec. 87. Alcohol fuel credit."

7 (4) The table of sections for subpart B of part III
8 of subchapter A of chapter 61 of such Code is amended
9 by adding at the end thereof the following new item:

 "Sec. 6050F. Returns relating to social security benefits."

10 (g) EFFECTIVE DATES.—

11 (1) IN GENERAL.—Except as provided in para-
12 graph (2), the amendments made by this section shall
13 apply to benefits received after December 31, 1983, in
14 taxable years ending after such date.

15 (2) TREATMENT OF CERTAIN LUMP-SUM PAY-
16 MENTS RECEIVED AFTER DECEMBER 31, 1983.—The
17 amendments made by this section shall not apply to
18 any portion of a lump-sum payment of social security
19 benefits (as defined in section 86(d) of the Internal
20 Revenue Code of 1954) received after December 31,
21 1983, if the generally applicable payment date for such
22 portion was before January 1, 1984.

1 **SEC. 122. CREDIT FOR THE ELDERLY AND THE PERMANENTLY**
2 **AND TOTALLY DISABLED.**

3 (a) **GENERAL RULE.**—Section 37 of the Internal Reve-
4 nue Code of 1954 (relating to credit for the elderly) is amend-
5 ed to read as follows:

6 **“SEC. 37. CREDIT FOR THE ELDERLY AND THE PERMANENTLY**
7 **AND TOTALLY DISABLED.**

8 **“(a) GENERAL RULE.**—In the case of a qualified indi-
9 vidual, there shall be allowed as a credit against the tax im-
10 posed by this chapter for the taxable year an amount equal to
11 15 percent of such individual’s section 37 amount for such
12 taxable year.

13 **“(b) QUALIFIED INDIVIDUAL.**—For purposes of this
14 section, the term ‘qualified individual’ means any individu-
15 al—

16 **“(1) who has attained age 65 before the close of**
17 **the taxable year, or**

18 **“(2) who retired on disability before the close of**
19 **the taxable year and who, when he retired, was per-**
20 **manently and totally disabled.**

21 **“(c) SECTION 37 AMOUNT.**—For purposes of subsection
22 (a)—

23 **“(1) IN GENERAL.**—An individual’s section 37
24 amount for the taxable year shall be the applicable ini-
25 tial amount determined under paragraph (2), reduced
26 as provided in paragraph (3) and in subsection (d).

1 “(2) INITIAL AMOUNT—

2 “(A) IN GENERAL.—Except as provided in
3 subparagraph (B), the initial amount shall be—

4 “(i) \$5,000 in the case of a single indi-
5 vidual, or a joint return where only one
6 spouse is a qualified individual,

7 “(ii) \$7,500 in the case of a joint return
8 where both spouses are qualified individuals,
9 or

10 “(iii) \$3,750 in the case of a married in-
11 dividual filing a separate return.

12 “(B) LIMITATION IN CASE OF INDIVIDUALS
13 WHO HAVE NOT ATTAINED AGE 65.—

14 “(i) IN GENERAL.—In the case of a
15 qualified individual who has not attained age
16 65 before the close of the taxable year,
17 except as provided in clause (ii), the initial
18 amount shall not exceed the disability income
19 for the taxable year.

20 “(ii) SPECIAL RULES IN CASE OF
21 JOINT RETURN.—In the case of a joint
22 return where both spouses are qualified indi-
23 viduals and at least one spouse has not at-
24 tained age 65 before the close of the taxable
25 year—

47

1 “(I) if both spouses have not at-
2 tained age 65 before the close of the
3 taxable year, the initial amount shall
4 not exceed the sum of such spouses’
5 disability income, or

6 “(II) if one spouse has attained
7 age 65 before the close of the taxable
8 year, the initial amount shall not exceed
9 the sum of \$5,000 plus the disability
10 income for the taxable year of the
11 spouse who has not attained age 65
12 before the close of the taxable year.

13 “(iii) **DISABILITY INCOME.**—For pur-
14 poses of this subparagraph, the term ‘disabil-
15 ity income’ means the aggregate amount in-
16 cludable in the gross income of the individual
17 for the taxable year under section 72 or
18 105(a) to the extent such amount constitutes
19 wages (or payments in lieu of wages) for the
20 period during which the individual is absent
21 from work on account of permanent and total
22 disability.

23 “(3) **REDUCTION.**—

24 “(A) **IN GENERAL.**—The reduction under
25 this paragraph is an amount equal to the sum of

1 the amounts received by the individual (or, in the
2 case of a joint return, by either spouse) as a pen-
3 sion or annuity or as a disability benefit—

4 “(i) under title II of the Social Security
5 Act,

6 “(ii) under the Railroad Retirement Act
7 of 1974, or

8 “(iii) otherwise excluded from gross
9 income.

10 “(B) NO REDUCTION FOR CERTAIN EXCLU-
11 SIONS.—No reduction shall be made under clause
12 (iii) of subparagraph (A) for any amount excluded
13 from gross income under section 72 (relating to
14 annuities), 101 (relating to life insurance pro-
15 ceeds), 104 (relating to compensation for injuries
16 or sickness), 105 (relating to amounts received
17 under accident and health plans), 120 (relating to
18 amounts received under qualified group legal serv-
19 ices plans), 402 (relating to taxability of benefi-
20 cary of employees’ trust), 403 (relating to taxation
21 of employee annuities), or 405 (relating to quali-
22 fied bond purchase plans).

23 “(C) TREATMENT OF CERTAIN WORKMEN’S
24 COMPENSATION BENEFITS.—For purposes of sub-
25 paragraph (A), any amount treated as a social se-

1 curity benefit under section 86(d)(3) shall be treat-
2 ed as a disability benefit received under title II of
3 the Social Security Act.

4 “(d) LIMITATIONS.—

5 “(1) ADJUSTED GROSS INCOME LIMITATION.—If
6 the adjusted gross income of the taxpayer exceeds—

7 “(A) \$7,500 in the case of a single individu-
8 al,

9 “(B) \$10,000 in the case of a joint return, or

10 “(C) \$5,000 in the case of a married individ-
11 ual filing a separate return,

12 the section 37 amount shall be reduced by one-half of
13 the excess of the adjusted gross income over \$7,500,
14 \$10,000, or \$5,000, as the case may be.

15 “(2) LIMITATION BASED ON AMOUNT OF TAX.—

16 The amount of the credit allowed by this section for
17 the taxable year shall not exceed the amount of the tax
18 imposed by this chapter for such taxable year.

19 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
20 poses of this section—

21 “(1) MARRIED COUPLE MUST FILE JOINT
22 RETURN.—Except in the case of a husband and wife
23 who live apart at all times during the taxable year, if
24 the taxpayer is married at the close of the taxable
25 year, the credit provided by this section shall be al-

1 lowed only if the taxpayer and his spouse file a joint
2 return for the taxable year.

3 “(2) **MARITAL STATUS.**—Marital status shall be
4 determined under section 143.

5 “(3) **PERMANENT AND TOTAL DISABILITY DE-**
6 **FINED.**—An individual is permanently and totally dis-
7 abled if he is unable to engage in any substantial gain-
8 ful activity by reason of any medically determinable
9 physical or mental impairment which can be expected
10 to result in death or which has lasted or can be expect-
11 ed to last for a continuous period of not less than 12
12 months. An individual shall not be considered to be
13 permanently and totally disabled unless he furnishes
14 proof of the existence thereof in such form and manner,
15 and at such times, as the Secretary may require.

16 “(f) **NONRESIDENT ALIEN INELIGIBLE FOR CREDIT.**—
17 No credit shall be allowed under this section to any nonresi-
18 dent alien.”

19 (b) **REPEAL OF EXCLUSION FOR CERTAIN DISABILITY**
20 **PAYMENTS.**—Subsection (d) of section 105 of such Code (re-
21 lating to certain disability payments) is hereby repealed.

22 (c) **CONFORMING AMENDMENTS.**—

23 (1) Sections 41(b)(2), 44A(b)(2), 46(a)(4)(B),
24 53(a)(2), and 904(g) of such Code are each amended by
25 striking out “relating to credit for the elderly” and in-

1 (1) **IN GENERAL.**—The amendments made by this
 2 section shall apply to taxable years beginning after De-
 3 cember 31, 1983.

4 (2) **TRANSITIONAL RULE.**—If an individual’s an-
 5 nuity starting date was deferred under section 105(d)(6)
 6 of the Internal Revenue Code of 1954 (as in effect on
 7 the day before the date of the enactment of this sec-
 8 tion), such deferral shall end on the first day of such
 9 individual’s first taxable year beginning after December
 10 31, 1983.

11 **SEC. 123. ACCELERATION OF INCREASES IN FICA TAXES; 1984**
 12 **EMPLOYEE TAX CREDIT.**

13 (a) **ACCELERATION OF INCREASES IN FICA TAXES.**—

14 (1) **TAX ON EMPLOYEES.**—Subsection (a) of sec-
 15 tion 3101 of the Internal Revenue Code of 1954 (relat-
 16 ing to rate of tax on employees for old-age, survivors,
 17 and disability insurance) is amended by striking out
 18 paragraphs (1) through (7) and inserting in lieu thereof
 19 the following:

“In cases of wages received during:	The rate shall be:
1984, 1985, 1986, or 1987	5.7 percent
1988 or 1989	6.06 percent
1990 or thereafter	6.2 percent.”

20 (2) **EMPLOYER TAX.**—Subsection (a) of section
 21 3111 of such Code is amended by striking out para-
 22 graphs (1) through (7) and inserting in lieu thereof the
 23 following:

“In cases of wages paid during:	The rate shall be:
1984, 1985, 1986, or 1987	5.7 percent
1988 or 1989	6.06 percent
1990 or thereafter	6.2 percent.”

1 (3) **EFFECTIVE DATE.**—The amendments made
2 by this subsection shall apply to remuneration paid
3 after December 31, 1983.

4 (b) **1984 EMPLOYEE TAX CREDIT.**—

5 (1) **IN GENERAL.**—Chapter 25 of such Code is
6 amended by adding at the end thereof the following
7 new section:

8 **“SEC. 3510. CREDIT FOR INCREASED SOCIAL SECURITY EM-**
9 **PLOYEE TAXES AND RAILROAD RETIREMENT**
10 **TIER 1 EMPLOYEE TAXES IMPOSED DURING**
11 **1984.**

12 **“(a) GENERAL RULE.**—There shall be allowed as a
13 credit against the tax imposed by section 3101(a) on wages
14 received during 1984 an amount equal to $\frac{3}{10}$ of 1 percent of
15 the wages so received.

16 **“(b) TIME CREDIT ALLOWED.**—The credit under sub-
17 section (a) shall be taken into account in determining the
18 amount of the tax deducted under section 3102(a).

19 **“(c) WAGES.**—For purposes of this section, the term
20 ‘wages’ has the meaning given to such term by section
21 3121(a).

22 **“(d) APPLICATION TO AGREEMENTS UNDER SECTION**
23 **218 OF THE SOCIAL SECURITY ACT.**—For purposes of de-

1 termining amounts equivalent to the tax imposed by section
2 3101(a) with respect to remuneration which—

3 “(1) is covered by an agreement under section
4 218 of the Social Security Act, and

5 “(2) is paid during 1984,
6 the credit allowed by subsection (a) shall be taken into ac-
7 count. A similar rule shall also apply in the case of an agree-
8 ment under section 3121(l).

9 “(e) CREDIT AGAINST RAILROAD RETIREMENT EM-
10 PLOYEE AND EMPLOYEE REPRESENTATIVE TAXES.—

11 “(1) IN GENERAL.—There shall be allowed as a
12 credit against the taxes imposed by sections 3201(a)
13 and 3211(a) on compensation paid during 1984 and
14 subject to such taxes an amount equal to $\frac{3}{10}$ of 1 per-
15 cent of such compensation.

16 “(2) TIME CREDIT ALLOWED.—The credit under
17 paragraph (1) shall be taken into account in determin-
18 ing the amount of the tax deducted under section
19 3202(a) (or the amount of the tax under section
20 3211(a)).

21 “(3) COMPENSATION.—For purposes of this sub-
22 section, the term ‘compensation’ has the meaning given
23 to such term by section 3231(e).

24 “(f) COORDINATION WITH SECTION 6413(c).—For
25 purposes of subsection (c) of section 6413, in determining the

1 amount of the tax imposed by section 3101 or 3201, any
2 credit allowed by this section shall be taken into account.”

3 (2) CLERICAL AMENDMENT.—The table of sec-
4 tions for chapter 25 of such Code is amended by
5 adding at the end thereof the following new item.

“Sec. 3510. Credit for increased social security employee taxes and railroad
retirement tier 1 employee taxes imposed during 1984.”

6 (3) EFFECTIVE DATE.—The amendments made
7 by this subsection shall apply to remuneration paid
8 during 1984.

9 (4) DEPOSITS IN SOCIAL SECURITY TRUST
10 FUNDS.—For purposes of subsection (h) of section 218
11 of the Social Security Act (relating to deposits in social
12 security trust funds of amounts received under section
13 218 agreements), amounts allowed as a credit pursuant
14 to subsection (d) of section 3510 of the Internal Reve-
15 nue Code of 1954 (relating to credit for remuneration
16 paid during 1984 which is covered under an agreement
17 under section 218 of the Social Security Act) shall be
18 treated as amounts received under such an agreement.

19 (5) DEPOSITS IN RAILROAD RETIREMENT AC-
20 COUNT.—For purposes of subsection (a) of section 15
21 of the Railroad Retirement Act of 1974, amounts al-
22 lowed as a credit under subsection (e) of section 3510
23 of the Internal Revenue Code of 1954 shall be treated

1 as amounts covered into the Treasury under subsection
 2 (a) of section 3201 of such Code.

3 **SEC. 124. TAXES ON SELF-EMPLOYMENT INCOME; CREDIT**
 4 **AGAINST SUCH TAXES.**

5 (a) **INCREASE IN RATES.**—Subsections (a) and (b) of
 6 section 1401 of the Internal Revenue Code of 1954 (relating
 7 to rates of tax on self-employment income) are amended to
 8 read as follows:

9 “(a) **OLD-AGE, SURVIVORS, AND DISABILITY INSUR-**
 10 **ANCE.**—In addition to other taxes, there shall be imposed for
 11 each taxable year, on the self-employment income of every
 12 individual, a tax equal to the following percent of the amount
 13 of the self-employment income for such taxable year:

“In the case of a taxable year

Beginning after:	And before:	Percent:
December 31, 1983	January 1, 1988.....	11.40
December 31, 1987	January 1, 1990.....	12.12
December 31, 1989.....		12.40

14 “(b) **HOSPITAL INSURANCE.**—In addition to the tax
 15 imposed by the preceding subsection, there shall be imposed
 16 for each taxable year, on the self-employment income of
 17 every individual, a tax equal to the following percent of the
 18 amount of the self-employment income for such taxable year:

“In the case of a taxable year

Beginning after:	And before:	Percent:
December 31, 1983	January 1, 1985.....	2.60
December 31, 1984	January 1, 1986.....	2.70
December 31, 1985.....		2.90.”

1 (b) CREDIT AGAINST SELF-EMPLOYMENT TAXES.—
 2 Section 1401 of such Code is amended by redesignating sub-
 3 section (c) as subsection (d) and by inserting after subsection
 4 (b) the following new subsection:

5 “(c) CREDIT AGAINST TAXES IMPOSED BY THIS SEC-
 6 TION.—

7 “(1) IN GENERAL.—There shall be allowed as a
 8 credit against the taxes imposed by this section for any
 9 taxable year an amount equal to 1.8 percent (1.9 per-
 10 cent in the case of taxable years beginning after De-
 11 cember 31, 1987) of the self-employment income of the
 12 individual for such taxable year.

13 “(2) ADDITIONAL CREDIT FOR 1984.—In addi-
 14 tion to the credit allowed by paragraph (1), there shall
 15 be allowed as a credit against the taxes imposed by
 16 this section for any taxable year beginning during 1984
 17 an amount equal to $\frac{3}{10}$ of 1 percent of the self-em-
 18 ployment income of the individual for such taxable
 19 year.”

20 (c) EFFECTIVE DATE.—The amendments made by this
 21 section shall apply to taxable years beginning after December
 22 31, 1983.

23 ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND

24 SEC. 125. (a) Section 201(b)(1) of the Social Security
 25 Act is amended by striking out clauses (K) through (M) and

1 inserting in lieu thereof the following: “(K) 1.65 per centum
2 of the wages (as so defined) paid after December 31, 1981,
3 and before January 1, 1983, and so reported, (L) 1.25 per
4 centum of the wages (as so defined) paid after December 31,
5 1982, and before January 1, 1984, and so reported, (M) 1.00
6 per centum of the wages (as so defined) paid after December
7 31, 1983, and before January 1, 1990, and so reported, and
8 (N) 1.20 per centum of the wages (as so defined) paid after
9 December 31, 1989, and so reported,”.

10 (b) Section 201(b)(2) of such Act is amended by striking
11 out clauses (K) through (M) and inserting in lieu thereof the
12 following: “(K) 1.2375 per centum of the amount of self-
13 employment income (as so defined) so reported for any tax-
14 able year beginning after December 31, 1981, and before
15 January 1, 1983, (L) 0.9375 per centum of the amount of
16 self-employment income (as so defined) so reported for any
17 taxable year beginning after December 31, 1982, and before
18 January 1, 1984, (M) 1.00 per centum of the amount of self-
19 employment income (as so defined) so reported for any tax-
20 able year beginning after December 31, 1983, and before
21 January 1, 1990, and (N) 1.20 per centum of the self-em-
22 ployment income (as so defined) so reported for any taxable
23 year beginning after December 31, 1989,”.

1 PART D—BENEFITS FOR CERTAIN SURVIVING,
2 DIVORCED, AND DISABLED SPOUSES
3 BENEFITS FOR SURVIVING DIVORCED SPOUSES AND
4 DISABLED WIDOWS AND WIDOWERS WHO REMARRY

5 SEC. 131. (a)(1) Section 202(e)(3) of the Social Security
6 Act is repealed.

7 (2) Section 202(e)(4) of such Act is amended to read as
8 follows:

9 “(4) For purposes of paragraph (1), if—

10 “(A) a widow or surviving divorced wife marries
11 after attaining age 60 (or after attaining age 50 if she
12 was entitled before such marriage occurred to benefits
13 based on disability under this subsection), or

14 “(B) a disabled widow or disabled surviving di-
15 vorced wife described in paragraph (1)(B)(ii) marries
16 after attaining age 50,

17 such marriage shall be deemed not to have occurred.”.

18 (3)(A) Section 202(e) of such Act is further amended by
19 redesignating paragraph (4) (as amended by paragraph (2) of
20 this subsection), and paragraphs (5) through (8), as para-
21 graphs (3) through (7), respectively.

22 (B) Section 202(e)(1)(B)(ii) of such Act is amended by
23 striking out “(5)” and inserting in lieu thereof “(4)”.

1 (C) Section 202(e)(1)(F) of such Act is amended by strik-
2 ing out “(6)” in clause (i) and “(5)” in clause (ii) and inserting
3 in lieu thereof “(5)” and “(4)”, respectively.

4 (D) Section 202(e)(2)(A) of such Act is amended by
5 striking out “(8)” and inserting in lieu thereof “(7)”.

6 (E) The paragraph of section 202(e) of such Act redesignig-
7 nated as paragraph (5) by subparagraph (A) of this paragraph
8 is amended by striking out “(5)” and inserting in lieu thereof
9 “(4)”.

10 (F) The paragraph of such section 202(e) redesignated
11 as paragraph (7) by subparagraph (A) of this paragraph is
12 amended by striking out “(4)” and inserting in lieu thereof
13 “(3)”.

14 (G) Section 202(k) of such Act is amended by striking
15 out “(e)(4)” each place it appears in paragraphs (2)(B) and
16 (3)(B) and inserting in lieu thereof “(e)(3)”.

17 (H) Section 226(e)(1)(A) of such Act is amended by
18 striking out “202(e)(5)” and inserting in lieu thereof
19 “202(e)(4)”.

20 (b)(1) Section 202(f)(4) of such Act is repealed.

21 (2) Section 202(f)(5) of such Act is amended to read as
22 follows:

23 “(5) For purposes of paragraph (1), if—

24 “(A) a widower marries after attaining age 60 (or
25 after attaining age 50 if he was entitled before such

1 marriage occurred to benefits based on disability under
2 this subsection), or

3 “(B) a disabled widower described in paragraph
4 (1)(B)(ii) marries after attaining age 50,
5 such marriage shall be deemed not to have occurred.”.

6 (3)(A) Section 202(f) of such Act is further amended by
7 redesignating paragraph (5) (as amended by paragraph (2) of
8 this subsection), and paragraphs (6) through (8), as para-
9 graphs (4) through (7), respectively.

10 (B) Section 202(f)(1)(B)(ii) of such Act is amended by
11 striking out “(6)” and inserting in lieu thereof “(5)”.

12 (C) Section 202(f)(1)(F) of such Act is amended by strik-
13 ing out “(7)” in clause (i) and “(6)” in clause (ii) and inserting
14 in lieu thereof “(6)” and “(5)”, respectively.

15 (D) Section 202(f)(2)(A) of such Act is amended by strik-
16 ing out “(5)” and inserting in lieu thereof “(4)”.

17 (E) The paragraph of section 202(f) of such Act redesign-
18 nated as paragraph (6) by subparagraph (A) of this paragraph
19 is amended by striking out “(6)” and inserting in lieu thereof
20 “(5)”.

21 (F) Section 202(k) of such Act is amended by striking
22 out “(f)(5)” each place it appears in paragraphs (2)(B) and
23 (3)(B) and inserting in lieu thereof “(f)(4)”.

1 (G) Section 226(e)(1)(A) of such Act is amended by
2 striking out “202(f)(6)” and inserting in lieu thereof
3 “202(f)(5)”.

4 (c)(1) Section 202(s)(2) of such Act is amended by strik-
5 ing out “Subsection (f)(4), and so much of subsections (b)(3),
6 (d)(5), (e)(3), (g)(3), and (h)(4)” and inserting in lieu thereof
7 “So much of subsections (b)(3), (d)(5), (g)(3), and (h)(4)”.

8 (2) Section 202(s)(3) of such Act is amended by striking
9 out “(e)(3),”.

10 (d)(1) The amendments made by this section shall be
11 effective with respect to monthly benefits payable under title
12 II of the Social Security Act for months after December
13 1983.

14 (2) In the case of an individual who was not entitled to a
15 monthly benefit of the type involved under title II of such
16 Act for December 1983, no benefit shall be paid under such
17 title by reason of such amendments unless proper application
18 for such benefit is made.

19 ENTITLEMENT TO DIVORCED SPOUSE’S BENEFITS BEFORE
20 ENTITLEMENT OF INSURED INDIVIDUAL TO BENE-
21 FITS; EXEMPTION OF DIVORCED SPOUSE’S BENEFITS
22 FROM DEDUCTION ON ACCOUNT OF WORK

23 SEC. 132. (a) Section 202(b) of the Social Security Act
24 is amended by adding at the end thereof the following new
25 paragraph:

1 “(5)(A) Notwithstanding the preceding provisions of this
2 subsection, except as provided in subparagraph (B), the di-
3 vorced wife of an individual who is not entitled to old-age or
4 disability insurance benefits, but who has attained age 62 and
5 is a fully insured individual (as defined in section 214), if such
6 divorced wife—

7 “(i) meets the requirements of subparagraphs (A)
8 through (D) of paragraph (1), and

9 “(ii) has been divorced from such insured indi-
10 vidual for not less than 2 years,

11 shall be entitled to a wife’s insurance benefit under this sub-
12 section for each month, in such amount, and beginning and
13 ending with such months, as determined (under regulations of
14 the Secretary) in the manner otherwise provided for wife’s
15 insurance benefits under this subsection, as if such insured
16 individual had become entitled to old-age insurance benefits
17 on the date on which the divorced wife first meets the criteria
18 for entitlement set forth in clauses (i) and (ii).

