The Impact of the Tax Structure on the Elderly

Federal Council on the Aging

FEDERAL COUNCIL ON THE AGING
WASHINGTON, D.C. 20201

December 29, 1975

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

On behalf of the Federal Council on the Aging, I am pleased to submit a "Study of the Impact of the Tax Structure on the Elderly.

This study was undertaken to fulfill the legislative mandate of the 1973 Amendments to the Older Americans Act, Section 205 (h):

> The Council shall undertake a study of the combined impact of all taxes on the elderly - including but not limited to income, property, sales, social security taxes. Upon completion of this study, but no later than eighteen months after enactment of this Act, the President shall submit to Congress, and to the Governor and legislatures of the States, the results thereof and such recommendations as he deems necessary.

The 1975 amendments to the Older Americans Act extended the time by which the President is to submit recommendations to January 1, 1976.

Recommendations based on the findings of this study are also included for your consideration.

Sincerely,

Bertha S. Adkins

Bertha S. Adkins
Chairman

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PREFACE

In the 1973 amendments to the Older Americans Act, the Congress directed the Federal Council on the Aging to:

> "...undertake a study of the combined impact of all taxes on the elderly -- including but not limited to income, property, sales, Social Security taxes. Upon completion of this study, but not later than eighteen months after enactment of this Act, the President shall submit to Congress, and to the Governor and legislatures of the States, the results thereof and such recommendations as he deems necessary."

The 1975 amendments to the Older Americans Act extended the time by which the President is to submit recommendations to January 1, 1976.

This report consists of both a description and analysis of various taxes which impact on the elderly as well as recommendations from the Federal Council on the Aging for the consideration of the President to forward to the Congress, and to the Governor and legislatures of the States.

The Council is most grateful to Elizabeth T. Duskin for her services as consultant to this study. She carried out the research for this undertaking; the conclusions and recommendations contained in this report reflect the formal actions of the Federal Council on the Aging. Final review by the Council took place at its meeting of December 3-5, 1975 in Washington, D.C. Approval was unanimous on the recommendations except for D-2 on property tax on which there was one dissenting vote.

The Secretary of the Department of Health, Education, and Welfare and the Commissioner on Aging are ex-officio members of the Council but they do not participate in the development of recommendations by the Council because of the fact that such recommendations are made, under the law, to them, to the President, and to the Congress.

THE IMPACT OF THE TAX STRUCTURE ON THE ELDERLY

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PART I

SUMMARY AND RECOMMENDATIONS

1. Objectives of the Study

This Congressionally mandated study assesses the impact of the tax structure at the Federal and State-local levels on the income position of the population aged 65 years and older relative to the non-aged population. Philosophically, the study is not directed towards the question of adequacy of income or well-being of the elderly. Instead, with implicit recognition of the unmet needs of the elderly, two related questions are asked:

First, given that many elderly are in the unfortunate circumstances of poverty or near-poverty, is it the fault of the tax structure? The simplified answer derived from the study is, on balance, the tax system is not a significant contributor to the relatively low income position of the elderly as a group.

Second, are specific taxes, tax preferences, and tax relief programs equitable and adequate for the job which they are intended to do? Do they shield lower income households, among which the elderly are disproportionately represented, from undue hardship and provide for a fair sharing of tax burdens? Evidence is presented that this is not always the case.

The recommendations advanced by the Federal Council on the Aging are presented in the spirit that where a goal is to be achieved, the path to be taken should be the most equitable, efficient and adequate for the intended purpose.

2. Summary of Findings

Primary emphasis of this study is directed towards the burden placed upon lower income elderly households. Since an overall view based on average measures may not clearly picture either the contribution of specific taxes to the total impact, or the burden placed on families in the lower end of the income distribution, several taxes have been selected for individual study:

- o The individual income tax;
- o The Social Security payroll tax;
- o The sales tax;
- o The property tax.