19 “(B) A wife’s insurance benefit provided under this
20 paragraph which has not otherwise terminated in accordance
21 with subparagraph (E), (F), (H), or (J) of paragraph (1) shall
22 terminate with the month preceding the first month in which
23 the insured individual is no longer a fully insured individu-
24 al.”.

25 (b)(1)(A) Section 203(b) of such Act is amended—

1 (i) by inserting “(1)” after “(b)”;

2 (ii) by striking out “(1) such individual’s benefit”
3 and “(2) if such individual” and inserting in lieu there-
4 of “(A) such individual’s benefit” and “(B) if such indi-
5 vidual”, respectively;

6 (iii) by striking out “clauses (1) and (2)” and in-
7 serting in lieu thereof “clauses (A) and (B)”;

8 (iv) by striking out “(A) an individual” and “(B) if
9 a deduction” and inserting in lieu thereof “(i) an indi-
10 vidual” and “(ii) if a deduction”, respectively; and

11 (v) by adding at the end thereof the following new
12 paragraph:

13 “(2) When any of the other persons referred to in para-
14 graph (1)(B) is entitled to monthly benefits as a divorced
15 spouse under section 202 (b) or (c) for any month, the benefit
16 to which he or she is entitled on the basis of the wages and
17 self-employment income of the individual referred to in para-
18 graph (1) for such month shall be determined without regard
19 to this subsection, and the benefits of all other individuals
20 who are entitled for such month to monthly benefits under
21 section 202 on the basis of the wages and self-employment
22 income of such individual referred to in paragraph (1) shall be
23 determined as if no such divorced spouse were entitled to
24 benefits for such month.”.

25 (B)(i) Section 203(f)(1) of such Act is amended—

1 (I) in the first sentence, by inserting “(excluding
2 surviving spouses referred to in subsection (b)(2))” after
3 “all other persons” the first place it appears, and by
4 striking out “all other persons” the second place it ap-
5 pears and inserting in lieu thereof “all such other per-
6 sons”; and

7 (II) in the second sentence, by inserting “(exclud-
8 ing divorced spouses referred to in subsection (b)(2))”
9 after “other persons”.

10 (ii) Section 203(f)(7) of such Act is amended by inserting
11 “(excluding divorced spouses referred to in subsection (b)(2))”
12 after “all persons”.

13 (2) Section 203(d)(1) of such Act is amended—

14 (A) by inserting “(A)” after “(d)(1)”; and

15 (B) by adding at the end thereof the following
16 new subparagraph:

17 “(B) When any divorced spouse is entitled to monthly
18 benefits under section 202 (b) or (c) for any month, the bene-
19 fit to which he or she is entitled for such month on the basis
20 of the wages and self-employment income of the individual
21 entitled to old-age insurance benefits referred to in subpara-
22 graph (A) shall be determined without regard to this para-
23 graph, and the benefits of all other individuals who are enti-
24 tled for such month to monthly benefits under section 202 on
25 the basis of the wages and self-employment income of such

1 individual referred to in subparagraph (A) shall be determined
2 as if no such divorced spouse were entitled to benefits for
3 such month.”.

4 (c)(1) The amendments made by subsection (a) shall
5 apply with respect to monthly insurance benefits for months
6 after December 1984, but only on the basis of applications
7 filed on or after January 1, 1985.

8 (2) The amendments made by subsection (b) shall apply
9 with respect to monthly insurance benefits for months after
10 December 1984.

11 INDEXING OF DEFERRED SURVIVING SPOUSE'S BENEFITS
12 TO RECENT WAGE LEVELS

13 SEC. 133. (a)(1) Section 202(e)(2) of the Social Security
14 Act is amended—

15 (A) by redesignating subparagraph (B) as subpara-
16 graph (D); and

17 (B) by striking out “(2)(A) Except” and all that
18 follows down through “If such deceased individual”
19 and inserting in lieu thereof the following:

20 “(2)(A) Except as provided in subsection (q), paragraph
21 (8) of this subsection, and subparagraph (D) of this para-
22 graph, such widow's insurance benefit for each month shall
23 be equal to the primary insurance amount (as determined for
24 purposes of this subsection after application of subparagraphs
25 (B) and (C)) of such deceased individual.

1 “(B)(i) For purposes of this subsection, in any case in
2 which such deceased individual dies before attaining age 62
3 and section 215(a)(1) (as in effect after December 1978) is
4 applicable in determining such individual’s primary insurance
5 amount—

6 “(I) such primary insurance amount shall be de-
7 termined under the formula set forth in section
8 215(a)(1)(B)(i) and (ii) which is applicable to individuals
9 who initially become eligible for old-age insurance
10 benefits in the second year after the year specified in
11 clause (ii),

12 “(II) the year specified in clause (ii) shall be sub-
13 stituted for the second calendar year specified in sec-
14 tion 215(b)(3)(A)(ii)(I), and

15 “(III) such primary insurance amount shall be in-
16 creased under section 215(i) as if it were the primary
17 insurance amount referred to in section
18 215(i)(2)(A)(ii)(II), except that it shall be increased only
19 for years beginning after the first year after the year
20 specified in clause (ii).

21 “(ii) The year specified in this clause is the earlier of—

22 “(I) the year in which the deceased individual at-
23 tained age 60, or would have attained age 60 had he
24 lived to that age, or

1 “(II) the second year preceding the year in which
2 the widow or surviving divorced wife first meets the
3 requirements of paragraph (1)(B) or the second year
4 preceding the year in which the deceased individual
5 died, whichever is later.

6 “(iii) This subparagraph shall apply with respect to any
7 benefit under this subsection only to the extent its application
8 does not result in a primary insurance amount for purposes of
9 this subsection which is less than the primary insurance
10 amount otherwise determined for such deceased individual
11 under section 215.

12 “(C) If such deceased individual”.

13 (2) Section 202(e) of such Act (as amended by para-
14 graph (1) of this subsection) is further amended—

15 (A) in paragraph (1)(D) and in the matter in para-
16 graph (1) following subparagraph (F)(ii), by inserting
17 “(as determined after application of subparagraphs (B)
18 and (C) of paragraph (2))” after “primary insurance
19 amount”; and

20 (B) in paragraph (2)(D)(ii), by inserting “(as deter-
21 mined without regard to subparagraph (C))” after “pri-
22 mary insurance amount”.

23 (b)(1) Section 202(f)(3) of such Act is amended—

24 (A) by redesignating subparagraph (B) as subpara-
25 graph (D); and

1 (B) by striking out “(3)(A) Except” and all that
2 follows down through “If such deceased individual”
3 and inserting in lieu thereof the following:

4 “(3)(A) Except as provided in subsection (q), paragraph
5 (2) of this subsection, and subparagraph (D) of this para-
6 graph, such widower’s insurance benefit for each month shall
7 be equal to the primary insurance amount (as determined for
8 purposes of this subsection after application of subparagraphs
9 (B) and (C)) of such deceased individual.

10 “(B)(i) For purposes of this subsection, in any case in
11 which such deceased individual dies before attaining age 62
12 and section 215(a)(1) (as in effect after December 1978) is
13 applicable in determining such individual’s primary insurance
14 amount—

15 “(I) such primary insurance amount shall be de-
16 termined under the formula set forth in section
17 215(a)(1)(B) (i) and (ii) which is applicable to individ-
18 uals who initially become eligible for old-age insurance
19 benefits in the second year after the year specified in
20 clause (ii),

21 “(II) the year specified in clause (ii) shall be sub-
22 stituted for the second calendar year specified in sec-
23 tion 215(b)(3)(A)(ii)(I), and

24 “(III) such primary insurance amount shall be in-
25 creased under section 215(i) as if it were the primary

1 insurance amount referred to in section
2 215(i)(2)(A)(ii)(II), except that it shall be increased only
3 for years beginning after the first year after the year
4 specified in clause (ii).

5 “(ii) The year specified in this clause is the earlier of—

6 “(I) the year in which the deceased individual at-
7 tained age 60, or would have attained age 60 had she
8 lived to that age, or

9 “(II) the second year preceding the year in which
10 the widower first meets the requirements of paragraph
11 (1)(B) or the second year preceding the year in which
12 the deceased individual died, whichever is later.

13 “(iii) This subparagraph shall apply with respect to any
14 benefit under this subsection only to the extent its application
15 does not result in a primary insurance amount for purposes of
16 this subsection which is less than the primary insurance
17 amount otherwise determined for such deceased individual
18 under section 215.

19 “(C) If such deceased individual”.

20 (2) Section 202(f) of such Act (as amended by paragraph
21 (1) of this subsection) is further amended—

22 (A) in paragraph (1)(D) and in the matter in para-
23 graph (1) following subparagraph (F)(ii), by inserting

24 “(as determined after application of subparagraphs (B)

1 and (C) of paragraph (3))” after “primary insurance
2 amount”; and

3 (B) in paragraph (3)(D)(ii), by inserting “(as deter-
4 mined without regard to subparagraph (C))” after “pri-
5 mary insurance amount”.

6 (c) The amendments made by this section shall apply
7 with respect to monthly insurance benefits for months after
8 December 1984 for individuals who first meet all criteria for
9 entitlement to benefits under section 202 (e) or (f) of the
10 Social Security Act (other than making application for such
11 benefits) after December 1984.

12 LIMITATION ON BENEFIT REDUCTION FOR EARLY RETIRE-
13 MENT IN CASE OF DISABLED WIDOWS AND WIDOW-
14 ERS

15 SEC. 134. (a)(1) Section 202(q)(1) of the Social Security
16 Act is amended by striking out the semicolon at the end of
17 subparagraph (B)(ii) and all that follows and inserting in lieu
18 thereof a period.

19 (2)(A) Section 202(q)(6) of such Act is amended to read
20 as follows:

21 “(6) For purposes of this subsection, the ‘reduction
22 period’ for an individual’s old-age, wife’s, husband’s,
23 widow’s, or widower’s insurance benefit is the period—

24 “(A) beginning—

1 “(i) in the case of an old-age or husband’s in-
2 surance benefit, with the first day of the first
3 month for which such individual is entitled to such
4 benefit,

5 “(ii) in the case of a wife’s insurance benefit,
6 with the first day of the first month for which a
7 certificate described in paragraph (5)(A)(i) is effec-
8 tive, or

9 “(iii) in the case of a widow’s or widower’s
10 insurance benefit, with the first day of the first
11 month for which such individual is entitled to such
12 benefit or the first day of the month in which such
13 individual attains age 60, whichever is the later,
14 and

15 “(B) ending with the last day of the month before
16 the month in which such individual attains retirement
17 age.”.

18 (B) Section 202(q)(3)(G) of such Act is amended by
19 striking out “paragraph (6)(A) (or, if such paragraph does not
20 apply, the period specified in paragraph (6)(B))” and inserting
21 in lieu thereof “paragraph (6)”.

22 (C) Section 202(q) of such Act is further amended, in
23 paragraphs (1)(B)(i), (3)(E)(ii), and (3)(F)(ii)(I), by striking out
24 “paragraph (6)(A)” and inserting in lieu thereof “paragraph
25 (6)”.

1 (3) Section 202(q)(7) of such Act is amended by striking
2 out the matter preceding subparagraph (A) and inserting in
3 lieu thereof the following:

4 “(7) For purposes of this subsection, the ‘adjusted re-
5 duction period’ for an individual’s old-age, wife’s, husband’s,
6 widow’s, or widower’s insurance benefit is the reduction
7 period prescribed in paragraph (6) for such benefit, exclud-
8 ing—”.

9 (4) Section 202(q)(10) of such Act is amended—

10 (A) in that part of the second sentence preceding
11 clause (A), by striking out “or an additional adjusted
12 reduction period”;

13 (B) in clauses (B)(i) and (C)(i), by striking out “,
14 plus the number of months in the adjusted additional
15 reduction period multiplied by $\frac{3}{240}$ of 1 percent”;

16 (C) in clause (B)(ii), by striking out “plus the
17 number of months in the additional reduction period
18 multiplied by $\frac{3}{240}$ of 1 percent,”; and

19 (D) in clause (C)(ii), by striking out “plus the
20 number of months in the adjusted additional reduction
21 period multiplied by $\frac{3}{240}$ of 1 percent.”.

22 (b) Section 202(m)(2)(B) of such Act (as applicable after
23 the enactment of section 2 of Public Law 97-123) is amend-
24 ed by striking out “subsection (q)(6)(A)(ii)” and inserting in
25 lieu thereof “subsection (q)(6)(B)”.

1 (c) The amendments made by this section shall apply
2 with respect to benefits for months after December 1983.

3 PART E—MECHANISMS TO ASSURE CONTINUED BENEFIT
4 PAYMENTS IN UNEXPECTEDLY ADVERSE CONDITIONS
5 NORMALIZED CREDITING OF SOCIAL SECURITY TAXES TO
6 TRUST FUNDS

7 SEC. 141. (a)(1) The last sentence of section 201(a) of
8 the Social Security Act is amended—

9 (A) by striking out “from time to time” each
10 place it appears and inserting in lieu thereof “monthly
11 on the first day of each calendar month”; and

12 (B) by striking out “paid to or deposited into the
13 Treasury” and inserting in lieu thereof “to be paid to
14 or deposited into the Treasury during such month”.

15 (2) Section 201(a) of such Act is further amended by
16 adding at the end thereof the following new sentence: “All
17 amounts transferred to either Trust Fund under the preced-
18 ing sentence shall be invested by the Managing Trustee in
19 the same manner and to the same extent as the other assets
20 of such Trust Fund; and such Trust Fund shall pay interest
21 to the general fund on the amount so transferred on the first
22 day of any month at a rate (calculated on a daily basis, and
23 applied against the difference between the amount so trans-
24 ferred on such first day and the amount which would have
25 been transferred to the Trust Fund up to that day under the

1 procedures in effect on January 1, 1983) equal to the rate
2 earned by the investments of such Fund in the same month
3 under subsection (d).”.

4 (b)(1) The last sentence of section 1817(a) of such Act is
5 amended—

6 (A) by striking out “from time to time” and in-
7 sserting in lieu thereof “monthly on the first day of
8 each calendar month”; and

9 (B) by striking out “paid to or deposited into the
10 Treasury” and inserting in lieu thereof “to be paid to
11 or deposited into the Treasury during such month”.

12 (2) Section 1817(a) of such Act is further amended by
13 adding at the end thereof the following new sentence: “All
14 amounts transferred to the Trust Fund under the preceding
15 sentence shall be invested by the Managing Trustee in the
16 same manner and to the same extent as the other assets of
17 the Trust Fund; and the Trust Fund shall pay interest to the
18 general fund on the amount so transferred on the first day of
19 any month at a rate (calculated on a daily basis, and applied
20 against the difference between the amount so transferred on
21 such first day and the amount which would have been trans-
22 ferred to the Trust Fund up to that day under the procedures
23 in effect on January 1, 1983) equal to the rate earned by the
24 investments of the Trust Fund in the same month under sub-
25 section (c).”.

1 (c) The amendments made by this section shall become
2 effective on the first day of the month following the month in
3 which this Act is enacted.

4 INTERFUND BORROWING EXTENSION

5 SEC. 142. (a) Sections 201(l)(1) and 1817(j)(1) of the
6 Social Security Act are each amended by striking out "Janu-
7 ary 1983" and inserting in lieu thereof "January 1, 1988".

8 (b) Sections 201(l)(3) and 1817(j)(3) of such Act are
9 each amended by inserting before the period at the end there-
10 of the following: "; but the full amount of all such loans
11 (whether made before or after January 1, 1983) shall be
12 repaid at the earliest feasible date and in any event no later
13 than December 31, 1989."

14 RECOMMENDATIONS BY BOARD OF TRUSTEES TO REMEDY
15 INADEQUATE BALANCES IN THE SOCIAL SECURITY
16 TRUST FUNDS

17 SEC. 143. Title VII of the Social Security Act is
18 amended by adding at the end thereof the following new sec-
19 tion:

20 "RECOMMENDATIONS BY BOARD OF TRUSTEES TO REMEDY
21 INADEQUATE BALANCES IN THE SOCIAL SECURITY
22 TRUST FUNDS

23 "SEC. 709. If the Board of Trustees of the Federal Old-
24 Age and Survivors Insurance Trust Fund, the Federal Dis-
25 ability Insurance Trust Fund, the Federal Hospital Insurance

1 Trust Fund, or the Federal Supplementary Medical Insur-
2 ance Trust Fund determines at any time that the balance of
3 such Trust Fund may become inadequate to assure the timely
4 payment of benefits from such Trust Fund, the Board shall
5 promptly submit to each House of the Congress a report set-
6 ting forth its recommendations for statutory adjustments af-
7 fecting the receipts and disbursements to and from such Trust
8 Fund necessary to remedy such inadequacy, with due regard
9 to the economic conditions which created such inadequacy
10 and the amount of time necessary to alleviate such inadequa-
11 cy in a prudent manner.”.

12 PART F—OTHER FINANCING AMENDMENTS

13 FINANCING OF NONCONTRIBUTORY MILITARY WAGE

14 CREDITS

15 SEC. 151. (a) Section 217(g) of the Social Security Act
16 is amended to read as follows:

17 “Appropriation to Trust Funds

18 “(g)(1) Within thirty days after the date of the enact-
19 ment of the Social Security Amendments of 1983, the Secre-
20 tary shall determine the amount equal to the excess of—

21 “(A) the actuarial present value as of such date of
22 enactment of the past and future benefit payments from
23 the Federal Old-Age and Survivors Insurance Trust
24 Fund, the Federal Disability Insurance Trust Fund,
25 and the Federal Hospital Insurance Trust Fund under

1 this title and title XVIII, together with associated ad-
2 ministrative costs, resulting from the operation of this
3 section (other than this subsection) and section 210 of
4 this Act as in effect before the enactment of the Social
5 Security Act Amendments of 1950, over

6 “(B) any amounts previously transferred from the
7 general fund of the Treasury to such Trust Funds pur-
8 suant to the provisions of this subsection as in effect
9 immediately before the date of the enactment of the
10 Social Security Act Amendments of 1983.

11 Such actuarial present value shall be based on the relevant
12 actuarial assumptions set forth in the report of the Board of
13 Trustees of each such Trust Fund for 1983 under sections
14 201(c) and 1817(b). Within thirty days after the date of the
15 enactment of the Social Security Act Amendments of 1983,
16 the Secretary of the Treasury shall transfer the amount de-
17 termined under this paragraph with respect to each such
18 Trust Fund to such Trust Fund from amounts in the general
19 fund of the Treasury not otherwise appropriated.

20 “(2) The Secretary shall revise the amount determined
21 under paragraph (1) with respect to each such Trust Fund in
22 1985 and each fifth year thereafter, as determined appropri-
23 ate by the Secretary from data which becomes available to
24 him after the date of the determination under paragraph (1)
25 on the basis of the amount of benefits and administrative ex-

1 penses actually paid from such Trust Fund under this title or
2 title XVIII and the relevant actuarial assumptions set forth
3 in the report of the Board of Trustees of such Trust Fund for
4 such year under section 201(c) or 1817(b). Within 30 days
5 after any such revision, the Secretary of the Treasury, to the
6 extent provided in advance in appropriation Acts, shall trans-
7 fer to such Trust Fund, from amounts in the general fund of
8 the Treasury not otherwise appropriated, or from such Trust
9 Fund to the general fund of the Treasury, such amounts as
10 the Secretary of the Treasury determines necessary to com-
11 pensate for such revision.”.

12 (b)(1) Section 229(b) of such Act is amended to read as
13 follows:

14 “(b) There are authorized to be appropriated to each of
15 the Trust Funds, consisting of the Federal Old-Age and Sur-
16 vivors Insurance Trust Fund, the Federal Disability Insur-
17 ance Trust Fund, and the Federal Hospital Insurance Trust
18 Fund, for transfer on July 1 of each calendar year to such
19 Trust Fund from amounts in the general fund in the Treasury
20 not otherwise appropriated, an amount equal to the total of
21 the additional amounts which would be appropriated to such
22 Trust Fund for the fiscal year ending September 30 of such
23 calendar year under section 201 or 1817 of this Act if the
24 amounts of the additional wages deemed to have been paid
25 for such calendar year by reason of subsection (a) constituted

1 remuneration for employment (as defined in section 3121(b)
2 of the Internal Revenue Code of 1954) for purposes of the
3 taxes imposed by sections 3101 and 3111 of the Internal
4 Revenue Code of 1954. Amounts authorized to be appropri-
5 ated under this subsection for transfer on July 1 of each cal-
6 endar year shall be determined on the basis of estimates of
7 the Secretary of the wages deemed to be paid for such calen-
8 dar year under subsection (a); and proper adjustments shall
9 be made in amounts authorized to be appropriated for subse-
10 quent transfer to the extent prior estimates were in excess of
11 or were less than such wages so deemed to be paid.”.

12 (2) The amendment made by paragraph (1) shall be ef-
13 fective with respect to wages deemed to have been paid for
14 calendar years after 1982.

15 (3)(A) Within thirty days after the date of the enactment
16 of this Act, the Secretary of Health and Human Services
17 shall determine the additional amounts which would have
18 been appropriated to the Federal Old-Age and Survivors In-
19 surance Trust Fund, the Federal Disability Insurance Trust
20 Fund, and the Federal Hospital Insurance Trust Fund under
21 sections 201 and 1817 of the Social Security Act if the addi-
22 tional wages deemed to have been paid under section 229(a)
23 of the Social Security Act prior to 1983 had constituted re-
24 munerations for employment (as defined in section 3121(b) of
25 the Internal Revenue Code of 1954) for purposes of the taxes

1 imposed by sections 3101 and 3111 of the Internal Revenue
2 Code of 1954, and the amount of interest which would have
3 been earned on such amounts if they had been so appropri-
4 ated.

5 (B)(i) Within thirty days after the date of the enactment
6 of this Act, the Secretary of the Treasury shall transfer to
7 each such Trust Fund, from amounts in the general fund of
8 the Treasury not otherwise appropriated, an amount equal to
9 the amount determined with respect to such Trust Fund
10 under subparagraph (A), less any amount appropriated to
11 such Trust Fund pursuant to the provisions of section 229(b)
12 of the Social Security Act prior to the date of the determina-
13 tion made under paragraph (1) with respect to wages deemed
14 to have been paid for calendar years prior to 1983.

15 (ii) The Secretary of Health and Human Services shall
16 revise the amount determined under clause (i) with respect to
17 each such Trust Fund within one year after the date of the
18 transfer made to such Trust Fund under clause (i), as deter-
19 mined appropriate by such Secretary from data which be-
20 comes available to him after the date of the transfer under
21 clause (i). Within 30 days after any such revision, the Secre-
22 tary of the Treasury shall transfer to such Trust Fund, from
23 amounts in the general fund of the Treasury not otherwise
24 appropriated, or from such Trust Fund to the general fund of
25 the Treasury, such amounts as the Secretary of Health and

1 Human Services certifies as necessary to compensate for
2 such revision.

3 ACCOUNTING FOR CERTAIN UNNEGOTIATED CHECKS FOR
4 BENEFITS UNDER THE SOCIAL SECURITY PROGRAM

5 SEC. 152. (a) Section 201 of the Social Security Act (as
6 amended by section 143 of this Act) is further amended by
7 adding at the end thereof the following new subsection:

8 “(n)(1) The Secretary of the Treasury shall implement
9 procedures to permit the identification of each check issued
10 for benefits under this title that has not been presented for
11 payment by the close of the sixth month following the month
12 of its issuance.

13 “(2) The Secretary of the Treasury shall, on a monthly
14 basis, credit each of the Trust Funds for the amount of all
15 benefit checks (including interest thereon) drawn on such
16 Trust Fund more than 6 months previously but not presented
17 for payment and not previously credited to such Trust Fund.

18 “(3) If a benefit check is presented for payment to the
19 Treasury and the amount thereof has been previously cred-
20 ited pursuant to paragraph (2) to one of the Trust Funds, the
21 Secretary of the Treasury shall nevertheless pay such check,
22 if otherwise proper, recharge such Trust Fund, and notify the
23 Secretary of Health and Human Services.

24 “(4) A benefit check bearing a current date may be
25 issued to an individual who did not negotiate the original

1 benefit check and who surrenders such check for cancellation
2 if the Secretary of the Treasury determines it is necessary to
3 effect proper payment of benefits.”.

4 (b) The amendment made by subsection (a) shall apply
5 with respect to all checks for benefits under title II of the
6 Social Security Act which are issued on or after the first day
7 of the twenty-fourth month following the month in which this
8 Act is enacted.

9 (c)(1) The Secretary of the Treasury shall transfer from
10 the general fund of the Treasury to the Federal Old-Age and
11 Survivors Insurance Trust Fund and to the Federal Disabil-
12 ity Insurance Trust Fund, in the month following the month
13 in which this Act is enacted and in each of the succeeding 30
14 months, such sums as may be necessary to reimburse such
15 Trust Funds in the total amount of all checks (including in-
16 terest thereon) which he and the Secretary of Health and
17 Human Services jointly determine to be unnegotiated benefit
18 checks. After any amounts authorized by this subsection have
19 been transferred to a Trust Fund with respect to any benefit
20 check, the provisions of paragraphs (3) and (4) of section
21 201(m) of the Social Security Act (as added by subsection (a)
22 of this section) shall be applicable to such check.

23 (2) As used in paragraph (1), the term “unnegotiated
24 benefit checks” means checks for benefits under title II of the
25 Social Security Act which are issued prior to the twenty-

1 fourth month following the month in which this Act is en-
2 acted, which remain unnegotiated after the sixth month fol-
3 lowing the date on which they were issued, and with respect
4 to which no transfers have previously been made in accord-
5 ance with the first sentence of such paragraph.

6 TITLE II—ADDITIONAL PROVISIONS RELATING
7 TO LONG-TERM FINANCING OF THE SOCIAL
8 SECURITY SYSTEM

9 ADJUSTMENTS IN OASDI BENEFIT FORMULA

10 SEC. 201. (a) Section 215(a)(1)(A) of the Social Security
11 Act is amended by striking out “90 percent” in clause (i),
12 “32 percent” in clause (ii), and “15 percent” in clause (iii)
13 and inserting in lieu thereof in each instance “the applicable
14 percentage (determined under paragraph (8))”.

15 (b) The first sentence of section 215(a)(7)(B) of such Act
16 (as added by section 113(a) of this Act) is amended by strik-
17 ing out “61 percent” and inserting in lieu thereof “the appli-
18 cable percentage as determined under paragraph (8)”.

19 (c) Section 215(a) of such Act is further amended by
20 adding at the end thereof (after the new paragraph added by
21 section 113 of this Act) the following new paragraph:

22 “(8) The ‘applicable percentages’ for purposes of clauses
23 (i), (ii), and (iii) of paragraph (1)(A), and the ‘applicable per-
24 centage’ for purposes of the first sentence of paragraph
25 (7)(B), shall be determined as follows:

“1990 through 2014 6.2 percent
 2015 or thereafter 6.44 percent.”

1 (c) Section 1401(a) of such Code (relating to rate of tax
 2 on self-employment income for old-age, survivors, and dis-
 3 ability insurance), as amended by section 124(a) of this Act),
 4 is further amended by striking out the last line of the table
 5 and inserting in lieu thereof the following:

“December 31, 1989 January 1, 2015..... 12.40
 December 31, 2014..... 12.88.”

6 (d) The amendments made by this section shall apply to
 7 remuneration paid, and taxable years beginning, after De-
 8 cember 31, 2014.

9 TITLE III—MISCELLANEOUS AND TECHNICAL
 10 PROVISIONS

11 PART A—CASH MANAGEMENT

12 FLOAT PERIODS

13 SEC. 301. (a) The Secretary of Health and Human
 14 Services and the Secretary of the Treasury shall jointly un-
 15 dertake, as soon as possible after the date of the enactment of
 16 this Act, a thorough study with respect to the period of time
 17 (hereafter in this section referred to as the “float period”)
 18 between the issuance of checks from the general fund of the
 19 Treasury in payment of monthly insurance benefits under
 20 title II of the Social Security Act and the transfer to the
 21 general fund from the Federal Old-Age and Survivors Insur-
 22 ance Trust Fund or the Federal Disability Insurance Trust
 23 Fund, as applicable, of the amounts necessary to compensate

1 the general fund for the issuance of such checks. Each such
2 Secretary shall consult the other regularly during the course
3 of the study and shall, as appropriate, provide the other with
4 such information and assistance as he may require.

5 (b) The study shall include—

6 (1) an investigation of the feasibility and desirabil-
7 ity of maintaining the float periods which are allowed
8 as of the date of the enactment of this section in the
9 procedures governing the payment of monthly insur-
10 ance benefits under title II of the Social Security Act,
11 and of the general feasibility and desirability of making
12 adjustments in such procedures with respect to float
13 periods; and

14 (2) a separate investigation of the feasibility and
15 desirability of providing, as a specific form of adjust-
16 ment in such procedures with respect to float periods,
17 for the transfer each day to the general fund of the
18 Treasury from the Federal Old-Age and Survivors In-
19 surance Trust Fund and the Federal Disability Insur-
20 ance Trust Fund, as appropriate, of amounts equal to
21 the amounts of the checks referred to in subsection (a)
22 which are paid by the Federal Reserve Banks on such
23 day.

24 (c) In conducting the study required by subsection (a),
25 the Secretaries shall consult, as appropriate, the Director of

1 the Office of Management and Budget, and the Director shall
2 provide the Secretaries with such information and assistance
3 as they may require. The Secretaries shall also solicit the
4 views of other appropriate officials and organizations.

5 (d)(1) Not later than six months after the date of the
6 enactment of this Act, the Secretaries shall submit to the
7 President and the Congress a report of the findings of the
8 investigation required by subsection (b)(1), and the Secretary
9 of the Treasury shall by regulation make such adjustments in
10 the procedures governing the payment of monthly insurance
11 benefits under title II of the Social Security Act with respect
12 to float periods (other than adjustments in the form described
13 in subsection (b)(2)) as may have been found in such investi-
14 gation to be necessary or appropriate.

15 (2) Not later than twelve months after the date of the
16 enactment of this Act, the Secretaries shall submit to the
17 President and the Congress a report of the findings of the
18 separate investigation required by subsection (b)(2), together
19 with their recommendations with respect thereto; and, to the
20 extent necessary or appropriate to carry out such recommen-
21 dations, the Secretary of the Treasury shall by regulation
22 make adjustments in the procedures with respect to float pe-
23 riods in the form described in such subsection.

24 SEC. 302. (a) Section 218(j) of the Social Security Act
25 is amended—

1 (1) by inserting "(1)" after "(j)",

2 (2) by striking out "the rate of 6 per centum per
3 annum" and inserting in lieu thereof "the applicable
4 rate determined in accordance with paragraph (2)",
5 and

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

8 "(2) For purposes of paragraph (1), the rate of interest
9 applicable to late payments outstanding during the six-month
10 period beginning on January 1, 1984, shall be 9.0 percent
11 per annum. The rate of interest applicable to late payments
12 outstanding during the six-month period beginning on July 1,
13 1984, and subsequent six-month periods beginning on Janu-
14 ary 1 or July 1 thereafter, shall be determined by the Secre-
15 tary of the Treasury not later than 15 days after the end of
16 the base period described in the following sentence and shall
17 be an annual rate equal to the average (rounded to the near-
18 est full percent, or the next higher percent if it is a multiple
19 of 0.5 percent but not of 1.0 percent) of the annual rates of
20 interest applicable to the special obligations issued to the
21 Trust Funds (in accordance with section 201(d)) in each
22 month of such base period. The 'base period' for the rate
23 effective on January 1 of a year is the six-month period
24 ending on the immediately preceding September 30, and the
25 base period for the rate effective on July 1 of a year is the

1 six-month period ending on the immediately preceding March
2 31.”.

3 (b) The amendments made by this section shall apply
4 with respect to payments made after December 31, 1983,
5 under an agreement pursuant to section 218 of the Social
6 Security Act.

7 TRUST FUND INVESTMENT PROCEDURES

8 SEC. 303. (a)(1) Section 201(d) of the Social Security
9 Act is amended by striking out the second and third sen-
10 tences and inserting in lieu thereof the following: “Such in-
11 vestments may be made only in interest-bearing public-debt
12 obligations of the United States which are issued exclusively
13 for purchase by the Trust Funds under title 31 of the United
14 States Code.”.

15 (2) The fifth sentence of such section 201(d) is amended
16 to read as follows: “Such obligations shall be redeemable at
17 par plus accrued interest at any time, and shall bear interest
18 in any month (including the month of issue) at a rate equiva-
19 lent to either (1) the average market yield (determined by the
20 Managing Trustee on the basis of market quotations as of the
21 end of each business day of the preceding month) on all mar-
22 ketable interest-bearing obligations of the United States then
23 forming a part of the public debt (other than ‘flower bonds’)
24 which are not due or callable until after the expiration of 4
25 years from the end of such preceding month, or (2) the aver-

1 age market yield (so determined) on all such obligations
2 which are due or callable 4 years or less from the end of such
3 preceding month, whichever average market yield (with re-
4 spect to the month involved) is larger; except that where
5 such equivalent interest rate is not a multiple of one-eighth of
6 1 percent, the rate of interest on the obligations involved
7 shall be the multiple of one-eighth of 1 percent nearest such
8 equivalent rate.”.

9 (3) Section 201(d) of such Act is further amended by
10 striking out the last sentence, and by inserting in lieu thereof
11 the following: “For purposes of the preceding sentence, the
12 term ‘flower bond’ means a United States Treasury bond
13 which was issued before March 4, 1971, and which may, at
14 the option of the duly constituted representative of the estate
15 of a deceased individual, be redeemed in advance of maturity
16 and at par (face) value plus accrued interest to the date of
17 payment if (i) it was owned by such deceased individual at
18 the time of his death, (ii) it is part of the estate of such de-
19 ceased individual, and (iii) such representative authorizes the
20 Secretary of the Treasury to apply the entire proceeds of the
21 redemption of such bond to the payment of Federal estate
22 taxes.”.

23 (b)(1) Section 1817(c) of such Act is amended by strik-
24 ing out the second and third sentences and inserting in lieu
25 thereof the following: “Such investments may be made only

1 in interest-bearing public-debt obligations of the United
2 States which are issued exclusively for purchase by the Trust
3 Funds under title 31 of the United States Code.”.

4 (2) The fifth sentence of such section 1817(c) is amend-
5 ed to read as follows: “Such obligations shall be redeemable
6 at par plus accrued interest at any time, and shall bear inter-
7 est in any month (including the month of issue) at a rate
8 equivalent to either (1) the average market yield (determined
9 by the Managing Trustee on the basis of market quotations as
10 of the end of each business day of the preceding month) on all
11 marketable interest-bearing obligations of the United States
12 then forming a part of the public debt (other than ‘flower
13 bonds’) which are not due or callable until after the expira-
14 tion of 4 years from the end of such preceding month, or (2)
15 the average market yield (so determined) on all such obliga-
16 tions which are due or callable 4 years or less from the end of
17 such preceding month, whichever average market yield (with
18 respect to the month involved) is larger; except that where
19 such equivalent interest rate is not a multiple of one-eighth of
20 1 percent, the rate of interest on the obligations involved
21 shall be the multiple of one-eighth of 1 percent nearest such
22 equivalent rate.”.

23 (3) Section 1817(c) of such Act is further amended by
24 striking out the last sentence, and by inserting in lieu thereof
25 the following: “For purposes of the preceding sentence, the

1 term 'flower bond' means a United States Treasury bond
2 which was issued before March 4, 1971, and which may, at
3 the option of the duly constituted representative of the estate
4 of a deceased individual, be redeemed in advance of maturity
5 and at par (face) value plus accrued interest to the date of
6 payment if (i) it was owned by such deceased individual at
7 the time of his death, (ii) it is part of the estate of such de-
8 ceased individual, and (iii) such representative authorizes the
9 Secretary of the Treasury to apply the entire proceeds of the
10 redemption of such bond to the payment of Federal estate
11 taxes.”.

12 (c)(1) Section 1841(c) of such Act is amended by striking
13 out the second and third sentences and inserting in lieu there-
14 of the following: “Such investments may be made only in
15 interest-bearing public-debt obligations of the United States
16 which are issued exclusively for purchase by the Trust Funds
17 under title 31 of the United States Code.”.

18 (2) The fifth sentence of such section 1841(c) is amend-
19 ed to read as follows: “Such obligations shall be redeemable
20 at par plus accrued interest at any time, and shall bear inter-
21 est in any month (including the month of issue) at a rate
22 equivalent to either (1) the average market yield (determined
23 by the Managing Trustee on the basis of market quotations as
24 of the end of each business day of the preceding month) on all
25 marketable interest-bearing obligations of the United States

1 then forming a part of the public debt (other than 'flower
2 bonds') which are not due or callable until after the expira-
3 tion of 4 years from the end of such preceding month, or (2)
4 the average market yield (so determined) on all such obliga-
5 tions which are due or callable 4 years or less from the end of
6 such preceding month, whichever average market yield (with
7 respect to the month involved) is larger; except that where
8 such equivalent interest rate is not a multiple of one-eighth of
9 1 percent, the rate of interest on the obligations involved
10 shall be the multiple of one-eighth of 1 percent nearest such
11 equivalent rate."

12 (3) Section 1841(c) of such Act is further amended by
13 striking out the last sentence, and by inserting in lieu thereof
14 the following: "For purposes of the preceding sentence, the
15 term 'flower bond' means a United States Treasury bond
16 which was issued before March 4, 1971, and which may, at
17 the option of the duly constituted representative of the estate
18 of a deceased individual, be redeemed in advance of maturity
19 and at par (face) value plus accrued interest to the date of
20 payment if (i) it was owned by such deceased individual at
21 the time of his death, (ii) it is part of the estate of such de-
22 ceased individual, and (iii) such representative authorizes the
23 Secretary of the Treasury to apply the entire proceeds of the
24 redemption of such bond to the payment of Federal estate
25 taxes."

1 (d)(1) Not later than the date on which the amendments
2 made by this section become effective under subsection (f),
3 the Secretary of the Treasury shall—

4 (A) redeem at par plus accrued interest all out-
5 standing obligations of the United States issued under
6 the Second Liberty Bond Act or title 31 of the United
7 States Code exclusively for purchase by (and then held
8 by) the Federal Old-Age Insurance Trust Fund, the
9 Federal Disability Insurance Trust Fund, the Federal
10 Hospital Insurance Trust Fund, and the Federal Sup-
11 plementary Medical Insurance Trust Fund (hereinafter
12 in this subsection referred to as the “Trust Funds”);

13 (B) redeem at market rates all “flower bonds” (as
14 defined in the last sentence of sections 201(d), 1817(c),
15 and 1841(c) of the Social Security Act as amended by
16 this section) then held by the Trust Funds; and

17 (C) reinvest the proceeds (from the redemptions
18 required under subparagraphs (A) and (B)) in the
19 manner provided in such sections 201(d), 1817(c), and
20 1841(c) as amended by this section.

21 (2) Any other marketable obligations held by the Trust
22 Funds at the time of the redemptions required by paragraph
23 (1) shall continue to be so held until their maturity except to
24 the extent it is necessary to redeem or sell them before matu-

1 rity (at the market price) in order to meet the benefit obliga-
2 tions of the Trust Fund or Funds involved.

3 (3) Sections 201(e), 1817(d), and 1841(d) of the Social
4 Security Act are repealed.

5 (e)(1) The next to last sentence of section 201(c) of such
6 Act is amended by striking out "Such report shall also in-
7 clude" and inserting in lieu thereof the following: "Such
8 report shall include an actuarial opinion by the Chief Actuary
9 of the Social Security Administration certifying that the tech-
10 niques and methodologies used are generally accepted within
11 the actuarial profession and that the assumptions and cost
12 estimates used are reasonable, and shall also include".

13 (2) Section 1817(b) of such Act is amended by inserting
14 immediately before the last sentence the following new sen-
15 tence: "Such report shall also include an actuarial opinion by
16 the Chief Actuarial Officer of the Health Care Financing Ad-
17 ministration certifying that the techniques and methodologies
18 used are generally accepted within the actuarial profession
19 and that the assumptions and cost estimates used are reason-
20 able."

21 (3) Section 1841(b) of such Act is amended by inserting
22 immediately before the last sentence the following new sen-
23 tence: "Such report shall also include an actuarial opinion by
24 the Chief Actuarial Officer of the Health Care Financing Ad-
25 ministration certifying that the techniques and methodologies

1 used are generally accepted within the actuarial profession
2 and that the assumptions and cost estimates used are reason-
3 able.”.

4 (4) Notwithstanding sections 201(c)(2), 1817(b)(2), and
5 1841(b)(2) of the Social Security Act, the annual reports of
6 the Boards of Trustees of the Trust Funds which are required
7 in the calendar year 1983 under those sections may be filed
8 at any time not later than forty-five days after the date of the
9 enactment of this Act.

10 (5) The amendments made by this subsection shall take
11 effect on the date of the enactment of this Act.

12 (f) Except as otherwise provided, the amendments made
13 by this section shall take effect on the first day of the first
14 month which begins more than thirty days after the date of
15 the enactment of this Act.

16 **BUDGETARY TREATMENT OF TRUST FUND OPERATIONS**

17 **SEC. 304.** (a)(1) Title VII of the Social Security Act (as
18 amended by section 143 of this Act) is further amended by
19 adding at the end thereof the following new section:

20 **“BUDGETARY TREATMENT OF TRUST FUND OPERATIONS**

21 **“SEC. 710.** The disbursements of the Federal Old-Age
22 and Survivors Insurance Trust Fund, the Federal Disability
23 Insurance Trust Fund, the Federal Hospital Insurance Trust
24 Fund, and the Federal Supplementary Medical Insurance
25 Trust Fund shall be treated as a separate major functional

1 category in the budget of the United States Government as
2 submitted by the President and in the congressional budget,
3 and the receipts of such Trust Funds, including the taxes
4 imposed under sections 1401, 3101, and 3111 of the Internal
5 Revenue Code of 1954, shall be set forth separately in such
6 budget.”.

7 (2)(A) The amendment made by paragraph (1) shall
8 apply with respect to fiscal years beginning on or after Octo-
9 ber 1, 1984, and ending on or before September 30, 1988,
10 except that such amendment shall apply with respect to the
11 fiscal year beginning on October 1, 1983, to the extent it
12 relates to the congressional budget.

13 (b) Effective for fiscal years beginning on or after Octo-
14 ber 1, 1988, section 710 of such Act (as added by subsection
15 (a) of this section) is amended to read as follows:

16 “BUDGETARY TREATMENT OF TRUST FUND OPERATIONS
17 “SEC. 710. (a) The receipts and disbursement of the
18 Federal Old-Age and Survivors Insurance Trust Fund, the
19 Federal Disability Insurance Trust Fund, and the Federal
20 Hospital Insurance Trust Fund and the taxes imposed under
21 sections 1401, 3101, and 3111 of the Internal Revenue Code
22 of 1954 shall not be included in the totals of the budget of the
23 United States Government as submitted by the President or
24 of the congressional budget and shall be exempt from any
25 general budget limitation imposed by statute on expenditures

1 and net lending (budget outlays) of the United States Govern-
2 ment.

3 “(b) The disbursements of the Federal Supplementary
4 Medical Insurance Trust Fund shall be treated as a separate
5 major functional category in the budget of the United States
6 Government as submitted by the President and in the con-
7 gressional budget, and the receipts of such Trust Fund shall
8 be set forth separately in such budgets.”.

9 PART B—ELIMINATION OF GENDER-BASED
10 DISTINCTIONS

11 DIVORCED HUSBANDS

12 SEC. 311. (a)(1) Section 202(c)(1) of the Social Security
13 Act is amended, in the matter preceding subparagraph (A),
14 by inserting “and every divorced husband (as defined in sec-
15 tion 216(d))” before “of an individual” and by inserting “or
16 such divorced husband” after “if such husband”.

17 (2) Section 202(c)(1) of such Act is further amended—

18 (A) by striking out “and” at the end of subpara-
19 graph (B);

20 (B) by redesignating subparagraph (C) as subpara-
21 graph (D), and by inserting after subparagraph (B) the
22 following new subparagraph:

23 “(C) in the case of a divorced husband, is not
24 married, and”; and

1 (C) by striking out the matter following subpara-
2 graph (D) (as so redesignated) and inserting in lieu
3 thereof the following:

4 “shall be entitled to a husband’s insurance benefit for each
5 month, beginning with—

6 “*(i)* in the case of a husband or divorced husband
7 (as so defined) of an individual who is entitled to an
8 old-age insurance benefit, if such husband or divorced
9 husband has attained age 65, the first month in which
10 he meets the criteria specified in subparagraphs (A),
11 (B), (C), and (D), or

12 “*(ii)* in the case of a husband or divorced husband
13 (as so defined) of—

14 “*(I)* an individual entitled to old-age insur-
15 ance benefits, if such husband or divorced husband
16 has not attained age 65, or

17 “*(II)* an individual entitled to disability insur-
18 ance benefits,

19 the first month throughout which he is such a husband
20 or divorced husband and meets the criteria specified in
21 subparagraphs (B), (C), and (D) (if in such month he
22 meets the criterion specified in subparagraph (A)),

23 whichever is earlier, and ending with the month preceding
24 the month to which any of the following occurs:

25 “*(E)* he dies,

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1 “(F) such individual dies,

2 “(G) in the case of a husband, they are divorced
3 and either (i) he has not attained age 62, or (ii) he has
4 attained age 62 but has not been married to such indi-
5 vidual for a period of 10 years immediately before the
6 divorce became effective,

7 “(H) in the case of a divorced husband, he mar-
8 ries a person other than such individual,

9 “(I) he becomes entitled to an old-age or disability
10 insurance benefit based on a primary insurance amount
11 which is equal to or exceeds one-half of the primary
12 insurance amount of such individual, or

13 “(J) such individual is not entitled to disability in-
14 surance benefits and is not entitled to old-age insur-
15 ance benefits.”.

16 (3) Section 202(c)(3) of such Act is amended by insert-
17 ing “(or, in the case of a divorced husband, his former wife)”
18 before “for such month”.

19 (4) Section 202(c) of such Act is further amended by
20 adding after paragraph (3) the following new paragraph:

21 “(4) In the case of any divorced husband who marries—

22 “(A) an individual entitled to benefits under sub-
23 section (b), (e), (g), or (h) of this section, or

1 “(B) an individual who has attained the age of 18
2 and is entitled to benefits under subsection (d), by
3 reason of paragraph (1)(B)(ii) thereof,
4 such divorced husband’s entitlement to benefits under this
5 subsection, notwithstanding the provisions of paragraph (1)
6 (but subject to subsection (s)), shall not be terminated by
7 reason of such marriage.”.