In general, the initial findings of the study are that:

- o The overall effect of the tax structure appears to have no greater impact on the aged than the non-aged, subject to one qualification. If the corporate income tax and the property tax are assumed to be "progressive," 1/ then the burden on the aged population is slightly greater than that of the non-aged.
- o The elderly are treated preferentially across all income levels by the Federal individual income tax and State and local individual income taxes, separately and combined. This is primarily due to the double exemption allowed and the preferential treatment of retirement income.
- o The elderly as a group pay lower payroll taxes than the non-elderly, largely due to their lower rate of labor force participation.
- o The elderly, on average, spend slightly less than the non-elderly on sales taxes. This is in part due to the constraint imposed by low current incomes, and in part due to lower consumption of highly taxed items. Nevertheless, the sales tax is judged to be unduly burdensome to all lower income groups.

1/ With a progressive tax, the ratio of taxes to income rises as income rises; with a regressive tax, the fraction of income extracted is the same at all income levels.

- o Property tax liabilities disproportionately impact the current incomes of the aged relative to the non-aged; property tax burdens are also more heavily directed towards the elderly, regardless of shifting assumptions. 1/

To place these findings in an operational policy context, several distinct aspects of the tax structure and tax-related relief programs were examined to determine the effect of these elements on the distribution of income between the aged and the non-aged and among the aged. The elements examined include:

- o the design of the structural provisions provided to raise revenues;
- o the system of preferences or "tax expenditures" grafted on to the basic structure, which are designed to provide financial assistance through a reduction in tax liabilities;
- o related tax relief programs, outside of the tax structure itself.

Therefore, both the level of tax impact and the redistributional aspects of the tax system and its appendages are considered. A summary of the major points of the study follows:

INCOME CHARACTERISTICS OF THE ELDERLY

More so than any other age class, the elderly are disproportionately represented at the lower end of the money income distribution. Almost 50 percent of elderly units are represented among households receiving less than $5,000 census-defined money income; aged blacks are significantly less well-off than aged whites.

1/ A tax liability is a legal obligation to pay, but the burden, in the first round of effects, may be shifted forward to consumers through higher prices, or backward to producers through lower profits. A tax burden refers to the actual reduction in real income of an individual or family; whose real income is reduced is determined by the shifting process.

It is important to note that money income is but one dimension of judging economic circumstances. Net worth is also a significant determinant, and average net worth among the elderly is greater than the average for the population as a whole. However, evidence suggests that although asset ownership is important among the elderly as a group, significant asset holdings are concentrated among a small proportion of the elderly.

THE AGGREGATE PICTURE OF TAX IMPACT: THE GENERAL POPULATION

Two major general conclusions emerge from consideration of the tax system as a whole: 1/

- o The tax structure has very little effect on the relative distribution of income for almost 90 percent of all families. For this majority, the total system is proportional to income.
- o Both the rich (upper three percent of the income distribution) and the poor (lower ten percent of the income distribution) pay higher effective tax rates than the large middle range - regardless of shifting or incidence assumptions. However, the conclusion regarding whether the rich pay higher rates than the poor or vice versa, is sensitive to the assumptions made about the incidence of certain taxes, - particularly the corporate income and property tax. 2/

THE AGGREGATE PICTURE OF TAX IMPACT: THE ELDERLY

Using a comprehensive definition of income, which includes both current money income plus the potential claims on income represented by asset holdings, the aged fare no worse, on average, than the non-aged. This conclusion is reached under the assumption that the corporate income tax and the property

1/ Joseph A. Pechman and Benjamin A. Okner, Who Bears the Tax Burden?, The Brookings Institution, 1974.

2/ There is general agreement on the direction of shifting in the case of most other taxes.

tax are "regressive," that is, they impact lower income groups more heavily than upper income groups. On the other hand, if the reverse is assumed, the elderly pay a slightly larger proportion of income in taxes than the non-elderly.

The explanation for this perhaps unexpected result is that the asset position of some elderly shows up significantly when a comprehensive measure of economic circumstances is used. This is particularly obvious when the corporate income tax - which is an indirect "wealth" tax, and the property tax - which is direct "wealth" tax, is under consideration. The elderly, on average, pay more of both these taxes; the above average amount is sufficient to outweigh the lower average payments of income, payroll, and sales taxes. This is merely a restatement of the previously noted observation: average net worth among the elderly is greater than the average for the general population.

Clearly, this is not the same as saying that the tax structure does not harshly impact the income position of all the aged. Instead, it points out that an overview of the average effect of the tax structure on the elderly is insufficient to determine its impact on lower income elderly. Several taxes are therefore examined individually.