8 (5) Section 202(c) of such Act is further amended by
9 adding after paragraph (4) (as added by paragraph (4) of this
10 subsection) the following new paragraph:

11 “(5)(A) Notwithstanding the preceding provisions of this
12 subsection, except as provided in subparagraph (B), the di-
13 vorced husband of an individual who is not entitled to old-age
14 or disability insurance benefits, but who has attained age 62
15 and is a fully insured individual (as defined in section 214), if
16 such divorced husband—

17 “(i) meets the requirements of subparagraphs (A)
18 through (D) of paragraph (1), and

19 “(ii) has been divorced from such insured individu-
20 al for not less than 2 years,

21 shall be entitled to a husband’s insurance benefit under this
22 subsection for each month, in such amount, and beginning
23 and ending with such months, as determined (under regula-
24 tions of the Secretary) in the manner otherwise provided for
25 husband’s insurance benefits under this subsection, as if such

1 insured individual had become entitled to old-age insurance
2 benefits on the date on which the divorced husband first
3 meets the criteria for entitlement set forth in classes (i) and
4 (ii).

5 “(B) A husband’s insurance benefit provided under this
6 paragraph which has not otherwise terminated in accordance
7 with subparagraph (E), (F), (H), or (I) of paragraph (1) shall
8 terminate with the month preceding the first month in which
9 the insured individual is no longer a fully insured individu-
10 al.”.

11 (6) Section 202(c)(2)(A) of such Act is amended by in-
12 serting “(or divorced husband)” after “payable to such hus-
13 band”.

14 (7) Section 202(b)(3)(A) of such Act is amended by strik-
15 ing out “(f)” and inserting in lieu thereof “(c), (f),”.

16 (8) Section 202(c)(1)(D) of such Act (as redesignated by
17 paragraph (2) of this subsection) is amended by striking out
18 “his wife” and inserting in lieu thereof “such individual”.

19 (9) Section 202(d)(5)(A) of such Act is amended by in-
20 serting “(c),” after “(b),”.

21 (b)(1) Section 202(f)(1) of such Act is amended, in the
22 matter preceding subparagraph (A), by inserting “and every
23 surviving divorced husband (as defined in section 216(d))”
24 before “of an individual” and by inserting “or such surviving
25 divorced husband” after “if such widower”.

1 (2) Section 202(f)(1) of such Act is further amended by
2 striking out “his deceased wife” in subparagraph (D) and in
3 the matter following subparagraph (F) and inserting in lieu
4 thereof “such deceased individual”.

5 (3) Section 202(f)(3)(B)(ii)(II) of such Act (as amended
6 by section 133(b)(1)(B) of this Act) is amended by inserting
7 “or surviving divorced husband” after “widower”.

8 (4) Paragraph (3)(D) of section 202(f) of such Act (as
9 redesignated by section 133(b)(1)(A) of this Act), and para-
10 graphs (4), (5), and (6) of such section (as redesignated by
11 section 131(b)(3)(A) of this Act), are each amended by insert-
12 ing “or surviving divorced husband” after “widower” wher-
13 ever it appears.

14 (5) Paragraph (3)(D) of section 202(f) of such Act (as
15 redesignated by section 133(b)(1)(A) of this Act) is further
16 amended by striking out “wife” wherever it appears and in-
17 serting in lieu thereof “individual”.

18 (6) Section 202(g)(3)(A) of such Act is amended by in-
19 serting “(c),” before “(f),”.

20 (7) Section 202(h)(4)(A) of such Act is amended by in-
21 serting “(c),” before “(e),”.

22 (c)(1) Section 216(d) of such Act is amended by redesi-
23 gnating paragraph (4) as paragraph (6), and by inserting
24 after paragraph (3) the following new paragraphs:

1 “(4) The term ‘divorced husband’ means a man divorced
2 from an individual, but only if he had been married to such
3 individual for a period of 10 years immediately before the
4 date the divorce became effective.

5 “(5) The term ‘surviving divorced husband’ means a
6 man divorced from an individual who has died, but only if he
7 had been married to the individual for a period of 10 years
8 immediately before the divorce became effective.”.

9 (2) The heading of section 216(d) of such Act is amend-
10 ed to read as follows:

11 “DIVORCED SPOUSES; DIVORCE”.

12 (d)(1) Section 205(b) of such Act is amended by insert-
13 ing “divorced husband,” after “husband,” and by inserting
14 “surviving divorced husband,” after “widower,”.

15 (2) Section 205(c)(1)(C) of such Act is amended by in-
16 serting “surviving divorced husband,” after “wife,”.

17 REMARRIAGE OF SURVIVING SPOUSE BEFORE AGE OF
18 ELIGIBILITY

19 SEC. 312. Section 202(f)(1)(A) of the Social Security
20 Act is amended by striking out “has not remarried” and in-
21 serting in lieu thereof “is not married”.

22 ILLEGITIMATE CHILDREN

23 SEC. 313. (a) Section 216(h)(3) of the Social Security
24 Act is amended by inserting “mother or” before “father”
25 wherever it appears.

1 (b) Section 216(h)(3)(A)(ii) of such Act is amended by
2 striking out all that follows “time” and inserting in lieu
3 thereof “such applicant’s application for benefits was filed;”.

4 (c) Section 216(h)(3)(B)(ii) of such Act is amended by
5 striking out “such period of disability began” and inserting in
6 lieu thereof “such applicant’s application for benefits was
7 filed”.

8 (d) Section 216(h)(3) of such Act is further amended—

9 (1) by striking out “his” wherever it appears and
10 inserting in lieu thereof “his or her”; and

11 (2) by striking out “he” in subparagraph (B) and
12 inserting in lieu thereof “he or she”.

13 TRANSITIONAL INSURED STATUS

14 SEC. 314. (a) Section 227(a) of the Social Security Act
15 is amended—

16 (1) by striking out “wife” wherever it appears and
17 inserting in lieu thereof “spouse”;

18 (2) by striking out “wife’s” wherever it appears
19 and inserting in lieu thereof “spouse’s”;

20 (3) by striking out “she” wherever it appears and
21 inserting in lieu thereof “he or she”;

22 (4) by striking out “his” and inserting in lieu
23 thereof “the”; and

24 (5) by inserting “or section 202(c)” after “section
25 202(b)” wherever it appears.

1 (b) Section 227(b) and section 227(c) of such Act are
2 amended—

3 (1) by striking out “widow” wherever it appears
4 and inserting in lieu thereof “surviving spouse”;

5 (2) by striking out “widow’s” wherever it appears
6 and inserting in lieu thereof “surviving spouse’s”;

7 (3) by striking out “her” wherever it appears and
8 inserting in lieu thereof “the”; and

9 (4) by inserting “or section 202(f)” after “section
10 202(e)” wherever it appears.

11 (c) Section 216 of such Act is amended by inserting
12 before subsection (b) the following new subsection:

13 “Spouse; Surviving Spouse

14 “(a)(1) The term ‘spouse’ means a wife as defined in
15 subsection (b) or a husband as defined in subsection (f).

16 “(2) The term ‘surviving spouse’ means a widow as de-
17 fined in subsection (c) or a widower as defined in subsection
18 (g).”.

19 EQUALIZATION OF BENEFITS UNDER SECTION 228

20 SEC. 315. (a) Section 228(b) of the Social Security Act
21 is amended—

22 (1) by striking out “(1) Except as provided in
23 paragraph (2), the” and inserting in lieu thereof
24 “The”; and

25 (2) by striking out paragraph (2).

1 (b) Section 228(c)(2) of such Act is amended by striking
2 out “(B) the larger of” and all that follows and inserting in
3 lieu thereof “(B) the benefit amount as determined without
4 regard to this subsection.”.

5 (c) Section 228(c)(3) of such Act is amended to read as
6 follows:

7 “(3) In the case of a husband or wife both of whom are
8 entitled to benefits under this section for any month, the
9 benefit amount of each spouse, after any reduction under
10 paragraph (1), shall be further reduced (but not below zero)
11 by the excess (if any) of (A) the total amount of any periodic
12 benefits under governmental pension systems for which the
13 other spouse is eligible for such month, over (B) the benefit
14 amount of such other spouse as determined after any reduc-
15 tion under paragraph (1).”.

16 (d) Section 228 of such Act is further amended—

17 (1) by striking out “he” wherever it appears in
18 subsections (a) and (c)(1) and inserting in lieu thereof
19 “he or she”; and

20 (2) by striking out “his” in subsection (c)(4)(C)
21 and inserting in lieu thereof “his or her”.

22 (e) The Secretary shall increase the amounts specified in
23 section 228 of the Social Security Act, as amended by this
24 section, to take into account any general benefit increases (as
25 referred to in section 215(i)(3) of such Act), and any increases

1 under section 215(i) of such Act, which have occurred after
2 June 1974 or may hereafter occur.

3 FATHER'S INSURANCE BENEFITS

4 SEC. 316. (a) Section 202(g) of the Social Security Act
5 is amended—

6 (1) by striking out "widow" wherever it appears
7 and inserting in lieu thereof "surviving spouse";

8 (2) by striking out "widow's" wherever it appears
9 and inserting in lieu thereof "surviving spouse's";

10 (3) by striking out "wife's insurance benefits" and
11 "he" in paragraph (1)(D) and inserting in lieu thereof
12 "a spouse's insurance benefit" and "such individual",
13 respectively;

14 (4) by striking out "her" wherever it appears and
15 inserting in lieu thereof "his or her";

16 (5) by striking out "she" wherever it appears and
17 inserting in lieu thereof "he or she";

18 (6) by striking out "mother" wherever it appears
19 and inserting in lieu thereof "parent";

20 (7) by inserting "or father's" after "mother's"
21 wherever it appears;

22 (8) by striking out "after August 1950"; and

23 (9) in paragraph (3)(A) (as amended by section
24 311(b)(7) of this Act)—

1 (A) by inserting "this subsection or" before
2 "subsection (a)"; and

3 (B) by striking out "(c)," and inserting in
4 lieu thereof "(b), (c), (e),".

5 (b) The heading of section 202(g) of such Act is amend-
6 ed by inserting "and Father's" after "Mother's".

7 (c) Section 216(d) of such Act (as amended by section
8 311(c)(1) of this Act) is further amended by redesignating
9 paragraph (6) as paragraph (8) and by inserting after para-
10 graph (5) the following new paragraphs:

11 "(6) The term 'surviving divorced father' means a man
12 divorced from an individual who has died, but only if (A) he is
13 the father of her son or daughter, (B) he legally adopted her
14 son or daughter while he was married to her and while such
15 son or daughter was under the age of 18, (C) she legally
16 adopted his son or daughter while he was married to her and
17 while such son or daughter was under the age of 18, or (D)
18 he was married to her at the time both of them legally adopt-
19 ed a child under the age of 18.

20 "(7) The term 'surviving divorced parent' means a sur-
21 viving divorced mother as defined in paragraph (3) of this
22 subsection or a surviving divorced father as defined in para-
23 graph (6).".

24 (d) Section 202(c)(1) of such Act (as amended by section
25 311(a) of this Act) is further amended by inserting "(subject

1 to subsection (s))” before “be entitled to” in the matter fol-
2 lowing subparagraph (D) and preceding subparagraph (E).

3 (e) Section 202(c)(1)(B) of such Act is amended by in-
4 serting after “62” the following: “or (in the case of a hus-
5 band) has in his care (individually or jointly with such individ-
6 ual) at the time of filing such application a child entitled to
7 child’s insurance benefits on the basis of the wages and self-
8 employment income of such individual”.

9 (f) Section 202(c)(1) of such Act (as amended by section
10 311(a) of this Act and the preceding provisions of this sec-
11 tion) is further amended by redesignating the new subpara-
12 graphs (I) and (J) as subparagraphs (J) and (K), respectively,
13 and by inserting after subparagraph (H) the following new
14 subparagraph:

15 “(I) in the case of a husband who has not attained
16 age 62, no child of such individual is entitled to a
17 child’s insurance benefit,”.

18 (g) Section 202(f)(1)(C) of such Act is amended by in-
19 serting “(i)” after “(C)”, by inserting “or” after “223,”, and
20 by adding at the end thereof the following new clause:

21 “(ii) was entitled, on the basis of such wages and
22 self-employment income, to father’s insurance benefits
23 for the month preceding the month in which he at-
24 tained age 65, and”.

1 (h) Section 202(f)(5) of such Act (as redesignated by sec-
2 tion 131(b)(3)(A) of this Act) is amended by striking out “or”
3 at the end of subparagraph (A), by redesignating subpara-
4 graph (B) as subparagraph (C), and by inserting immediately
5 after subparagraph (A) the following new subparagraph:

6 “(B) the last month for which he was entitled to
7 father’s insurance benefits on the basis of the wages
8 and self-employment income of such individual, or”.

9 (i) Section 203(f)(1)(F) of such Act is amended by strik-
10 ing out “section 202(b) (but only by reason of having a child
11 in her care within the meaning of paragraph (1)(B) of that
12 subsection)” and inserting in lieu thereof “section 202(b) or
13 (c) (but only by reason of having a child in his or her care
14 within the meaning of paragraph (1)(B) of subsection (b) or
15 (c), as may be applicable)”.

16 **EFFECT OF MARRIAGE ON CHILDHOOD DISABILITY BENE-**
17 **FITS AND ON OTHER DEPENDENTS’ OR SURVIVORS’**
18 **BENEFITS**

19 **SEC. 317.** (a) Subsections (b)(3), (d)(5), (g)(3), and (h)(4)
20 of section 202 of the Social Security Act (as amended by the
21 preceding provisions of this Act) are each amended by strik-
22 ing out “; except that” and all that follows and inserting in
23 lieu thereof a period.

24 (b) The amendments made by subsection (a) shall apply
25 with respect to benefits under title II of the Social Security

1 Act for months after the month in which this Act is enacted,
2 but only in cases in which the “last month” referred to in the
3 provision amended is a month after the month in which this
4 Act is enacted.

5 CREDIT FOR CERTAIN MILITARY SERVICE

6 SEC. 318. Section 217(f) of the Social Security Act is
7 amended—

8 (1) by striking out “widow” each place it appears
9 and inserting in lieu thereof “surviving spouse”; and

10 (2) by striking out “his” and “her” wherever they
11 appear (except in clause (A) of paragraph (1)) and in-
12 serting in lieu thereof in each instance “his or her”.

13 CONFORMING AMENDMENTS

14 SEC. 319. (a) Section 202(b)(3)(A) of the Social Security
15 Act (as amended by section 311(a)(6) of this Act) is further
16 amended by inserting “(g),” after “(f),”.

17 (b) Section 202(q)(3) of such Act is amended by insert-
18 ing “or surviving divorced husband” after “widower” in sub-
19 paragraphs (E), (F), and (G).

20 (c) Section 202(q)(5) of such Act is amended—

21 (1) by inserting “or husband’s” after “wife’s”
22 wherever it appears;

23 (2) by striking out “her” in subparagraph (A)(i)
24 and inserting in lieu thereof “him or her”;

1 (3) by striking out “her” the second place it ap-
2 pears in subparagraph (A)(ii) and inserting in lieu
3 thereof “the”;

4 (4) by striking out “she” wherever it appears and
5 inserting in lieu thereof “he or she”;

6 (5) by striking out “her” wherever it appears
7 (except where paragraphs (2) and (3) of this subsection
8 apply) and inserting in lieu thereof “his or her”;

9 (6) by striking out “the woman” in subparagraph
10 (B)(ii) and “a woman” in subparagraph (C) and insert-
11 ing in lieu thereof “the individual” and “an individu-
12 al”, respectively; and

13 (7) in subparagraph (D)—

14 (A) by inserting “or widower’s” after
15 “widow’s”;

16 (B) by striking out “husband” wherever it
17 appears and inserting in lieu thereof “spouse”;

18 (C) by striking out “husband’s” wherever it
19 appears and inserting in lieu thereof “spouse’s”;

20 and

21 (D) by inserting “or father’s” after “moth-
22 er’s”.

23 (d)(1) Section 202(q)(6)(A) of such Act (as amended by
24 section 134(a)(2) of this Act) is further amended by striking

1 out “or husband’s” in clause (i) and by inserting “or hus-
2 band’s” after “wife’s” in clause (ii).

3 (2) Section 202(q)(7) of such Act is amended—

4 (A) in subparagraph (B), by inserting “or hus-
5 band’s” after “wife’s”, by striking out “she” and in-
6 serting in lieu thereof “such individual”, and by insert-
7 ing “his or” before “her”, and

8 (B) in subparagraph (D), by inserting “or widow-
9 er’s” after “widow’s”.

10 (e)(1) Section 202(s)(1) of such Act is amended by in-
11 serting “(c)(1),” after “(b)(1),”.

12 (2) Section 202(s)(2) of such Act (as amended by section
13 131(c)(1) of this Act) is further amended by inserting “(c)(4),”
14 after “(b)(3),”.

15 (3) Section 202(s)(3) of such Act (as amended by section
16 131(c)(2) of this Act) is further amended by striking out “So
17 much” and all that follows down through “the last sentence”
18 and inserting in lieu thereof “The last sentence”.

19 (f) The third sentence of section 203(b)(1) of such Act
20 (as amended by section 132(b) of this Act) is further amended
21 by inserting “or father’s” after “mother’s”.

22 (g) Section 203(c) of such Act is amended to read as
23 follows:

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

3 “(c) Deductions, in such amounts and at such time or
4 times as the Secretary shall determine, shall be made from
5 any payment or payments under this title to which an indi-
6 vidual is entitled, until the total of such deductions equals
7 such individual’s benefits or benefit under section 202 for any
8 month—

9 “(1) in which such individual is under the age of
10 seventy and for more than forty-five hours of which
11 such individual engaged in noncovered remunerative
12 activity outside the United States;

13 “(2) in which such individual, if a wife or husband
14 under age sixty-five entitled to a wife’s or husband’s
15 insurance benefit, did not have in his or her care (indi-
16 vidually or jointly with his or her spouse) a child of
17 such spouse entitled to a child’s insurance benefit and
18 such wife’s or husband’s insurance benefit for such
19 month was not reduced under the provisions of section
20 202(q);

21 “(3) in which such individual, if a widow or wid-
22 ower entitled to a mother’s or father’s insurance bene-
23 fit, did not have in his or her care a child of his or her
24 deceased spouse entitled to a child’s insurance benefit;
25 or

1 “(4) in which such an individual, if a surviving di-
2 vorced mother or father entitled to a mother’s or fa-
3 ther’s insurance benefit, did not have in his or her care
4 a child of his or her deceased former spouse who (A) is
5 his or her son, daughter, or legally adopted child and
6 (B) is entitled to a child’s insurance benefit on the basis
7 of the wages and self-employment income of such de-
8 ceased former spouse.

9 For purposes of paragraphs (2), (3), and (4) of this subsection,
10 a child shall not be considered to be entitled to a child’s in-
11 surance benefit for any month in which paragraph (1) of sec-
12 tion 202(s) applies or an event specified in section 222(b)
13 occurs with respect to such child. Subject to paragraph (3) of
14 such section 202(s), no deduction shall be made under this
15 subsection from any child’s insurance benefit for the month in
16 which the child entitled to such benefit attained the age of
17 eighteen or any subsequent month; nor shall any deduction be
18 made under this subsection from any widow’s insurance bene-
19 fit for any month in which the widow or surviving divorced
20 wife is entitled and has not attained age 65 (but only if she
21 became so entitled prior to attaining age 60), or from any
22 widower’s insurance benefit for any month in which the wid-
23 ower or surviving divorced husband is entitled and has not
24 attained age 65 (but only if he became so entitled prior to
25 attaining age 60).”.

1 (h) Section 203(d) of such Act is amended by inserting
2 “divorced husband,” after “husband,” in paragraph (1)(A) (as
3 amended by section 132(b)(2) of this Act) and by inserting
4 “or father’s” after “mother’s” each place it appears in para-
5 graph (2).

6 (i)(1) Section 205(b) of such Act (as amended by section
7 311(d)(1) of this Act) is further amended by inserting “surviv-
8 ing divorced father,” after “surviving divorced mother,”.

9 (2) Section 205(c)(1)(C) of such Act (as amended by sec-
10 tion 311(d)(2) of this Act) is further amended by inserting
11 “surviving divorced father,” after “surviving divorced
12 mother,”.

13 (j) Section 216(f)(3)(A) of such Act is amended by insert-
14 ing “(c),” before “(f),”

15 (k) Section 216(g)(6)(A) of such Act is amended by in-
16 serting “(c),” before “(f)”.

17 (l) Section 222(b)(1) of such Act is amended by striking
18 out “or surviving divorced wife” and inserting in lieu thereof
19 “, surviving divorced wife, or surviving divorced husband”.

20 (m) Section 222(b)(2) of such Act is amended by insert-
21 ing “or father’s” after “mother’s” wherever it appears.

22 (n) Section 222(b)(3) of such Act is amended by insert-
23 ing “divorced husband,” after “husband,”.

1 (o) Section 223(d)(2) of such Act is amended by striking
2 out "or widower" in subparagraphs (A) and (B) and inserting
3 in lieu thereof "widower, or surviving divorced husband".

4 (p) Section 225(a) of such Act is amended by inserting
5 "or surviving divorced husband" after "widower".

6 (q)(1) Section 226(e)(3) of such Act is amended to read
7 as follows:

8 "(3) For purposes of determining entitlement to hospital
9 insurance benefits under subsection (b), any disabled widow
10 aged 50 or older who is entitled to mother's insurance bene-
11 fits (and who would have been entitled to widow's insurance
12 benefits by reason of disability if she had filed for such
13 widow's benefits), and any disabled widower aged 50 or older
14 who is entitled to father's insurance benefits (and who would
15 have been entitled to widower's insurance benefits by reason
16 of disability if he had filed for such widower's benefits), shall,
17 upon application for such hospital insurance benefits be
18 deemed to have filed for such widow's or widower's insur-
19 ance benefits."

20 (2) For purposes of determining entitlement to hospital
21 insurance benefits under section 226(e)(3) of such Act, as
22 amended by paragraph (1), an individual becoming entitled to
23 such hospital insurance benefits as a result of the amendment
24 made by such paragraph shall, upon furnishing proof of his or
25 her disability within twelve months after the month in which

1 this Act is enacted, under such procedures as the Secretary
2 of Health and Human Services may prescribe, be deemed to
3 have been entitled to the widow's or widower's benefits re-
4 ferred to in such section 226(e)(3), as so amended, as of the
5 time such individual would have been entitled to such
6 widow's or widower's benefits if he or she had filed a timely
7 application therefor.

8 **EFFECTIVE DATE OF PART B**

9 **SEC. 320.** (a) Except as otherwise specifically provided
10 in this title, the amendments made by this part apply only
11 with respect to monthly benefits payable under title II of the
12 Social Security Act for months after the month in which this
13 Act is enacted.

14 (b) Nothing in any amendment made by this part shall
15 be construed as affecting the validity of any benefit which
16 was paid, prior to the effective date of such amendment, as a
17 result of a judicial determination.

18 **PART C—COVERAGE**

19 **COVERAGE OF EMPLOYEES OF FOREIGN AFFILIATES OF**
20 **AMERICAN EMPLOYERS**

21 **SEC. 321.** (a)(1) So much of subsection (l) of section
22 3121 of the Internal Revenue Code of 1954 (relating to
23 agreements entered into by domestic corporations with re-
24 spect to foreign subsidiaries) as precedes the second sentence
25 of paragraph (1) thereof is amended to read as follows:

1 “(l) AGREEMENTS ENTERED INTO BY AMERICAN EM-
2 PLOYERS WITH RESPECT TO FOREIGN AFFILIATES.—

3 “(1) AGREEMENT WITH RESPECT TO CERTAIN
4 EMPLOYEES OF FOREIGN AFFILIATE.—The Secretary
5 shall, at the American employer’s request, enter into
6 an agreement (in such manner and form as may be
7 prescribed by the Secretary) with any American em-
8 ployer (as defined in subsection (h)) who desires to
9 have the insurance system established by title II of the
10 Social Security Act extended to service performed out-
11 side the United States in the employ of any 1 or more
12 of such employer’s foreign affiliates (as defined in para-
13 graph (8)) by all employees who are citizens or resi-
14 dents of the United States, except that the agreement
15 shall not apply to any service performed by, or remu-
16 neration paid to, an employee if such service or remu-
17 neration would be excluded from the term ‘employ-
18 ment’ or ‘wages’, as defined in this section, had the
19 service been performed in the United States.”

20 (2) Paragraph (8) of section 3121(l) of such Code (defin-
21 ing foreign subsidiary) is amended to read as follows:

22 “(8) FOREIGN AFFILIATE DEFINED.—For pur-
23 poses of this subsection and section 210(a) of the Social
24 Security Act—

1 “(A) IN GENERAL.—A foreign affiliate of an
2 American employer is any foreign entity in which
3 such American employer has not less than a 10-
4 percent interest.

5 “(B) DETERMINATION OF 10-PERCENT IN-
6 TEREST.—For purposes of subparagraph (A), an
7 American employer has a 10-percent interest in
8 any entity if such employer has such an interest
9 directly (or through one or more entities)—

10 “(i) in the case of a corporation, in the
11 voting stock thereof, and

12 “(ii) in the case of any other entity, in
13 the profits thereof.”

14 (b) The clause (B) of section 210(a) of the Social Secu-
15 rity Act (defining employment) which precedes paragraph (1)
16 thereof (as amended by section 323(a)(2) of this Act) is fur-
17 ther amended to read as follows: “(B) outside the United
18 States by a citizen or resident of the United States as an
19 employee (i) of an American employer (as defined in subsec-
20 tion (e) of this section), or (ii) of a foreign affiliate (as defined
21 in section 3121(l)(8) of the Internal Revenue Code of 1954)
22 of an American employer during any period for which there is
23 in effect an agreement, entered into pursuant to section
24 3121(l) of such Code, with respect to such affiliate;”.

1 (c) Subsection (a) of section 406 of the Internal Revenue
2 Code of 1954 (relating to treatment of certain employees of
3 foreign subsidiaries for pension, etc., purposes) is amended to
4 read as follows:

5 “(a) TREATMENT AS EMPLOYEES OF AMERICAN EM-
6 PLOYER.—For purposes of applying this part with respect to
7 a pension, profit-sharing, or stock bonus plan described in
8 section 401(a), an annuity plan described in section 403(a), or
9 a bond purchase plan described in section 405(a), of an
10 American employer (as defined in section 3121(h)), an indi-
11 vidual who is a citizen or resident of the United States and
12 who is an employee of a foreign affiliate (as defined in section
13 3121(l)(8)) of such American employer shall be treated as an
14 employee of such American employer, if—

15 “(1) such American employer has entered into an
16 agreement under section 3121(l) which applies to the
17 foreign affiliate of which such individual is an employ-
18 ee;

19 “(2) the plan of such American employer express-
20 ly provides for contributions or benefits for individuals
21 who are citizens or residents of the United States and
22 who are employees of its foreign affiliates to which an
23 agreement entered into by such American employer
24 under section 3121(l) applies; and

1 “(3) contributions under a funded plan of deferred
2 compensation (whether or not a plan described in sec-
3 tion 401(a), 403(a), or 405(a)) are not provided by any
4 other person with respect to the remuneration paid to
5 such individual by the foreign affiliate.”

6 (d) Paragraph (1) of section 407(a) of such Code (relat-
7 ing to certain employees of domestic subsidiaries engaged in
8 business outside the United States) is amended—

9 (1) by striking out “citizen of the United States”
10 and inserting in lieu thereof “citizen or resident of the
11 United States”, and

12 (2) by striking out “citizens of the United States”
13 and inserting in lieu thereof “citizens or residents of
14 the United States”.

15 (e)(1) Those provisions of subsection (l) of section 3121
16 of such Code which are not amended by subsection (a) of this
17 section are amended in accordance with the following table:

Strike out (wherever it appears in the text or heading):	And insert:
domestic corporation	American employer
domestic corporations	American employers
subsidiary	affiliate
subsidiaries	affiliates
foreign corporation	foreign entity
foreign corporations	foreign entities
citizens	citizens or residents
the word “a” where it appears before “domestic”.	an

18 (2)(A) Section 406 of such Code (other than subsection
19 (a) thereof) is amended in accordance with the following
20 table:

Strike out (wherever appearing in the text):	And insert:
domestic corporation	American employer
subsidiary.....	affiliate
the word "a" where it appears before "domestic".	an

1 (B) Paragraph (3) of subsection (c) of such section 406
2 (as in effect before the amendment made by subparagraph
3 (A)) is amended by striking out "another corporation con-
4 trolled by such domestic corporation" and inserting in lieu
5 thereof "another entity in which such American employer
6 has not less than a 10-percent interest (within the meaning of
7 section 3121(l)(8)(B))".

8 (C)(i) So much of subsection (d) of such section 406 as
9 precedes paragraph (1) thereof is amended by striking out
10 "another corporation" and inserting in lieu thereof "another
11 taxpayer".

12 (ii) Paragraph (1) of subsection (d) of such section 406 is
13 amended by striking out "any other corporation" and insert-
14 ing in lieu thereof "any other taxpayer".

15 (D)(i) The heading of such section 406 is amended to
16 read as follows:

17 **"SEC. 406. EMPLOYEES OF FOREIGN AFFILIATES COVERED**
18 **BY SECTION 3121(I) AGREEMENTS."**

19 (ii) The table of sections for subpart A of part I of sub-
20 chapter D of chapter 1 of such Code is amended by striking
21 out the item relating to section 406 and inserting in lieu
22 thereof the following:

“Sec. 406. Employees of foreign affiliates covered by section 3121(l) agreements.”

1 (3) Clause (A) of the second sentence of section 1402(b)
2 of such Code (defining self-employment income) is amended
3 by striking out “employees of foreign subsidiaries of domestic
4 corporations” and inserting in lieu thereof “employees of for-
5 eign affiliates of American employers”.

6 (4)(A) Subparagraph (C) of section 6413(c)(2) of such
7 Code (relating to special refunds of FICA taxes in the case of
8 employees of certain foreign corporations) is amended—

9 (i) by striking out “FOREIGN CORPORATIONS” in
10 the heading and inserting in lieu thereof “FOREIGN AF-
11 FILIATES”, and

12 (ii) by striking out “domestic corporation” in the
13 text and inserting in lieu thereof “American employ-
14 er”.

15 (B) The heading of paragraph (2) of section 6413(c) of
16 such Code is amended by striking out “FOREIGN CORPORA-
17 TIONS” and inserting in lieu thereof “FOREIGN AFFILI-
18 ATES”.

19 (f)(1)(A) The amendments made by this section (other
20 than subsection (d)) shall apply to agreements entered into
21 after the date of the enactment of this Act.

22 (B) At the election of any American employer, the
23 amendments made by this section (other than subsection (d))
24 shall also apply to any agreement entered into on or before

1 the date of the enactment of this Act. Any such election shall
2 be made at such time and in such manner as the Secretary
3 may by regulations prescribe.

4 (2)(A) The amendments made by subsection (d) shall
5 apply to plans established after the date of the enactment of
6 this Act.

7 (B) At the election of any domestic parent corporation
8 the amendments made by subsection (d) shall also apply to
9 any plan established on or before the date of the enactment of
10 this Act. Any such election shall be made at such time and in
11 such manner as the Secretary may by regulations prescribe.

12 EXTENSION OF COVERAGE BY INTERNATIONAL SOCIAL
13 SECURITY AGREEMENT

14 SEC. 322. (a)(1) Section 210(a) of the Social Security
15 Act is amended, in the matter preceding paragraph (1)—

16 (A) by striking out “either” before “(A)”, and

17 (B) by inserting before “; except” the following:

18 “, or (C) if it is service, regardless of where or by
19 whom performed, which is designated as employment
20 or recognized as equivalent to employment under an
21 agreement entered into under section 233”.

22 (2) Section 3121(b) of the Internal Revenue Code of
23 1954 is amended, in the matter preceding paragraph (1)—

24 (A) by striking out “either” before “(A)”, and

1 (B) by inserting before “; except” the following:
2 “, or (C) if it is service, regardless of where or by
3 whom performed, which is designated as employment
4 or recognized as equivalent to employment under an
5 agreement entered into under section 233 of the Social
6 Security Act”.

7 (b)(1) Section 211(b) of the Social Security Act is
8 amended by inserting after “non-resident alien individual”
9 the following: “, except as provided by an agreement under
10 section 233”.

11 (2) The first sentence of section 1402(b) of the Internal
12 Revenue Code of 1954 is amended by inserting after “non-
13 resident alien individual” the following: “, except as provided
14 by an agreement under section 233 of the Social Security
15 Act”.

16 (c) The amendments made by this section shall be effec-
17 tive for taxable years beginning on or after the date of the
18 enactment of this Act.

19 TREATMENT OF CERTAIN SERVICE PERFORMED OUTSIDE
20 THE UNITED STATES

21 SEC. 323. (a)(1) Subsection (b) of section 3121 of the
22 Internal Revenue Code of 1954 (defining employment) is
23 amended by striking out “a citizen of the United States” in
24 the matter preceding paragraph (1) thereof and inserting in
25 lieu thereof “a citizen or resident of the United States”.

1 (2) Subsection (a) of section 210 of the Social Security
2 Act is amended by striking out “a citizen of the United
3 States” in the matter preceding paragraph (1) thereof and
4 inserting in lieu thereof “a citizen or resident of the United
5 States”.

6 (b)(1) Paragraph (11) of section 1402(a) of the Internal
7 Revenue Code of 1954 (defining net earnings from self-em-
8 ployment) is amended by striking out “in the case of an indi-
9 vidual described in section 911(d)(1)(B),”.

10 (2)(A) Paragraph (10) of section 211(a) of the Social Se-
11 curity Act is amended to read as follows:

12 “(10) the exclusion from gross income provided by
13 section 911(a)(1) of the Internal Revenue Code of 1954
14 shall not apply; and”.

15 (B) Effective with respect to taxable years beginning
16 after December 31, 1981, and before January 1, 1984, para-
17 graph (10) of section 211(a) of such Act is amended to read
18 as follows:

19 “(10) in the case of an individual described in sec-
20 tion 911(d)(1)(B) of the Internal Revenue Code of
21 1954, the exclusion from gross income provided by
22 section 911(a)(1) of such Code shall not apply; and”.

23 (c)(1) The amendments made by subsection (a) shall
24 apply to remuneration paid after December 31, 1983.

1 (2) Except as provided in subsection (b)(2)(B), the
2 amendments made by subsection (b) shall apply to taxable
3 years beginning after December 31, 1983.

4 TREATMENT OF PAY AFTER AGE 62 AS WAGES

5 SEC. 324. (a) Section 209 of the Social Security Act is
6 amended by striking out subsection (i).

7 (b) Section 3121(a) of the Internal Revenue Code of
8 1954 is amended by striking out paragraph (9).

9 (c) The amendments made by this section shall apply
10 with respect to calendar years beginning more than six
11 months after the date of the enactment of this Act.

12 TREATMENT OF CONTRIBUTIONS UNDER SIMPLIFIED

13 EMPLOYEE PENSIONS

14 SEC. 325. (a) Subparagraph (D) of section 3121(a)(5) of
15 the Internal Revenue Code of 1954 (defining wages) is
16 amended by striking out "section 219" and inserting in lieu
17 thereof "section 219(b)(2)".

18 (b) Subsection (e) of section 209 of the Social Security
19 Act is amended by striking out the semicolon at the end
20 thereof and inserting in lieu thereof the following: ", or (5)
21 under a simplified employee pension (as defined in section
22 408(k) of the Internal Revenue Code of 1954) if, at the time
23 of the payment, it is reasonable to believe that the employee
24 will be entitled to a deduction under section 219(b)(2) of such
25 Code for such payment;".

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1 (c) The amendments made by this section shall apply to
2 remuneration paid after December 31, 1983.

3 EFFECT OF CHANGES IN NAMES OF STATE AND LOCAL
4 EMPLOYEE GROUPS IN UTAH

5 SEC. 326. (a) Section 218(o) of the Social Security Act
6 is amended by adding at the end thereof the following new
7 sentence: "Coverage provided for in this subsection shall not
8 be affected by a subsequent change in the name of a group."

9 (b) The amendment made by subsection (a) shall apply
10 with respect to name changes made before, on, or after the
11 date of the enactment of this section.

12 EFFECTIVE DATES OF INTERNATIONAL SOCIAL SECURITY
13 AGREEMENTS

14 SEC. 327. (a) Section 233(e)(2) of the Social Security
15 Act is amended by striking out "during which each House of
16 the Congress has been in session on each of 90 days" and
17 inserting in lieu thereof "during which at least one House of
18 the Congress has been in session on each of 60 days".

19 (b) The amendment made by subsection (a) shall be ef-
20 fective on the date of the enactment of this Act.

21 TECHNICAL CORRECTION WITH RESPECT TO WITHHOLD-
22 ING ON SICK PAY OF PARTICIPANTS IN MULTITEM-
23 PLOYER PLANS

24 SEC. 328. (a) Paragraph (2) of section 3(d) of the Act
25 entitled "An Act to amend the Omnibus Reconciliation Act

1 of 1981 to restore minimum benefits under the Social Secu-
 2 rity Act”, approved December 29, 1981 (Public Law 97-
 3 123), relating to extension of coverage to first 6 months of
 4 sick pay, is amended by striking out “and” at the end of
 5 subparagraph (B), by striking out the period at the end of
 6 subparagraph (C) and inserting in lieu thereof “, and”, and
 7 by adding at the end thereof the following new subparagraph:

8 “(D) in the case of a multiemployer plan, to the
 9 extent provided in regulations prescribed under para-
 10 graph (1), such plan shall be treated as the agent of
 11 the employers for whom services are normally ren-
 12 dered.”

13 (b) The amendment made by subsection (a) shall apply
 14 to remuneration paid after June 30, 1983.

15 AMOUNTS RECEIVED UNDER CERTAIN DEFERRED COMPEN-
 16 SATION AND SALARY REDUCTION ARRANGEMENTS
 17 TREATED AS WAGES FOR FICA TAXES

18 SEC. 329. (a) Section 3121 of the Internal Revenue
 19 Code of 1954 (relating to definitions) is amended by adding at
 20 the end thereof the following new subsection:

21 “(v) TREATMENT OF CERTAIN DEFERRED COMPEN-
 22 SATION AND SALARY REDUCTION ARRANGEMENTS.—
 23 Nothing in any paragraph of subsection (a) (other than para-
 24 graph (1)) shall exclude from the term ‘wages’ any employer
 25 contribution—

1 “(1) under a qualified cash or deferred arrange-
2 ment (as defined in section 401(k)) to the extent not
3 included in gross income by reason of section 402(a)(8),

4 “(2) under a cafeteria plan (as defined in section
5 125(d)) to the extent the employee had the right to
6 choose cash, property, or other benefits which would
7 be wages for purposes of this chapter, or

8 “(3) for an annuity contract described in section
9 403(b).”

10 (b) Section 209 of the Social Security Act is amended
11 by adding at the end thereof (after the new paragraph added
12 by section 101(c)(1) of the this Act) the following new para-
13 graph:

14 “Nothing in any of the foregoing provisions of this sec-
15 tion (other than subsection (a)) shall exclude from the term
16 ‘wages’ and employer contribution—

17 “(1) under a qualified cash or deferred arrange-
18 ment (as defined in section 401(k)) of the Internal Rev-
19 enue Code of 1954 to the extent not included in gross
20 income by reason of section 402(a)(8) of such Code,

21 “(2) under a cafeteria plan (as defined in section
22 125(d) of such Code) to the extent the employee had
23 the right to choose cash, property, or other benefits
24 which would be wages for purposes of this title, or

1 clude such items from income under section 119 of the Inter-
2 nal Revenue Code of 1954.”

3 (b)(1) Subsection (a) of section 3121 of such Code is
4 amended by inserting after paragraph (19) (as added by sub-
5 section (a) of this section) the following new sentence:
6 “Nothing in the regulations prescribed for purposes of chap-
7 ter 24 (relating to income tax withholding) which provides an
8 exclusion from ‘wages’ as used in such chapter shall be con-
9 strued to require a similar exclusion from ‘wages’ in the reg-
10 ulations prescribed for purposes of this chapter.”

11 (2) Section 209 of the Social Security Act is amended
12 by inserting immediately after subsection (r) (as added by
13 subsection (a) of this section) the following new sentence:
14 “Nothing in the regulations prescribed for purposes of chap-
15 ter 24 of the Internal Revenue Code of 1954 (relating to
16 income tax withholding) which provides an exclusion from
17 ‘wages’ as used in such chapter shall be construed to require
18 a similar exclusion from ‘wages’ in the regulations prescribed
19 for purposes of this title.”

20 (c) The amendments made by subsections (a) and (b)
21 shall apply to remuneration paid after December 31, 1983.

1 PART D—OTHER AMENDMENTS
2 TECHNICAL AND CONFORMING AMENDMENTS TO MAXIMUM
3 FAMILY BENEFIT PROVISIONS

4 SEC. 331. (a)(1) Section 203(a)(3)(A) of the Social Secu-
5 rity Act is amended by striking out clause (ii) and inserting in
6 lieu thereof the following:

7 “(ii) an amount (I) initially equal to the product of
8 1.75 and the primary insurance amount that would be
9 computed under section 215(a)(1), for January of the
10 year determined for purposes of this clause under the
11 following two sentences, with respect to average in-
12 dexed monthly earnings equal to one-twelfth of the
13 contribution and benefit base determined for that year
14 under section 230, and (II) thereafter increased in ac-
15 cordance with the provisions of section 215(i)(2)(A)(ii).
16 The year established for purposes of clause (ii) shall be 1983
17 or, if it occurs later with respect to any individual, the year in
18 which occurred the month that the application of the reduc-
19 tion provisions contained in this subparagraph began with re-
20 spect to benefits payable on the basis of the wages and self-
21 employment income of the insured individual. If for any
22 month subsequent to the first month for which clause (ii) ap-
23 plies (with respect to benefits payable on the basis of the
24 wages and self-employment income of the insured individual)
25 the reduction under this subparagraph ceases to apply, then

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1 the year determined under the preceding sentence shall be
2 redetermined (for purposes of any subsequent application of
3 this subparagraph with respect to benefits payable on the
4 basis of such wages and self-employment income) as though
5 this subparagraph had not been previously applicable.”.

6 (2) Section 203(a)(7) of such Act is amended by striking
7 out everything that follows “shall be reduced to an amount
8 equal to” and inserting in lieu thereof “the amount deter-
9 mined in accordance with the provisions of paragraph
10 (3)(A)(ii) of this subsection, except that for this purpose the
11 references to subparagraph (A) in the last two sentences of
12 paragraph (3)(A) shall be deemed to be references to para-
13 graph (7).”.

14 (b) Clause (i) in the last sentence of section 203(b)(1) of
15 such Act (as amended by section 132(b) of this Act) is further
16 amended by striking out “penultimate sentence” and insert-
17 ing in lieu thereof “first sentence of paragraph (4)”.

18 (c) The amendments made by subsection (a) shall be ef-
19 fective with respect to payments made for months after De-
20 cember 1983.

21 REDUCTION FROM 72 TO 70 OF AGE BEYOND WHICH NO
22 DELAYED RETIREMENT CREDITS CAN BE EARNED

23 SEC. 332. (a) Section 202(w) of the Social Security Act
24 is amended—

1 (1) in paragraph (2)(A), by striking out “age 72”
2 and inserting in lieu thereof “age 70”; and

3 (2) in paragraph (3), by striking out “age 72 after
4 1972” and inserting in lieu thereof “age 70”.

5 (b) The amendments made by subsection (a) shall apply
6 with respect to individuals who attain age 70 after December
7 1983. For individuals who attain age 70 before January
8 1984, section 202(w) as in effect immediately before the en-
9 actment of the amendments made by this section shall apply,
10 except that no increment months as determined under such
11 section attributable to months after December 1983 shall
12 accrue.

13 RELAXATION OF INSURED STATUS REQUIREMENTS FOR
14 CERTAIN WORKERS PREVIOUSLY ENTITLED TO A
15 PERIOD OF DISABILITY

16 SEC. 333. (a) Section 216(i)(3) of the Social Security
17 Act is amended—

18 (1) by striking out the semicolon at the end of
19 clause (ii) of subparagraph (B) and inserting in lieu
20 thereof “, or”; and

21 (2) by inserting after clause (ii) of such subpara-
22 graph the following new clause:

23 “(iii) in the case of an individual (not otherwise
24 insured under clause (i)) who, by reason of clause (ii),
25 had a prior period of disability that began during a

1 period before the quarter in which he or she attained
2 age 31, not less than one-half of the quarters beginning
3 after such individual attained age 21 and ending with
4 such quarter are quarters of coverage, or (if the
5 number of quarters in such period is less than 12) not
6 less than 6 of the quarters in the 12-quarter period
7 ending with such quarter are quarters of coverage;”.

8 (b) Section 223(c)(1)(B) of such Act is amended—

9 (1) by striking out the semicolon at the end of
10 clause (ii) and inserting in lieu thereof “, or”; and

11 (2) by inserting after clause (ii) the following new
12 clause:

13 “(iii) in the case of an individual (not
14 otherwise insured under clause (i)) who, by
15 reason of section 216(i)(3)(B)(ii), had a prior
16 period of disability that began during a
17 period before the quarter in which he or she
18 attained age 31, not less than one-half of the
19 quarters beginning after such individual at-
20 tained age 21 and ending with the quarter in
21 which such month occurs are quarters of
22 coverage, or (if the number of quarters in
23 such period is less than 12) not less than 6
24 of the quarters in the 12-quarter period

1 ending with such quarter are quarters of cov-
2 erage;”.

3 (c) The amendments made by this section shall be effec-
4 tive with respect to applications for disability insurance bene-
5 fits under section 223 of the Social Security Act, and for
6 disability determinations under section 216(i) of such Act,
7 filed after the date of the enactment of this Act, except that
8 no monthly benefits under title II of the Social Security Act
9 shall be payable or increased by reason of the amendments
10 made by this section for months before the month following
11 the month of enactment of this Act.

12 PROTECTION OF BENEFITS OF ILLEGITIMATE CHILDREN
13 OF DISABLED BENEFICIARIES

14 SEC. 334. (a) The last sentence of section 216(h)(3) of
15 the Social Security Act is amended by striking out “subpara-
16 graph (A)(i)” and inserting in lieu thereof “subparagraphs
17 (A)(i) and (B)(i)”.

18 (b) The amendment made by subsection (a) shall be ef-
19 fective on the date of the enactment of this Act.

20 ONE-MONTH RETROACTIVITY OF WIDOW’S AND WIDOWER’S
21 INSURANCE BENEFITS

22 SEC. 335. (a) Section 202(j)(4)(B) of the Social Security
23 Act is amended—

24 (1) by redesignating clauses (iii) and (iv) as clauses
25 (iv) and (v), respectively; and

1 (2) by adding after clause (ii) the following new
2 clause:

3 “(iii) Subparagraph (A) does not apply to a benefit under
4 subsection (e) or (f) for the month immediately preceding the
5 month of application, if the insured individual died in that
6 preceding month.”.