THE INDIVIDUAL INCOME TAX: FEDERAL AND STATE-LOCAL LEVELS

The aged as a group are treated more favorably than the non-aged by the individual income tax, particularly at the Federal level. This is due in large part to the double exemption the retirement income credit and the exclusion of certain forms of retirement income, such as Social Security benefits, from taxable income. These preferences, in conjunction with the low-income allowance, effectively shield low-income elderly from undue burdens from the income tax system.

However, under existing preferential provisions in the income tax structure, middle and upper-income elderly receive greater per capita benefits than lower income elderly. A substantial number of elderly, those whose income is too low to require filing a tax return, receive no benefits at all.

RECOMMENDATION A

No further preference for the elderly should be sought via the existing individual income tax system. Cash or in-kind benefits or a negative income tax system are better suited to attaining redistributional goals.

THE PAYROLL TAX

The elderly as a group pay lower payroll taxes than the non-elderly, largely due to their lower rate of labor force participation. For those who are subject to payroll taxes -- particularly the Social Security payroll tax, suggestions to excuse post-retirement earnings from further contributions must be evaluated in the light of many complicated issues.

- o How many elderly depend upon post-retirement earnings and contributions to obtain eligibility? (This may be particularly important to women who either enter the labor force later than men or have interrupted work histories.)
- o How would benefit levels of workers currently past retirement age be affected in the future?
- o Would benefit levels of future retirees be affected?
- o How would this affect the long-term actuarial balance of the system?
- o Will the method of financing Social Security be altered?
- o How will payroll tax relief affect labor force participation by the elderly? By the non-elderly?
- o Would selective taxation on the basis of age be constitutional?

Consideration of each of the above issues in light of the functioning of the Social Security system leads to the following observations:

- o Relief from payroll taxes on post-retirement earnings on a voluntary basis would introduce an element of uncertainty to Social Security financing; hence, compulsory termination of payments at and above a specified age is preferable from the point of view of program administration.

Under compulsory termination of payroll tax obligations --

- o Some small number of workers in covered employment might not obtain sufficient quarters for eligibility. This assumes that the system would continue the current practice of not counting untaxed earnings towards eligibility.
- o Payroll tax relief on current (higher) wages may act to reduce benefit levels from what they might otherwise have been. Therefore, such relief may not be in the best interest of all those who voluntarily postpone benefits to remain in the labor force. This assumes that untaxed earnings are not included in benefit calculations.
- o The short-run problem of a shortfall in revenues relative to benefit payout will be aggravated.

Relief would act to raise tax rates, taxable income ceilings, and possibly reduce benefits of future retirees.

o In a slack labor market, providing an incentive for the elderly to participate in the labor force may displace younger workers, so that no net gain to the economy would result.

Therefore, it is not clear that relief from payroll tax obligations on post-retirement age earnings would be beneficial to all elderly, to the Social Security program or to the nation.

Further study should be directed towards comparisons of the costs to the system and the fairness to participants under various options:

1. The payroll tax is terminated on post-retirement age earnings;

   o credit is given on such untaxed earnings towards eligibility and benefit payments;

   o no credit is given for untaxed earnings;

   o no credit is given on untaxed earnings but an actuarial increase in benefit levels is included to compensate for the shorter period of benefit collection.

2. The payroll tax on post-retirement age earnings is continued;

   o both post-retirement earnings and an actuarial increase in benefit levels to compensate for the shorter period of benefit collection are included in benefit calculations.

Within each of these options, it is important to know who among the employed elderly will benefit most. Additionally, options should be studied within the larger context of the impact of the payroll tax on lower income workers of all ages.

RECOMMENDATION B

Action to relieve the elderly worker of the payroll tax should be deferred: further study should be directed towards alternative means of relieving the burden of the payroll tax on all lower income earners, taking into account the impact on the elderly worker and the costs to the system.

THE SALES TAX

The elderly as a group are more lightly burdened by the sales tax than the non-elderly. This is in part due to the constraint of low incomes and in part to lower consumption of highly taxed commodities such as liquor, tobacco, gasoline and automobiles. Nevertheless, the sales tax does adversely affect the ability of all lower income groups, among which the elderly are disproportionately represented, to purchase the basic essentials of living.