7 (b) The amendments made by subsection (a) shall apply
8 with respect to survivors whose applications for monthly
9 benefits are filed after the second month following the month
10 in which this Act is enacted.

11 NONASSIGNABILITY OF BENEFITS

12 SEC. 336. (a) Section 207 of the Social Security Act is
13 amended—

14 (1) by inserting “(a)” before “The right”; and

15 (2) by adding at the end thereof the following new
16 subsection:

17 “(b) No other provision of law, enacted before, on, or
18 after the date of the enactment of this section, may be con-
19 strued to limit, supersede, or otherwise modify the provisions
20 of this section except to the extent that it does so by express
21 reference to this section.”.

22 (b) Section 459(a) of such Act is amended by inserting
23 “(including section 207)” after “any other provision of law”.

24 (c) The amendments made by subsection (a) shall apply
25 only with respect to benefits payable or rights existing under

1 the Social Security Act on or after the date of the enactment
2 of this Act.

3 USE OF DEATH CERTIFICATES TO PREVENT ERRONEOUS
4 BENEFIT PAYMENTS TO DECEASED INDIVIDUALS

5 SEC. 337. Section 205 of the Social Security Act is
6 amended by adding at the end thereof the following new sub-
7 section:

8 “Use of Death Certificates to Correct Program Information

9 “(r)(1) The Secretary is authorized to establish a pro-
10 gram under which—

11 “(A) States (or political subdivisions thereof) vol-
12 untarily contract with the Secretary to furnish the Sec-
13 retary periodically with information (in a form estab-
14 lished by the Secretary in consultation with the States)
15 concerning individuals with respect to whom death cer-
16 tificates (or equivalent documents maintained by the
17 States or subdivisions) have been officially filed with
18 them;

19 “(B) the Secretary compares such information on
20 such individuals with information on such individuals in
21 the records being used in the administration of this
22 Act; and

23 “(C) the Secretary makes any appropriate correc-
24 tions in such records to accurately reflect the status of
25 such individuals.

1 “(2) Each State (or political subdivision thereof) which
2 furnishes the Secretary with information on records of deaths
3 in the State or subdivision under this subsection shall be paid
4 by the Secretary from amounts available for administration of
5 this Act the reasonable costs (established by the Secretary)
6 for transcribing and transmitting such information to the Sec-
7 retary.

8 “(3) In the case of individuals with respect to whom
9 benefits are provided by (or through) a Federal or State
10 agency other than under this Act, the Secretary may provide,
11 through a cooperative arrangement with such agency, for
12 carrying out the duties described in paragraph (1)(B) with
13 respect to such individuals if—

14 “(A) under such arrangement the agency provides
15 reimbursement to the Secretary for the reasonable cost
16 of carrying out such arrangement, and

17 “(B) such arrangement does not conflict with the
18 duties of the Secretary under paragraph (1).

19 “(4) Information furnished to the Secretary under this
20 subsection may not be used for any purpose other than the
21 purposes described in this subsection and is exempt from dis-
22 closure under section 552 of title 5, United States Code, and
23 from the requirements of section 552a of such title.”.

1 PUBLIC PENSION OFFSET

2 SEC. 338. (a) Subsections (b)(4)(A), (c)(2)(A), (f)(2)(A),
3 and (g)(4)(A) of section 202 of the Social Security Act, and
4 paragraph (7)(A) of section 202(e) of such Act (as redesignat-
5 ed by section 131(a)(3)(A) of this Act), are each amended—

6 (1) by striking out “by an amount equal to the
7 amount of any monthly periodic benefit” and inserting
8 in lieu thereof “by an amount equal to one-third of the
9 amount of any monthly periodic benefit”; and

10 (2) by adding at the end thereof the following new
11 sentence: “The amount of the reduction in any benefit
12 under this subparagraph, if not a multiple of \$0.10,
13 shall be rounded to the next higher multiple of
14 \$0.10.”.

15 (b) The amendments made by subsection (a) of this sec-
16 tion shall apply only with respect to monthly insurance bene-
17 fits payable under title II of the Social Security Act to indi-
18 viduals who initially become eligible (as defined in section
19 334 of Public Law 95-216) for monthly periodic benefits
20 (within the meaning of the provisions amended by subsection
21 (a)) for months after June 1983.

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1 STUDY CONCERNING THE ESTABLISHMENT OF THE SOCIAL
2 SECURITY ADMINISTRATION AS AN INDEPENDENT
3 AGENCY

4 SEC. 339. (a) There is hereby established, under the
5 authority of the Committee on Ways and Means of the House
6 of Representatives and the Committee on Finance of the
7 Senate, a joint study panel to be known as the Joint Study
8 Panel on the Social Security Administration (hereafter in this
9 section referred to as the "Panel"). The duties of the Panel
10 shall be to conduct the study provided for in subsection (c).

11 (b)(1) The Panel shall be composed of 3 members, ap-
12 pointed jointly by the chairmen of the Committee on Ways
13 and Means of the House of Representatives and the Commit-
14 tee on Finance of the Senate and such chairmen shall jointly
15 select one member of the Panel to serve as chairman of the
16 Panel. Members of the Panel shall be chosen, on the basis of
17 their integrity, impartiality, and good judgment, from individ-
18 uals who, as a result of their training, experience, and attain-
19 ments, are widely recognized by professionals in the field of
20 government administration as experts in that field.

21 (2) Vacancies in the membership of the Panel shall not
22 affect the power of the remaining members to perform the
23 duties of the Panel and shall be filled in the same manner in
24 which the original appointment was made.

1 (3) Each member of the Panel not otherwise in the
2 employ of the United States Government shall receive the
3 daily equivalent of the annual rate of basic pay payable for
4 level V of the Executive Schedule under section 5316 of title
5 5, United States Code, for each day during which such
6 member is actually engaged in the performance of the duties
7 of the Panel. Each member of the Panel shall be allowed
8 travel expenses in the same manner as any individual em-
9 ployed intermittently by the Federal Government is allowed
10 travel expenses under section 5703 of title 5, United States
11 Code.

12 (4) By agreement between the chairmen of the Commit-
13 tee on Ways and Means of the House of Representatives and
14 the Committee on Finance of the Senate, such Committees
15 shall provide the Panel, on a reimbursible basis, office space,
16 clerical personnel, and such supplies and equipment as may
17 be necessary for the Panel to carry out its duties under this
18 section. Subject to such limitations as the chairmen of such
19 Committees may jointly prescribe, the Panel may appoint
20 such additional personnel as the Panel considers necessary
21 and fix the compensation of such personnel as it considers
22 appropriate at an annual rate which does not exceed the rate
23 of basic pay then payable for GS-18 of the General Schedule
24 under section 5332 of title 5, United States Code, and may
25 procure by contract the temporary or intermittent services of

1 clerical personnel and experts or consultants, or organiza-
2 tions thereof.

3 (5) There are hereby appropriated to the Panel from the
4 Federal Old-Age and Survivors Insurance Trust Fund, the
5 Federal Disability Insurance Trust Fund, the Federal Hospi-
6 tal Insurance Trust Fund, and the Federal Supplementary
7 Medical Insurance Trust Fund, such sums as the chairmen of
8 the Committee on Ways and Means of the House of Repre-
9 sentatives and the Committee on Finance of the Senate shall
10 jointly certify to the Secretary of the Treasury as necessary
11 to carry out the Panel's duties under this section. The Secre-
12 tary of the Treasury shall allocate among such Trust Funds
13 the total amount to be transferred from such Trust Funds
14 under this paragraph so that the amount of such sums which
15 is transferred from each such Trust Fund under this para-
16 graph shall bear the same ratio to the total amount trans-
17 ferred from all such Trust Funds under this paragraph as the
18 amount expended from such Trust Fund during the fiscal
19 year ending September 30, 1982, bears to the total amount
20 expended from all such Trust Funds during such fiscal year.

21 (c)(1) The Panel shall undertake, as soon as possible
22 after the date of the enactment of this Act, a thorough study
23 with respect to the feasibility and implementation of remov-
24 ing the Social Security Administration from the Department
25 of Health and Human Services and establishing it as an inde-

1 pendent agency in the executive branch with its own inde-
2 pendent administrative structure, including the possibility of
3 such a structure headed by a board appointed by the Presi-
4 dent, by and with the advice and consent of the Senate.

5 (2) The Panel in its study under paragraph (1) shall ad-
6 dress, analyze, and report specifically on the following mat-
7 ters:

8 (A) the effect of the organizational status of the
9 Social Security Administration on beneficiaries under
10 the Social Security Act and the general public;

11 (B) the legal and other relationships of the Social
12 Security Administration with other organizations,
13 within and outside the Federal Government, and the
14 changes in such relationships which would be required
15 as a result of establishing the Social Security Adminis-
16 tration as an independent agency;

17 (C) any changes which may be necessary or ap-
18 propriate, in the course of establishing the Social Secu-
19 rity Administration as an independent agency, in the
20 constitution of the Boards of Trustees of the four social
21 security trust funds; and

22 (D) such other matters as the Panel may consider
23 relevant to the study.

24 (d) The Panel shall submit to the Committee on Ways
25 and Means of the House of Representatives and the Commit-

1 tee on Finance of the Senate, not later than April 1, 1984, a
2 report of the findings of the study conducted under subsection
3 (c), together with any recommendations the Panel considers
4 appropriate. The Panel and all authority granted in this sec-
5 tion shall expire thirty days after the date of the filing of its
6 report under this section.

7 CONFORMING CHANGES IN MEDICARE PREMIUM PROVI-
8 SIONS TO REFLECT CHANGES IN COST-OF-LIVING
9 BENEFIT ADJUSTMENTS

10 SEC. 340. (a) Section 1818(d)(2) of the Social Security
11 Act is amended—

12 (1) by striking out “during the last calendar quar-
13 ter of each year, beginning in 1973,” in the first sen-
14 tence and inserting in lieu thereof “during the next to
15 last calendar quarter of each year”;

16 (2) by striking out “the 12-month period com-
17 mencing July 1 of the next year” in the first sentence
18 and inserting in lieu thereof “the following calendar
19 year”; and

20 (3) by striking out “for such next year” in the
21 second sentence and inserting in lieu thereof “for that
22 following calendar year”.

23 (b)(1) Section 1839(c) of such Act is amended—

1 (A) by striking out “December of 1972 and of
2 each year thereafter” in paragraphs (1), (3), and (4)
3 and inserting in lieu thereof “September of each year”;

4 (B) by striking out “for the 12-month period com-
5 mencing July 1 in the succeeding year” in paragraphs
6 (1), (3), and (4) and inserting in lieu thereof “for
7 months in the following calendar year”;

8 (C) by striking out “such 12-month period” each
9 place it appears in paragraphs (1) and (4) and inserting
10 in lieu thereof “such calendar year”;

11 (D) by striking out “that 12-month period” in
12 paragraph (3)(A) and inserting in lieu thereof “that cal-
13 endar year”;

14 (E) by striking out “May 1 of the year” in para-
15 graph (3)(B) and inserting in lieu thereof “November 1
16 of the year before the year”; and

17 (F) by striking out “following May” in paragraph
18 (3)(B) and inserting in lieu thereof “following Novem-
19 ber”.

20 (2) Section 1839(g) of such Act is amended—

21 (A) by striking out “June 1983” in paragraph (1)
22 and inserting in lieu thereof “December 1983”, and

23 (B) by striking out “July 1985” and inserting in
24 lieu thereof “January 1986” each place it appears.

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1 (d) The amendments made by this section shall apply to
 2 premiums for months beginning with January 1984, and for
 3 months after June 1983 and before January 1984—

4 (1) the monthly premiums under part A and under
 5 part B of title XVIII of the Social Security Act for
 6 individuals enrolled under each respective part shall be
 7 the monthly premium under that part for the month of
 8 June 1983, and

9 (2) the amount of the Government contributions
 10 under section 1844(a)(1) of such Act shall be computed
 11 on the basis of the actuarially adequate rate which
 12 would have been in effect under part B of title XVIII
 13 of such Act for such months without regard to the
 14 amendments made by this section, but using the
 15 amount of the premium in effect for the month of June
 16 1983.

17 TITLE IV—SUPPLEMENTAL SECURITY INCOME

18 BENEFITS

19 INCREASE IN FEDERAL SSI BENEFIT STANDARD

20 SEC. 401. (a) Section 1617 of the Social Security Act is
 21 amended by adding at the end thereof the following new sub-
 22 section:

23 “(c) Effective July 1, 1983—

24 “(1) each of the dollar amounts in effect under
 25 subsections (a)(1)(A) and (b)(1) of section 1611, as pre-

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1 viously increased under this section, shall be increased
2 by \$20 (and the dollar amount in effect under subsec-
3 tion (a)(1)(A) of Public Law 93-66, as previously so in-
4 creased, shall be increased by \$10); and

5 “(2) each of the dollar amounts in effect under
6 subsections (a)(2)(A) and (b)(2) of section 1611, as pre-
7 viously increased under this section, shall be increased
8 by \$30.”.

9 (b) Section 1617(b) of such Act is amended by striking
10 out “this section” and inserting in lieu thereof “subsection (a)
11 of this section”.

12 **ADJUSTMENTS IN FEDERAL SSI PASS-THROUGH**

13 **PROVISIONS**

14 **SEC. 402.** Section 1618 of the Social Security Act is
15 amended by adding at the end thereof the following new sub-
16 section:

17 “(d)(1) For any particular month after March 1983, a
18 State which is not treated as meeting the requirements im-
19 posed by paragraph (4) of subsection (a) by reason of subsec-
20 tion (b) shall be treated as meeting such requirements if and
21 only if—

22 “(A) the combined level of its supplementary pay-
23 ments (to recipients of the type involved) and the
24 amounts payable (to or on behalf of such recipients)
25 under section 1611(b) of this Act and section

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1 211(a)(1)(A) of Public Law 93-66, for that particular
2 month,

3 is not less than—

4 “(B) the combined level of its supplementary pay-
5 ments (to recipients of the type involved) and the
6 amounts payable (to or on behalf of such recipients)
7 under section 1611(b) of this Act and section
8 211(a)(1)(A) of Public Law 93-66, for March 1983, in-
9 creased by the amount of all cost-of-living adjustments
10 under section 1617 (and any other benefit increases
11 under this title) which have occurred after March 1983
12 and before that particular month.

13 “(2) In determining the amount of any increase in the
14 combined level involved under paragraph (1)(B) of this sub-
15 section, any portion of such amount which would otherwise
16 be attributable to the increase under section 1617(c) shall be
17 deemed instead to be equal to the amount of the cost-of-living
18 adjustment which would have occurred in July 1983 (without
19 regard to the 3-percent limitation contained in section
20 215(i)(1)(B)) if section 111 of the Social Security Act Amend-
21 ments of 1983 had not been enacted.”.

22 **SSI ELIGIBILITY FOR TEMPORARY RESIDENTS OF**

23 **EMERGENCY SHELTERS FOR THE HOMELESS**

24 **SEC. 403. (a) Section 1611(e)(1) of the Social Security**
25 **Act is amended—**

1 (1) by striking out “subparagraph (B) and (C)” in
2 subparagraph (A) and inserting in lieu thereof “sub-
3 paragraphs (B), (C), and (D)”;

4 (2) by adding at the end thereof the following new
5 subparagraph:

6 “(D) A person may be an eligible individual or eligible
7 spouse for purposes of this title with respect to any month
8 throughout which he is a resident of a public emergency shel-
9 ter for the homeless (as defined in regulations which shall be
10 prescribed by the Secretary); except that no person shall be
11 an eligible individual or eligible spouse by reason of this sub-
12 paragraph more than three months in any 12-month period.”.

13 (b) The amendments made by subsection (a) shall be ef-
14 fective with respect to months after the month in which this
15 Act is enacted.

16 DISREGARDING OF EMERGENCY AND OTHER IN-KIND
17 ASSISTANCE PROVIDED BY NONPROFIT ORGANIZATIONS

18 SEC. 404. (a) Section 1612(b)(13) of the Social Security
19 Act is amended by striking out “any assistance received” and
20 all that follows down through “(B)” and inserting in lieu
21 thereof the following: “any support or maintenance assist-
22 ance furnished to or on behalf of such individual (and spouse
23 if any) which (as determined under regulations of the Secre-
24 tary by such State agency as the chief executive officer of the
25 State may designate) is based on need for such support or

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1 maintenance, including assistance received to assist in meet-
2 ing the costs of home energy (including both heating and
3 cooling), and which”.

4 (b) Section 402(a)(36) of such Act is amended by strik-
5 ing out “shall not include as income” and all that follows
6 down through “(B)” and inserting in lieu thereof the follow-
7 ing: “shall not include as income any support or maintenance
8 assistance furnished to or on behalf of the family which (as
9 determined under regulations of the Secretary by such State
10 agency as the chief executive officer of the State may desig-
11 nate) is based on need for such support and maintenance,
12 including assistance received to assist in meeting the costs of
13 home energy (including both heating and cooling), and
14 which”.

15 (c) The amendments made by this section shall be effec-
16 tive with respect to months which begin after the month in
17 which this Act is enacted and end before October 1, 1984.

18 TITLE V—UNEMPLOYMENT COMPENSATION

19 PROVISIONS

20 PART A—FEDERAL SUPPLEMENTAL COMPENSATION

21 SEC. 501. EXTENSION OF PROGRAM.

22 Paragraph (2) of section 602(f) of the Federal Supple-
23 mental Compensation Act of 1982 is amended by striking out
24 “March 31, 1983” and inserting in lieu thereof “September
25 30, 1983”.

1 SEC. 502. NUMBER OF WEEKS FOR WHICH COMPENSATION
 2 PAYABLE.

3 (a) GENERAL RULE.—Subsection (e) of section 602 of
 4 the Federal Supplemental Compensation Act of 1982 is
 5 amended by redesignating paragraph (3) as paragraph (4) and
 6 by striking out paragraph (2) and inserting in lieu thereof the
 7 following new paragraphs:

8 “(2)(A) In the case of any account from which Federal
 9 supplemental compensation was first payable to an individual
 10 for a week beginning after March 31, 1983, the amount es-
 11 tablished in such account shall be equal to the lesser of—

12 “(i) 65 per centum of the total amount of regular
 13 compensation (including dependents’ allowances) pay-
 14 able to the individual with respect to the benefit year
 15 (as determined under the State law) on the basis of
 16 which he most recently received regular compensation,
 17 or

18 “(ii) the applicable limit determined under the fol-
 19 lowing table times his average weekly benefit amount
 20 for his benefit year.

“In the case of weeks during a:	The applicable limit is:
6-percent period	14
5-percent period	13
4.5-percent period	11
3.5-percent period	10
Low-unemployment period.....	8

21 “(B) In the case of any account from which Federal
 22 supplemental compensation was payable to an individual for

1 a week beginning before April 1, 1983, the amount estab-
 2 lished in such account shall be equal to the lesser of the sub-
 3 paragraph (A) entitlement or the sum of—

4 “(i) the subparagraph (A) entitlement reduced (but
 5 not below zero) by the aggregate amount of Federal
 6 supplemental compensation paid to such individual for
 7 weeks beginning before April 1, 1983, plus

8 “(ii) such individual’s additional entitlement.

9 “(C) For purposes of subparagraph (B) and this subpara-
 10 graph—

11 “(i) The term ‘subparagraph (A) entitlement’
 12 means the amount which would have been established
 13 in the account if subparagraph (A) had applied to such
 14 account.

15 “(ii) The term ‘additional entitlement’ means the
 16 lesser of—

17 “(I) three-fourths of the subparagraph (A)
 18 entitlement, or

19 “(II) the applicable limit determined under
 20 the following table times the individual’s average
 21 weekly benefit amount for his benefit year.

“In the case of	The applicable
weeks during a:	limit is:
6-percent period	10
5-percent period	8
4.5-percent period	8
3.5-percent period	6
Low-employment period	6

1 “(D) Except as provided in subparagraph (B)(i), for pur-
2 poses of determining the amount of Federal supplemental
3 compensation payable for weeks beginning after March 31,
4 1983, from an account described in subparagraph (B), no re-
5 duction in such account shall be made by reason of any Fed-
6 eral supplemental compensation paid to the individual for
7 weeks beginning before April 1, 1983.

8 “(3)(A) For purposes of this subsection, the terms ‘6
9 percent period’, ‘5 percent period’, ‘4.5 percent period’, ‘3.5
10 percent period’ and ‘low-unemployment period’ mean, with
11 respect to any State, the period which—

12 “(i) begins with the 3d week after the 1st week in
13 which the rate of insured unemployment in the State
14 for the period consisting of such week and the immedi-
15 ately preceding 12 weeks falls in the applicable range,
16 and

17 “(ii) ends with the 3d week after the 1st week in
18 which the rate of insured unemployment for the period
19 consisting of such week and the immediately preceding
20 12 weeks does not fall within the applicable range.

21 “(B) For purposes of subparagraph (A), the applicable
22 range is as follows:

“In the case of a:	The applicable range is:
6-percent period.....	A rate equal to or exceeding 6 percent
5-percent period.....	A rate equal to or exceeding 5 percent but less than 6 percent
4.5-percent period.....	A rate equal to or exceeding 4.5 per- cent but less than 5 percent

“In the case of a:	The applicable range is:
3.5 percent period.....	A rate equal to or exceeding 3.5 percent but less than 4.5 percent
Low-employment period.....	A rate less than 3.5 percent

1 “(C) No 6-percent period, 5-percent period, 4.5-percent
2 period, or 3.5-percent period, as the case may be, shall last
3 for a period of less than 4 weeks unless the State enters a
4 period with a higher percentage designation.

5 “(D) For purposes of this subsection—

6 “(i) The rate of insured unemployment for any
7 period shall be determined in the same manner as de-
8 termined for purposes of section 203 of the Federal-
9 State Extended Unemployment Compensation Act of
10 1970.

11 “(ii) The amount of an individual’s average
12 weekly benefit amount shall be determined in the same
13 manner as determined for purposes of section
14 202(b)(1)(C) of such Act.”

15 (b) **TECHNICAL AMENDMENT.**—Paragraph (3) of sec-
16 tion 602(d) of the Federal Supplemental Compensation Act of
17 1982 (as amended by section 544(d) of the Highway Revenue
18 Act of 1982) is amended by striking out “subsection
19 (e)(2)(A)(ii)” and inserting in lieu thereof “subparagraph
20 (A)(ii) or (C)(ii)(II) of subsection (e)(2)”.

1 **SEC. 503. COORDINATION WITH TRADE READJUSTMENT PRO-**
2 **GRAM.**

3 Subsection (e) of section 602 of the Federal Supplemen-
4 tal Compensation Act of 1982 is amended by adding at the
5 end thereof the following new paragraph:

6 “(5)(A) Except as provided in subparagraph (B), the
7 maximum amount of Federal supplemental compensation
8 payable to an individual shall not be reduced by reason of any
9 trade readjustment allowances to which the individual was
10 entitled under the Trade Act of 1974.

11 “(B) If an individual received any trade readjustment
12 allowance under the Trade Act of 1974 in respect of any
13 benefit year, the maximum amount of Federal supplemental
14 compensation payable under this subtitle in respect of such
15 benefit year shall be reduced (but not below zero) so that (to
16 the extent possible by making such a reduction) the aggre-
17 gate amount of—

18 “(i) regular compensation,

19 “(ii) extended compensation,

20 “(iii) trade readjustment allowances, and

21 “(iv) Federal supplemental compensation,

22 payable in respect of such benefit year does not exceed the
23 aggregate amount which would have been so payable had the
24 individual not been entitled to any trade readjustment allow-
25 ance.”

1 **SEC. 504. EFFECTIVE DATE.**

2 (a) **GENERAL RULE.**—The amendments made by this
3 part shall apply to weeks beginning after March 31, 1983.

4 (b) **TREATMENT OF INDIVIDUALS WHO EXHAUSTED**
5 **BENEFITS.**—In the case of any eligible individual—

6 (1) to whom any Federal supplemental compensa-
7 tion was payable for any week beginning before April
8 1, 1983, and

9 (2) who exhausted his rights to such compensation
10 (by reason of the payment of all the amount in his Fed-
11 eral supplemental compensation account) before the
12 first week beginning after March 31, 1983,
13 such individual's eligibility for additional weeks of compensa-
14 tion by reason of the amendments made by this part shall not
15 be limited or terminated by reason of any event, or failure to
16 meet any requirement of law relating to eligibility for unem-
17 ployment compensation, occurring after the date of such ex-
18 haustion of rights and before April 1, 1983 (and the period
19 after such exhaustion and before April 1, 1983, shall not be
20 counted for purposes of determining the expiration of the two
21 years following the end of his benefit year for purposes of
22 section 602(b) of the Federal Supplemental Compensation
23 Act of 1982).

24 (c) **MODIFICATION OF AGREEMENTS.**—The Secretary
25 of Labor shall, at the earliest practicable date after the date
26 of the enactment of this Act, propose to each State with

1 which he has in effect an agreement under section 602 of the
 2 Federal Supplemental Compensation Act of 1982 a modifica-
 3 tion of such agreement designed to provide for the payment
 4 of Federal supplemental compensation under such Act in ac-
 5 cordance with the amendments made by this part. Notwith-
 6 standing any other provision of law, if any State fails or re-
 7 fuses, within the 3-week period beginning on the date the
 8 Secretary of Labor proposed such a modification to such
 9 State, to enter into such a modification of such agreement,
 10 the Secretary of Labor shall terminate such agreement effec-
 11 tive with the end of the last week which ends on or before
 12 such 3-week period.

13 **PART B—MISCELLANEOUS PROVISIONS**

14 **SEC. 511. VOLUNTARY HEALTH INSURANCE PROGRAMS PER-**
 15 **MITTED.**

16 (a) **AMENDMENT OF INTERNAL REVENUE CODE OF**
 17 **1954.**—Paragraph (4) of section 3304(a) of the Internal Rev-
 18 enue Code of 1954 (relating to requirements for approval of
 19 State unemployment compensation laws) is amended by strik-
 20 ing out “and” at the end of subparagraph (A), by adding
 21 “and” at the end of subparagraph (B), and by adding after
 22 subparagraph (B) the following new subparagraph:

23 “(C) nothing in this paragraph shall be con-
 24 strued to prohibit deducting an amount from un-
 25 employment compensation otherwise payable to

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1 an individual and using the amount so deducted to
2 pay for health insurance if the individual elected
3 to have such deduction made and such deduction
4 was made under a program approved by the Sec-
5 retary of Labor;”.

6 (b) AMENDMENT OF SOCIAL SECURITY ACT.—Para-
7 graph (5) of section 303(a) of the Social Security Act is
8 amended by striking out “; and” at the end thereof and in-
9 serting in lieu thereof “: *Provided further*, That nothing in
10 this paragraph shall be construed to prohibit deducting an
11 amount from unemployment compensation otherwise payable
12 to an individual and using the amount so deducted to pay for
13 health insurance if the individual elected to have such deduc-
14 tion made and such deduction was made under a program
15 approved by the Secretary of Labor; and”.

16 (c) EFFECTIVE DATE.—The amendments made by this
17 section shall take effect on the date of the enactment of this
18 Act.

19 **SEC. 512. TREATMENT OF CERTAIN ORGANIZATIONS RETRO-**
20 **ACTIVELY DETERMINED TO BE DESCRIBED IN**
21 **SECTION 501(c)(3) OF THE INTERNAL REVENUE**
22 **CODE OF 1954.**

23 If—

24 (1) an organization did not make an election to
25 make payments (in lieu of contributions) as provided in

1 section 3309(a)(2) of the Internal Revenue Code of
2 1954 before April 1, 1972, because such organization,
3 as of such date, was treated as an organization de-
4 scribed in section 501(c)(4) of such Code,

5 (2) the Internal Revenue Service subsequently de-
6 termined that such organization was described in sec-
7 tion 501(c)(3) of such Code, and

8 (3) such organization made such an election before
9 the earlier of—

10 (A) the date 18 months after such election
11 was first available to it under the State law, or

12 (B) January 1, 1984,

13 then section 3303(f) of such Code shall be applied with re-
14 spect to such organization as if it did not contain the require-
15 ment that the election be made before April 1, 1972, and by
16 substituting “January 1, 1982” for “January 1, 1969”.

17 **TITLE VI—PROSPECTIVE PAYMENTS FOR**
18 **MEDICARE INPATIENT HOSPITAL SERVICES**

19 **MEDICARE PAYMENTS FOR INPATIENT HOSPITAL**
20 **SERVICES ON THE BASIS OF PROSPECTIVE RATES**

21 **SEC. 601. (a)(1)** Subsection (a)(1) of section 1886 of the
22 Social Security Act is amended by adding at the end the
23 following new subparagraph:

24 “(D) Subparagraph (A) shall not apply to cost reporting
25 periods beginning on or after October 1, 1985.”.

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1 (2) Subsection (a)(4) of such section is amended by
2 adding at the end the following new sentence: "Such term
3 does not include capital-related costs and costs of approved
4 educational activities, as defined by the Secretary."

5 (b) Subsection (b) of such section is amended—

6 (1) by striking out "Notwithstanding sections
7 1814(b), but subject to the provisions of sections" in
8 paragraph (1) and inserting in lieu thereof "Notwith-
9 standing section 1814(b) but subject to the provisions
10 of section";

11 (2) by inserting "(other than a subsection (d) hos-
12 pital, as defined in subsection (d)(1)(B))" in the matter
13 before subparagraph (A) of paragraph (1) after "of a
14 hospital";

15 (3) by inserting, in the matter in paragraph (1)
16 following subparagraph (B), "(other than on the basis
17 of a DRG prospective payment rate determined under
18 subsection (d))" after "payable under this title";

19 (4) by striking out paragraph (2);

20 (5) by inserting "and subsection (d) and except as
21 provided in subsection (e)" in paragraph (3)(B) after
22 "subparagraph (A)";

23 (6) by inserting "or fiscal year" after "cost re-
24 porting period" each place it appears in paragraph
25 (3)(B);

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1 (7) by inserting “before the beginning of the
2 period or year” in paragraph (3)(B) after “estimated by
3 the Secretary”; and

4 (8) by striking out “exceeds” in paragraph (3)(B)
5 and inserting in lieu thereof “will exceed”.

6 (c)(1) Subsection (c)(1) of such section is amended—

7 (A) by striking out “and” at the end of subpara-
8 graph (B),

9 (B) by striking out the period at the end of sub-
10 paragraph (C) and inserting in lieu thereof “; and”,
11 and

12 (C) by adding at the end the following:

13 “(D) the Secretary determines that the system
14 will not preclude an eligible organization (as defined in
15 section 1876(b)) from negotiating directly with hospi-
16 tals with respect to the organization’s rate of payment
17 for inpatient hospital services.

18 The Secretary cannot deny the application of a State under
19 this subsection on the ground that the State’s hospital reim-
20 bursement control system is based on a payment methodolo-
21 gy other than on the basis of a diagnosis-related group or on
22 the ground that the amount of payments made under this title
23 under such system must be less than the amount of payments
24 which would otherwise have been made under this title not
25 using such system. If the Secretary provides that the assur-

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1 ances described in subparagraph (C) are based on maintaining
2 payment amounts at no more than a specified percentage in-
3 crease above the payment amounts in a base period, the
4 State has the option of applying such test (for inpatient hospi-
5 tal services under part A) on an aggregate payment basis or
6 on the basis of the amount of payment per inpatient discharge
7 or admission. If the Secretary provides that the assurances
8 described in subparagraph (C) are based on maintaining ag-
9 gregate payment amounts below a national average percent-
10 age increase in total payments under part A for inpatient
11 hospital services, the Secretary cannot deny the application
12 of a State under this subsection on the ground that the
13 State's rate of increase in such payments for such services
14 must be less than such national average rate of increase.”;

15 (2) Subsection (c)(3) of such section is amended—

16 (A) by striking out “requirement of paragraph
17 (1)(A)” and inserting in lieu thereof “requirements of
18 subparagraphs (A) and (D) of paragraph (1) and, if ap-
19 plicable, the requirements of paragraph (5),”, and

20 (B) by inserting “(or, if applicable, in paragraph
21 (5))” in subparagraph (B) after “paragraph (1)”.

22 (3) Subsection (c) of such section is further amended by
23 adding at the end the following new paragraphs:

1 “(4) The Secretary shall approve the request of a State
2 under paragraph (1) with respect to a hospital reimbursement
3 control system if—

4 “(A) the requirements of subparagraphs (A), (B),
5 (C), and (D) of paragraph (1) have been met with re-
6 spect to the system, and

7 “(B) with respect to that system a waiver of cer-
8 tain requirements of title XVIII of the Social Security
9 Act has been approved on or before (and which is in
10 effect as of) the date of the enactment of the Social Se-
11 curity Act Amendments of 1983, pursuant to section
12 402(a) of the Social Security Amendments of 1967 or
13 section 222(a) of the Social Security Amendments of
14 1972.

15 “(5) The Secretary shall approve the request of a State
16 under paragraph (1) with respect to a hospital reimbursement
17 control system if—

18 “(A) the requirements of subparagraphs (A), (B),
19 (C), and (D) of paragraph (1) have been met with re-
20 spect to the system;

21 “(B) the Secretary determines that the system—

22 “(i) is operated directly by the State or by an
23 entity designated pursuant to State law,

24 “(ii) provides for payment of hospitals cov-
25 ered under the system under a methodology

1 (which sets forth exceptions and adjustments, as
2 well as any method for changes in the methodolo-
3 gy) by which rates or amounts to be paid for hos-
4 pital services during a specified period are estab-
5 lished under the system prior to the defined rate
6 period, and

7 “(iii) hospitals covered under the system will
8 make such reports (in lieu of cost and other re-
9 ports, identified by the Secretary, otherwise re-
10 quired under this title) as the Secretary may re-
11 quire in order to properly monitor assurances pro-
12 vided under this subsection;

13 “(C) the State has provided the Secretary with
14 satisfactory assurances that operation of the system
15 will not result in any change in hospital admission
16 practices which result in—

17 “(i) a significant reduction in the proportion
18 of patients (receiving hospital services covered
19 under the system) who have no third-party cover-
20 age and who are unable to pay for hospital serv-
21 ices,

22 “(ii) a significant reduction in the proportion
23 of individuals admitted to hospitals for inpatient
24 hospital services for which payment is (or is likely

1 to be) less than the anticipated charges for or
2 costs of such services,

3 “(iii) the refusal to admit patients who would
4 be expected to require unusually costly or pro-
5 longed treatment for reasons other than those re-
6 lated to the appropriateness of the care available
7 at the hospital, or

8 “(iv) the refusal to provide emergency serv-
9 ices to any person who is in need of emergency
10 services if the hospital provides such services;

11 “(D) any change by the State in the system which
12 has the effect of materially reducing payments to hos-
13 pitals can only take effect upon 60 days notice to the
14 Secretary and to the hospitals the payment to which is
15 likely to be materially affected by the change; and

16 “(E) the State has provided the Secretary with
17 satisfactory assurances that in the development of the
18 system the State has consulted with local governmen-
19 tal officials concerning the impact of the system on
20 public hospitals.

21 The Secretary shall respond to requests of States under this
22 paragraph within 60 days of the date the request is submitted
23 to the Secretary.”.

1 (d) Subsection (d) of such section, as added by section
2 110 of the Tax Equity and Fiscal Responsibility Act of 1982,
3 is amended—

4 (1) by striking out “section 1814(b)” in paragraph
5 (2)(A) and inserting in lieu thereof “subsection (b)”,
6 and

7 (2) by redesignating the subsection as subsection
8 (j) and transferring and inserting such subsection at the
9 end of section 1814 of the Social Security Act under
10 the following heading:

11 “Elimination of Lesser-of-Cost-or-Charges Provision”.

12 (e) Such section 1886 is further amended by adding at
13 the end the following new subsections:

14 “(d)(1)(A) Notwithstanding section 1814(b) but subject
15 to the provisions of section 1813, the amount of the payment
16 with respect to the operating costs of inpatient hospital serv-
17 ices (as defined in subsection (a)(4)) of a subsection (d) hospi-
18 tal (as defined in subparagraph (B)) for inpatient hospital dis-
19 charges in a cost reporting period or in a fiscal year—

20 “(i) beginning on or after October 1, 1983, and
21 before October 1, 1986, is equal to the sum of—

22 “(I) the target percentage (as defined in sub-
23 paragraph (C)) of the lesser of the hospital’s
24 target amount for the cost reporting period (as de-
25 fined in subsection (b)(3)(A)), or the limitation es-

1 tablISHED under subsection (a) (determined without
2 regard to paragraph (2) thereof) for the period,
3 and

4 “(II) the DRG percentage (as defined in sub-
5 paragraph (C)) of the adjusted DRG prospective
6 payment rate determined under paragraph (2) or
7 (3) for such discharges; or

8 “(ii) beginning on or after October 1, 1986, is
9 equal to the adjusted DRG prospective payment rate
10 determined under paragraph (3) for such discharges.

11 “(B) As used in this section, the term ‘subsection (d)
12 hospital’ means a hospital located in one of the fifty States or
13 the District of Columbia other than—

14 “(i) a psychiatric hospital (as defined in section
15 1861(f)),

16 “(ii) a rehabilitation hospital (as defined by the
17 Secretary),

18 “(iii) a hospital whose inpatients are predominant-
19 ly individuals under 18 years of age, or

20 “(iv) a hospital which has an average inpatient
21 length of stay (as determined by the Secretary) of
22 greater than 25 days;

23 and, upon request of a hospital and in accordance with regu-
24 lations of the Secretary, does not include a psychiatric or

1 rehabilitation unit of the hospital which is a distinct part of
2 the hospital (as defined by the Secretary).

3 “(C) For purposes of this subsection, for cost reporting
4 periods beginning, or discharges occurring—

5 “(i) on or after October 1, 1983, and before Octo-
6 ber 1, 1984, the ‘target percentage’ is 75 percent and
7 the ‘DRG percentage’ is 25 percent;

8 “(ii) on or after October 1, 1984, and before Oc-
9 tober 1, 1985, the ‘target percentage’ is 50 percent
10 and the ‘DRG percentage’ is 50 percent; and

11 “(iii) on or after October 1, 1985, and before Oc-
12 tober 1, 1986, the ‘target percentage’ is 25 percent
13 and the ‘DRG percentage’ is 75 percent.

14 “(2) The Secretary shall determine an adjusted DRG
15 prospective payment rate, for each inpatient hospital dis-
16 charge in fiscal year 1984 involving inpatient hospital serv-
17 ices of a subsection (d) hospital (located in an urban or rural
18 area within a census division) for which payment may be
19 made under part A of this title, as follows:

20 “(A) DETERMINING ALLOWABLE INDIVIDUAL
21 HOSPITAL COSTS FOR BASE PERIOD.—The Secretary
22 shall determine the allowable operating costs of inpa-
23 tient hospital services for the hospital for the most
24 recent cost reporting period for which data are availa-
25 ble.

1 “(B) UPDATING FOR FISCAL YEAR 1984.—The
2 Secretary shall update each amount determined under
3 subparagraph (A) for fiscal year 1984 by—

4 “(i) updating for fiscal year 1983 by the esti-
5 mated average rate of change of hospital costs in-
6 dustry-wide between the cost reporting period
7 used under such subparagraph and fiscal year
8 1983, and

9 “(ii) projecting for fiscal year 1984 by the
10 applicable percentage increase (as defined in sub-
11 section (b)(3)(B)) for fiscal year 1984.

12 “(C) STANDARDIZING AMOUNTS.—The Secretary
13 shall standardize the amount updated under subpara-
14 graph (B) for each hospital by—

15 “(i) excluding an estimate of indirect medical
16 education costs,

17 “(ii) adjusting for variations among hospitals
18 by area in the average hospital wage level, and

19 “(iii) adjusting for variations in case mix
20 among hospitals.

21 “(D) COMPUTING URBAN AND RURAL AVERAGES
22 IN EACH CENSUS DIVISION.—The Secretary shall
23 compute an average of the standardized amounts deter-
24 mined under subparagraph (C) for each census divi-
25 sion—

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1 “(i) for all subsection (d) hospitals located in
2 an urban area in that division, and

3 “(ii) for all subsection (d) hospitals located in
4 a rural area in that division.

5 For purposes of this subsection, the term ‘census divi-
6 sion’ means one of the nine divisions, comprising the
7 fifty States and the District of Columbia, established by
8 the Bureau of the Census for statistical and reporting
9 purposes; the term ‘urban area’ means an area within
10 a Standard Metropolitan Statistical Area (as defined by
11 the Office of Management and Budget) or within such
12 similar area as the Secretary has recognized under
13 subsection (a) by regulation in effect as of January 1,
14 1983; and the term ‘rural area’ means any area outside
15 such an area or similar area.

16 “(E) REDUCING FOR VALUE OF OUTLIER PAY-
17 MENTS.—The Secretary shall reduce each of the aver-
18 age standardized amounts determined under subpara-
19 graph (D) by a proportion equal to the proportion (esti-
20 mated by the Secretary) of the amount of payments
21 under this subsection based on DRG prospective pay-
22 ment rates which are additional payments described in
23 paragraph (5)(A) (relating to outlier payments).

24 “(F) MAINTAINING BUDGET NEUTRALITY.—The
25 Secretary shall adjust each of such average standard-

1 ized amounts as may be required under subsection
2 (e)(1)(B) for that fiscal year.

3 “(G) COMPUTING DRG-SPECIFIC RATES FOR
4 URBAN AND RURAL HOSPITALS IN EACH CENSUS DI-
5 VISION.—For each discharge classified within a diag-
6 nosis-related group, the Secretary shall establish a
7 DRG prospective payment rate which is equal—

8 “(i) for hospitals located in an urban area in
9 a census division, to the product of—

10 “(I) the average standardized amount
11 (computed under subparagraph (D), reduced
12 under subparagraph (E), and adjusted under
13 subparagraph (F)) for hospitals located in an
14 urban area in that division, and

15 “(II) the weighting factor (determined
16 under paragraph (4)(B)) for that diagnosis-re-
17 lated group; and

18 “(ii) for hospitals located in a rural area in a
19 census division, to the product of—

20 “(I) the average standardized amount
21 (computed under subparagraph (D), reduced
22 under subparagraph (E), and adjusted under
23 subparagraph (F)) for hospitals located in a
24 rural area in that division, and

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1 “(II) the weighting factor (determined
2 under paragraph (4)(B)) for that diagnosis-re-
3 lated group.

4 “(H) ADJUSTING FOR DIFFERENT AREA WAGE
5 LEVELS.—The Secretary shall adjust the proportion
6 (as estimated by the Secretary from time to time) of
7 hospitals’ costs which are attributable to wages and
8 wage-related costs, of the DRG prospective payment
9 rates computed under subparagraph (G) for area differ-
10 ences in hospital wage levels by a factor (established
11 by the Secretary) reflecting the relative hospital wage
12 level in the geographic area of the hospital compared
13 to the national average hospital wage level.

14 “(3) The Secretary shall determine an adjusted DRG
15 prospective payment rate, for each inpatient hospital dis-
16 charge in a fiscal year after fiscal year 1984 involving inpa-
17 tient hospital services of a subsection (d) hospital for which
18 payment may be made under part A of this title, as follows:

19 “(A) UPDATING PREVIOUS STANDARDIZED
20 AMOUNTS.—The Secretary shall compute an average
21 standardized amount—

22 “(i) for fiscal years 1985, 1986, and 1987,
23 for hospitals located in a urban area within each
24 census division and for hospitals located in a rural
25 area within each census division, and

1 “(ii) for subsequent fiscal years, for hospitals
2 located in an urban area and for hospitals located
3 in a rural area,
4 equal to the respective average standardized amount
5 (or, for fiscal year 1988, the weighted average of the
6 respective average standardized amounts) computed for
7 the previous fiscal year under paragraph (2)(D) or
8 under this subparagraph, increased by the applicable
9 percentage increase under subsection (b)(3)(B) for that
10 particular fiscal year.

11 “(B) REDUCING FOR VALUE OF OUTLIER PAY-
12 MENTS.—The Secretary shall reduce each of the aver-
13 age standardized amounts determined under subpara-
14 graph (A) by a proportion equal to the proportion (esti-
15 mated by the Secretary) of the amount of payments
16 under this subsection based on DRG prospective pay-
17 ment amounts which are additional payments described
18 in paragraph (5)(A) (relating to outlier payments).

19 “(C) MAINTAINING BUDGET NEUTRALITY.—The
20 Secretary shall adjust each of such average standard-
21 ized amounts as may be required under subsection
22 (e)(1)(B) for that fiscal year.

23 “(D) COMPUTING DRG-SPECIFIC RATES FOR
24 URBAN AND RURAL HOSPITALS.—For each discharge
25 classified within a diagnosis-related group, the Secre-

1 tary shall establish a DRG prospective payment rate
2 for the fiscal year which is equal—

3 “(i) for hospitals located in an urban area
4 (and, if applicable, in a census division), to the
5 product of—

6 “(I) the average standardized amount
7 (computed under subparagraph (A), reduced
8 under subparagraph (B), and adjusted under
9 subparagraph (C)) for the fiscal year for hos-
10 pitals located in an urban area (and, if appli-
11 cable, in that division), and

12 “(II) the weighting factor (determined
13 under paragraph (4)(B)) for that diagnosis-re-
14 lated group; and

15 “(ii) for hospitals located in a rural area
16 (and, if applicable, in a census division), to the
17 product of—

18 “(I) the average standardized amount
19 (computed under subparagraph (A), reduced
20 under subparagraph (B), and adjusted under
21 subparagraph (C)) for the fiscal year for hos-
22 pitals located in a rural area (and, if applica-
23 ble, in that division), and

1 “(II) the weighting factor (determined
2 under paragraph (4)(B)) for that diagnosis-re-
3 lated group.

4 “(E) ADJUSTING FOR DIFFERENT AREA WAGE
5 LEVELS.—The Secretary shall adjust the proportion,
6 (as estimated by the Secretary from time to time) of
7 hospitals’ costs which are attributable to wages and
8 wage-related costs, of the DRG prospective payment
9 rates computed under subparagraph (D) for area differ-
10 ences in hospital wage levels by a factor (established
11 by the Secretary) reflecting the relative hospital wage
12 level in the geographic area of the hospital compared
13 to the national average hospital wage level.

14 “(4)(A) The Secretary shall establish (and may from
15 time to time make changes in) a classification of inpatient
16 hospital discharges by diagnosis-related groups and a meth-
17 odology for classifying specific hospital discharges within
18 these groups.

19 “(B) For each such diagnosis-related group the Secre-
20 tary shall assign (and may from time to time recompute) an
21 appropriate weighting factor which reflects the relative hos-
22 pital resources used with respect to discharges classified
23 within that group compared to discharges classified within
24 other groups.

1 “(5)(A)(i) The Secretary shall provide for an additional
2 payment amount (as determined by the Secretary) for a sub-
3 section (d) hospital for any discharge in a diagnosis-related
4 group the length of stay of which exceeds by 30 or more days
5 the mean length of stay of discharges within that group.

6 “(ii) The Secretary shall provide for an additional pay-
7 ment amount (as determined by the Secretary) for a subsec-
8 tion (d) hospital for any discharge in a diagnosis-related
9 group—

10 “(I) the length of stay of which exceeds by a
11 period (which may vary by diagnosis-related group) of
12 less than 30 days the mean length of stay for dis-
13 charges within that group or

14 “(II) which reflects extraordinarily or unusually
15 expensive costs relative to discharges classified within
16 that group,

17 so that the total of the additional payments made under this
18 subparagraph for discharges in a fiscal year is not less than 4
19 percent of the total payments made based on DRG prospec-
20 tive payment rates for discharges in that year.

21 “(B) The Secretary shall provide for an additional pay-
22 ment amount for subsection (d) hospitals with indirect costs of
23 medical education, in an amount computed in the same
24 manner as the adjustment for such costs under regulations (in
25 effect as of January 1, 1983) under subsection (a)(2), except

1 that in the computation under this subparagraph the Secre-
2 tary shall use an educational adjustment factor equal to twice
3 the factor provided under such regulations.

4 “(C)(i) The Secretary shall provide for such exceptions
5 and adjustments to the payment amounts established under
6 this subsection as the Secretary deems appropriate to take
7 into account the special needs of public or other hospitals that
8 serve a significantly disproportionate number of patients who
9 have low income or are entitled to benefits under part A of
10 this title.

11 “(ii) The Secretary may provide (on a general, class, or
12 individual basis) for exceptions and adjustments to the pay-
13 ment amounts established under this subsection to take into
14 account the special needs of sole community hospitals. For
15 purposes of this section the term ‘sole community hospital’
16 means a hospital that, by reason of factors such as isolated
17 location or absence of other hospitals (as determined by the
18 Secretary), is the sole source of inpatient hospital services
19 reasonably available to individuals in a geographical area
20 who are entitled to benefits under part A.

21 “(iii) The Secretary shall provide by regulation for such
22 other exceptions and adjustments to such payment amounts
23 as the Secretary deems appropriate (including exceptions and
24 adjustments that may be appropriate with respect to public

1 and teaching hospitals and with respect to hospitals involved
2 extensively in treatment for and research on cancer).

3 “(iv) The Secretary may provide for such adjustments to
4 the payment amounts as the Secretary deems appropriate to
5 take into account the unique circumstances of hospitals locat-
6 ed in Alaska and Hawaii.

7 “(D)(i) The Secretary shall estimate for each fiscal year
8 the amount of reimbursement made for services described in
9 section 1862(a)(14) with respect to which payment was made
10 under part B in the base reporting periods referred to in para-
11 graph (2)(A) and with respect to which payment is no longer
12 being made in the fiscal year.

13 “(ii) The Secretary shall provide for an additional pay-
14 ment for subsection (d) hospitals in each fiscal year so as
15 appropriately to reflect the net amount described in clause (i)
16 for that fiscal year.

17 “(E) This paragraph shall apply only to subsection (d)
18 hospitals that receive payments in amounts computed under
19 this subsection.

20 “(6) The Secretary shall provide for publication in the
21 Federal Register, on or before the September 1 before each
22 fiscal year (beginning with fiscal year 1984), of a description
23 of the methodology and data used in computing the adjusted
24 DRG prospective payment rates under this subsection, in-
25 cluding any adjustments required under subsection (e)(1)(B).

1 “(7) There shall be no administrative or judicial review
2 under section 1878 or otherwise of—

3 “(A) the determination of the requirement, or the
4 proportional amount, of any adjustment effected pursu-
5 ant to subsection (e)(1), and

6 “(B) the establishment of diagnosis-related groups,
7 of the methodology for the classification of discharges
8 within such groups, and of the appropriate weighting
9 factors thereof under paragraph (4).

10 “(e)(1)(A) For cost reporting periods of hospitals begin-
11 ning in fiscal year 1984 or fiscal year 1985, the Secretary
12 shall provide for such proportional adjustment in the applica-
13 ble percentage increase (otherwise applicable to the periods
14 under subsection (b)(3)(B)) as may be necessary to assure
15 that—

16 “(i) the aggregate payment amounts otherwise
17 provided under subsection (d)(1)(A)(i)(I) for that fiscal
18 year for operating costs of inpatient hospital services of
19 hospitals,
20 are not greater or less than—

21 “(ii) the target percentage (as defined in subsec-
22 tion (d)(1)(C)) of the payment amounts which would
23 have been payable for such services for those same
24 hospitals for that fiscal year under this section under

1 the law as in effect before the date of the enactment of
2 the Social Security Act Amendments of 1983;
3 except that the adjustment made under this subparagraph
4 shall apply only to subsection (d) hospitals and shall not apply
5 for purposes of making computations under subsection
6 (d)(2)(B)(ii) or subsection (d)(3)(A).

7 “(B) For discharges occurring in fiscal year 1984 or
8 fiscal year 1985, the Secretary shall provide under subsec-
9 tions (d)(2)(F) and (d)(3)(C) for such equal proportional adjust-
10 ment in each of the average standardized amounts otherwise
11 computed for that fiscal year as may be necessary to assure
12 that—

13 “(i) the aggregate payment amounts otherwise
14 provided under subsection (d)(1)(A)(i)(II) for that fiscal
15 year for operating costs of inpatient hospital services of
16 hospitals,
17 are not greater or less than—

18 “(ii) the DRG percentage (as defined in subsection
19 (d)(1)(C)) of the payment amounts which would have
20 been payable for such services for those same hospitals
21 for that fiscal year under this section under the law as
22 in effect before the date of the enactment of the Social
23 Security Act Amendments of 1983.

24 “(2) The Secretary shall provide for appointment of a
25 panel of independent experts (hereinafter in this subsection

1 referred to as the 'panel') to review the applicable percentage
2 increase factor described in subsection (b)(3)(B) and make
3 recommendations to the Secretary on the appropriate per-
4 centage increase which should be effected for hospital inpa-
5 tient discharges under subsections (b) and (d) for fiscal years
6 beginning with fiscal year 1986. In making its recommenda-
7 tions, the panel shall take into account changes in the hospi-
8 tal market-basket described in subsection (b)(3)(B), hospital
9 productivity, technological and scientific advances, the qual-
10 ity of health care provided in hospitals, and long-term cost-
11 effectiveness in the provision of inpatient hospital services.

12 “(3) The panel, not later than the May 1 before the
13 beginning of each fiscal year (beginning with fiscal year
14 1986), shall report its recommendations to the Secretary on
15 an appropriate increase factor which should be used (instead
16 of the applicable percentage increase described in subsection
17 (b)(3)(B)) for inpatient hospital services for discharges in that
18 fiscal year.

19 “(4) Taking into consideration the recommendations of
20 the panel, the Secretary shall determine for each fiscal year
21 (beginning with fiscal year 1986) the percentage increase
22 which will apply for purposes of this section as the applicable
23 percentage increase (otherwise described in subsection
24 (b)(3)(B)) for discharges in that fiscal year.

1 “(5) The Secretary shall cause to have published in the
2 Federal Register, not later than—

3 “(A) the June 1 before each fiscal year (beginning
4 with fiscal year 1986), the Secretary’s proposed deter-
5 mination under paragraph (4) for that fiscal year, and

6 “(B) the September 1 before such fiscal year, the
7 Secretary’s final determination under such paragraph
8 for that year.

9 The Secretary shall include in the publication referred to in
10 subparagraph (A) for a fiscal year the report of the panel’s
11 recommendations submitted under paragraph (3) for that
12 fiscal year.

13 “(6) The Secretary shall maintain, for a period ending
14 not earlier than September 30, 1988, a system for the report-
15 ing of costs of hospitals receiving payments computed under
16 subsection (d).

17 “(f)(1) The Secretary shall establish a system for moni-
18 toring admissions and discharges of hospitals receiving pay-
19 ment in amounts determined under subsection (b) or subsec-
20 tion (d) of this section. Such system shall use fiscal interme-
21 diaries, utilization and quality control peer review organiza-
22 tions with contracts under part B of title XI, and others to
23 review hospital admission and discharge practices and the
24 quality of inpatient hospital services provided for which pay-
25 ment may be made under part A of this title.

1 “(2) If the Secretary determines that a hospital, in order
2 to circumvent the payment method established under subsec-
3 tion (b) or (d) of this section, has taken an action that results
4 in the admission of individuals entitled to benefits under part
5 A unnecessarily, unnecessary multiple admissions of the same
6 such individuals, or other inappropriate medical or other
7 practices with respect to such individuals, the Secretary
8 may—

9 “(A) deny payment (in whole or in part) under
10 part A with respect to inpatient hospital services pro-
11 vided with respect to such an unnecessary admission
12 (or subsequent admission of the same individual), or

13 “(B) require the hospital to take other corrective
14 action necessary to prevent or correct the inappropriate
15 practice.

16 “(3) The provisions of paragraphs (2), (3), and (4) of
17 section 1862(d) shall apply to determinations under para-
18 graph (2) of this subsection in the same manner as they apply
19 to determinations made under section 1862(d)(1).

20 “(g)(1) No payment may be made under this title for
21 capital-related costs of capital expenditures (as defined in sec-
22 tion 1122(g)) for inpatient hospital services in a State, which
23 expenditures occurred after the end of the three-year period
24 beginning on the date of the enactment of this subsection,
25 unless the State has an agreement with the Secretary under

1 section 1122(b) and, under the agreement, the State has rec-
2 ommended approval of the capital expenditures.

3 “(2) The Secretary shall provide that the amount which
4 is allowable, with respect to costs of inpatient hospital serv-
5 ices for which payment may be made under this title, for a
6 return on equity capital for subsection (d) hospitals (as de-
7 fined in subsection (d)(1)(B)) shall, for cost reporting periods
8 beginning on or after October 1, 1983, and before October 1,
9 1986, be equal to the target percentage (as defined in subsec-
10 tion (d)(1)(C)) of the amounts otherwise allowable under regu-
11 lations in effect on March 1, 1983. For cost reporting periods
12 beginning on or after October 1, 1986, the Secretary shall
13 not provide for any such return on equity capital for such
14 hospitals.”.

15 CONFORMING AMENDMENTS

16 SEC. 602. (a) Section 1153(b)(2) of the Social Security
17 Act is amended by adding at the end the following new sub-
18 paragraph:

19 “(C) The twelve-month period referred to in subpara-
20 graph (A) shall be deemed to begin not later than October
21 1983.”.

22 (b) Sections 1814(g) and 1835(e) of the Social Security
23 Act are each amended by inserting “(or would be if section
24 1886 did not apply)” after “section 1861(v)(1)(D)”.

1 (c) Section 1814(h)(2) of such Act is amended by strik-
2 ing out “the reasonable costs for such services” and inserting
3 in lieu thereof “the amount that would be payable for such
4 services under subsection (b) and section 1886”.

5 (d)(1) The matter in section 1861(v)(1)(G)(i) of such Act
6 following subclause (III) is amended by striking out “on the
7 basis of the reasonable cost of” and inserting in lieu thereof
8 “the amount otherwise payable under part A with respect
9 to”.

10 (2) Section 1861(v)(2)(A) of such Act is amended by
11 striking out “an amount equal to the reasonable cost of” and
12 inserting in lieu thereof “the amount that would be taken into
13 account with respect to”.

14 (3) Section 1861(v)(2)(B) of such Act is amended by
15 striking out “the equivalent of the reasonable cost of”.

16 (4) Section 1861(v)(3) of such Act is amended by strik-
17 ing out “the reasonable cost of such bed and board furnished
18 in semi-private accommodations (determined pursuant to
19 paragraph (1))” and inserting in lieu thereof “the amount
20 otherwise payable under this title for such bed and board fur-
21 nished in semi-private accommodations”.

22 (e) Section 1862(a) of such Act is amended—

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

24 (12),

1 (2) by striking out the period at the end of para-
2 graph (13) and inserting in lieu thereof “; or”, and

3 (3) by adding at the end the following new para-
4 graph:

5 “(14) which are other than physicians’ services
6 and which are furnished to an individual who is an in-
7 patient of a hospital by an entity other than the hospi-
8 tal, unless the services are furnished under arrange-
9 ments (as defined in section 1861(w)(1)) with the entity
10 made by the hospital.”.

11 (f)(1) Section 1866(a)(1) of such Act is amended—

12 (A) by striking out “and” at the end of subpara-
13 graph (D),

14 (B) by striking out the period at the end of sub-
15 paragraph (E), and

16 (C) by adding at the end the following new sub-
17 paragraphs:

18 “(F) in the case of hospitals which provide inpa-
19 tient hospital services for which payment may be made
20 under subsection (c) or (d) of section 1886, to maintain
21 an agreement with a utilization and quality control
22 peer review organization (which has a contract with
23 the Secretary under part B of title XI) under which
24 the organization will perform functions under that part
25 with respect to the review of admissions, discharges,

1 and quality of care respecting inpatient hospital serv-
2 ices for which payment may be made under part A of
3 this title,

4 “(G) in the case of hospitals which provide inpa-
5 tient hospital services for which payment may be made
6 under subsection (b) or (d) of section 1886, not to
7 charge any individual or any other person for inpatient
8 hospital services for which such individual would be
9 entitled to have payment made under part A but for a
10 denial or reduction of payments under section 1886(f),
11 and

12 “(H) in the case of hospitals which provide inpa-
13 tient hospital services for which payment may be made
14 under section 1886(d), to have all items and services
15 (other than physicians’ services) (i) that are furnished
16 to an individual who is an inpatient of the hospital, and
17 (ii) for which the individual is entitled to have payment
18 made under this title, furnished by the hospital or oth-
19 erwise under arrangements (as defined in section
20 1861(v)(1)) made by the hospital.”.

21 (2) The matter in section 1866(a)(2)(B)(ii) of such Act
22 preceding subclause (I) is amended by inserting “and except
23 with respect to inpatient hospital costs with respect to which
24 amounts are payable under section 1886(d)” after “(except
25 with respect to emergency services”.

1 (g) Section 1876(g) of such Act is amended by adding at
2 the end the following:

3 “(4) A risk-sharing contract under this subsection may,
4 at the option of an eligible organization, provide that the Sec-
5 retary—

6 “(A) will reimburse hospitals either for the rea-
7 sonable cost (as determined under section 1861(v)) or
8 for payment amounts determined in accordance with
9 section 1886, as applicable, of inpatient hospital serv-
10 ices furnished to individuals enrolled with such organi-
11 zation pursuant to subsection (d), and

12 “(B) will deduct the amount of such reimburse-
13 ment for payment which would otherwise be made to
14 such organization.”.

15 (h)(1) Section 1878(a) of such Act is amended—

16 (A) by inserting “and (except as provided in sub-
17 section (g)(2)) any hospital which receives payments in
18 amounts computed under section 1886(d) and which
19 has submitted such reports within such time as the
20 Secretary may require in order to make payment under
21 such section may obtain a hearing with respect to such
22 payment by the Board” after “subsection (h)” in the
23 matter before paragraph (1),

24 (B) by inserting “(i)” after “(A)” in paragraph
25 (1)(A),

1 (C) by inserting "or" at the end of paragraph
2 (1)(A) and by adding after such paragraph the follow-
3 ing new clause:

4 "(ii) is dissatisfied with a final determination
5 of the Secretary as to the amount of the payment
6 under section 1886(d)," and

7 (D) by striking out "(1)(A)" in paragraph (3) and
8 inserting in lieu thereof "(1)(A)(i), or with respect to
9 appeals under paragraph (1)(A)(ii), 180 days after
10 notice of the Secretary's final determination,".

11 (2) Section 1878(g) of such Act is amended by inserting
12 "(1)" after "(g)" and by adding at the end the following new
13 paragraph:

14 "(2) The determinations and other decisions described in
15 section 1886(d)(7) shall not be reviewed by the Board or by
16 any court pursuant to an action brought under subsection (f)
17 or otherwise."

18 (3) The third sentence of section 1878(h) of such Act is
19 amended striking out "cost reimbursement" and inserting in
20 lieu thereof "payment of providers of services".

21 (i) The first sentence of section 1881(b)(2)(A) of such
22 Act is amended by inserting "or section 1886 (if applicable)"
23 after "section 1861(v)".

1 (j) Section 1887(a)(1)(B) of such Act is amended by in-
2 serting "or on the bases described in section 1886" after "on
3 a reasonable cost basis".

4 REPORTS, EXPERIMENTS AND DEMONSTRATION PROJECTS,
5 AND INTENT OF CONGRESS RESPECTING TREATMENT
6 OF NEW CAPITAL EXPENDITURES

7 SEC. 603. (a)(1) The Secretary of Health and Human
8 Services (hereinafter in this title referred to as the "Secre-
9 tary") shall study and report to the Congress at the end of
10 1983 on—

11 (A) the method by which capital-related costs as-
12 sociated with inpatient hospital services can be includ-
13 ed within the prospective payment amounts computed
14 under section 1886(d) of the Social Security Act,

15 (B) payment with respect to a return on equity
16 capital for hospitals receiving payments under such
17 section, and

18 (C) the impact on skilled nursing facilities of hos-
19 pital prospective payment systems, and recommenda-
20 tions concerning payment of skilled nursing facilities.

21 (2)(A) The Secretary shall study and report annually to
22 the Congress at the end of each year (beginning with 1984
23 and ending with 1987) on the actual impact, of the payment
24 methodology under section 1886(d) of the Social Security Act
25 during the previous year, on individual hospitals, classes of

1 hospitals, beneficiaries, and other payors for inpatient hospi-
2 tal services, and, in particular, on the impact of computing
3 averages by census division, rather than on a national aver-
4 age basis. Each such report shall include such recommenda-
5 tions for such changes in legislation as the Secretary deems
6 appropriate. The Comptroller General shall review and com-
7 ment on the adequacy of each of the reports with respect to
8 their analysis of the impact of the payment methodology
9 under section 1886(d) of the Social Security Act.

10 (B) During fiscal year 1984, the Secretary shall begin
11 the collection of data necessary to compute the amount of
12 physician charges attributable, by diagnosis-related groups,
13 to physicians' services furnished to inpatients of hospitals
14 whose discharges are classified within those groups. The Sec-
15 retary shall include, in annual report to Congress under sub-
16 paragraph (A) for 1984, recommendations on the advisability
17 and feasibility of providing for determining the amount of the
18 payments for physicians' services furnished to hospital inpa-
19 tients based on the DRG classification of the discharges of
20 those inpatients.

21 (C) In the annual report to Congress under subpara-
22 graph (A) for 1985, the Secretary shall include the results of
23 studies on—

24 (i) the feasibility and impact of eliminating or
25 phasing out separate urban and rural DRG prospective

1 payment rates under paragraph (3) of section 1886(d)
2 of the Social Security Act;

3 (ii) whether and the method under which hospi-
4 tals, not paid based on amounts determined under such
5 section, can be paid for inpatient hospital services on a
6 prospective basis as under such section;

7 (iii) the appropriateness of the factors used under
8 paragraph (5)(A) of such section to compensate hospi-
9 tals for the additional expenses of outlier cases;

10 (iv) the feasibility and desirability of applying the
11 payment methodology under such section to payment
12 by all payors for inpatient hospital services; and

13 (v) the impact of such section on hospital admis-
14 sions and the feasibility of making a change in the
15 DRG prospective payment rates or requiring preadmis-
16 sion certification in order to minimize the incentive to
17 increase admissions.

18 (D) In the annual report to Congress under subpara-
19 graph (A) for 1986, the Secretary shall include the results of
20 a study examining the overall impact of State systems of hos-
21 pital payment (either approved under section 1886(c) of the
22 Social Security Act or under a waiver approved under sec-
23 tion 402(a) of the Social Security Amendments of 1967 or
24 section 222(a) of the Social Security Amendments of 1972),
25 particularly assessing such systems' impact not only on the

1 medicare program but also on the medicaid program, on pay-
2 ments and premiums under private health insurance plans,
3 and on tax expenditures.

4 (b)(1) Except as provided in paragraph (2), the amend-
5 ments made by this title shall not affect the authority of the
6 Secretary to develop, carry out, or continue experiments and
7 demonstration projects.

8 (2) The Secretary shall provide that, upon the request of
9 a State which has a demonstration project, for payment of
10 hospitals under title XVIII of the Social Security Act ap-
11 proved under section 402(a) of the Social Security Amend-
12 ments of 1967 or section 222(a) of the Social Security
13 Amendments of 1972, which (A) is in effect as of March 1,
14 1983, and (B) was entered into after August 1982, the terms
15 of the demonstration agreement shall be modified so that the
16 demonstration project is not required to maintain the rate of
17 increase in medicare hospital costs in that State below the
18 national rate of increase in medicare hospital costs.

19 (c) It is the intent of Congress that, in implementing a
20 system for including capital-related costs under a prospec-
21 tively determined payment rate for inpatient hospital serv-
22 ices, costs related to capital projects initiated on or after
23 March 1, 1983, may be distinguished and treated differently
24 from costs of projects initiated before such date.

1 EFFECTIVE DATES

2 SEC. 604. (a)(1) Except as provided in paragraph (2),
3 the amendments made by this title apply to items and serv-
4 ices furnished by or under arrangements with a hospital be-
5 ginning with its first cost reporting period that begins on or
6 after October 1, 1983. A change in a hospital's cost reporting
7 period that has been made after November 1982 shall be
8 recognized for purposes of this section only if the Secretary
9 finds good cause for that change.

10 (2)(A) Section 1866(a)(1)(F) of the Social Security Act
11 (as added by section 602(f)(1)(C) of this title) takes effect on
12 October 1, 1984, and section 1862(a)(14) (as added by sec-
13 tion 602(e)(3) of this title) and sections 1886(a)(1) (G) and (H)
14 of such Act (as added by section 602(f)(1)(C) of this title) take
15 effect on October 1, 1983.

16 (B) The Secretary may provide that, during the period
17 ending October 1, 1986, the provisions of sections
18 1862(a)(14) and 1866(a)(1)(H) of the Social Security Act
19 shall not apply to services furnished in hospitals that can
20 demonstrate that their billing practice prior to October 1,
21 1982, was to bill for such services independent of the hospital
22 payment.

23 (b) The Secretary shall make an appropriate reduction
24 in the payment amount under section 1886(d) of the Social
25 Security Act (as amended by this title) for any discharge, if

1 the admission has occurred before a hospital's first cost re-
2 porting period that begins after September 1983, to take into
3 account amounts payable under title XVIII of that Act (as in
4 effect before the date of the enactment of this Act) for items
5 and services furnished before that period.

6 (c)(1) The Secretary shall cause to be published in the
7 Federal Register a notice of the interim final DRG prospec-
8 tive payment rates established under subsection (d) of section
9 1886 of the Social Security Act (as amended by this title) no
10 later than September 1, 1983, and allow for a period of
11 public comment thereon. The DRG prospective payment
12 rates shall become effective on October 1, 1983, without the
13 necessity for consideration of comments received, but the
14 Secretary shall, by notice published in the Federal Register,
15 affirm or modify the amounts by December 31, 1983, after
16 considering those comments.

17 (2) A modification under paragraph (1) that reduces a
18 DRG prospective payment rate shall apply only to discharges
19 occurring after 30 days after the date the notice of the modi-
20 fication is published in the Federal Register.

21 (3) Rules to implement subsection (d) of section 1886 of
22 the Social Security Act (as so amended) shall, and excep-
23 tions, adjustments, or additional payment amounts under
24 paragraph (5) of such subsection may, be established in ac-
25 cordance with the procedure described in this subsection.