The alternatives to the inherently regressive sales tax at the State-local level are (1) increasing reliance on State income taxes, and (2) reducing the regressivity of State and local sales taxes. These options, however, present their own difficulties to the fiscal structure of States.

In the case of the income tax:

o Higher marginal tax rates are required by income taxes to collect the same amount of revenue as broad based sales tax, thus providing an incentive for out-migration of higher income residents.

o Revenues from a graduated income tax are less stable than sales tax revenue. They automatically increase during prosperous times, but automatically decrease during economic declines when demands for public assistance and unemployment compensation rise.

The widespread adoption of the individual income tax at the State level (as of 1972 six States did not have an income tax) operates against the possibility of significant out-migration of high-income residents, but the problem of the instability of this source of revenue remains.

The difficulties present in reducing the regressivity of the sales tax by exempting basic essentials such as food and drugs include loss of substantial revenues and poor targeting of benefits since both needy and non-needy households consume exempted items.

Since the sales tax is a relatively stable source of revenue, among other features which may be attractive to burdened State and local governments, elimination of this fertile revenue source is probably not feasible under present circumstances.

RECOMMENDATION C-1

The Federal Council on the Aging recommends that encouragement should be given to States to place greater reliance on the income tax rather than the sales tax.

Steps which might be taken by the Federal government to encourage States to move in this direction include the following:

o Disallow deductibility of State and local sales taxes in calculating Federal liabilities. This would deny States a subsidy and provide an incentive to decrease reliance on sales taxes.

o Accompany the above action by using the revenue gains to the Federal government to provide a credit based on State income tax liabilities with a maximum ceiling per household which declines as income rises. This would provide an incentive to States to increase reliance on the personal income tax.

o The Federal government could institute a program of counter-cyclical 1/ revenue sharing. This could take the form of a revision of current general revenue sharing.

o Because of its very important relationship to the matter of the stability of States' fiscal structure, careful consideration should be given to the Federalization of responsibility for such income maintenance and related programs as Aid for Dependent Children, Medicaid and Unemployment Compensation. Further inquiry is required to determine the most desirable form of Federalized provision and the consequent net costs, considering the potential offsets of current outlays.

Independent of Federal action, States could reduce the regressivity of the sales tax in the following manner:

RECOMMENDATION C-2

A credit or rebate against State and local taxes targeted at lower income households, including both sales and property taxes, should be considered as a replacement for existing "circuit-breaker" and homestead exemption programs. Such a credit or rebate should gradually diminish as income rises. Consideration should be given to provision of rebates to family units whose State income tax liability is less than the amount of credit entitlement. Equity requires that both the aged and non-aged be included.

1/ "Cyclical" refers to recurring periods of economic prosperity and recession; counter-cyclical programs are intended to act as offsets to recession and inflation, in turn.

THE PROPERTY TAX

The unpopularity of the property tax rests on the belief that the tax is regressive, administered unevenly and particularly burdensome to older people with low incomes. Property tax relief at the State and local levels, particularly for the elderly, has increased significantly in recent years. Federal intervention in property tax relief is a current issue.

Alternative propositions are examined in this study with the conclusion that property tax liabilities are a burden to lower income aged -- as well as to all lower income persons but property tax relief in existing forms is inequitable and an inefficient means of attacking the underlying problem of current income inadequacy.

Neither the claim that the property tax is regressive or that it is progressive can be resolved due to lack of data availability and hence, empirical support. If the proper concept of "income" (average income over five years or more) is employed in measuring property tax burdens, however, the tax appears to be roughly proportional to income.

Evidence further supports the view that property tax <u>liabilities</u> do impact the elderly disproportionately in terms of <u>current income</u>; property tax <u>burdens</u> have a disproportionate impact on the elderly regardless of whether the tax is viewed as regressive or progressive.

However, current forms of property tax relief are not consistent with any existing theory of property tax burdens, but are analogous to "back-door" income maintenance or housing allowance programs. As such, they are seriously flawed.

<u>As long as property tax liabilities enter into the calculations, greater benefits from such programs go to those with greater net worth within any income class</u>; this is not consistent with equity considerations. Other inequities exist which violate the principle of ability-to-pay, the equal treatment of households in similar circumstances (horizontal equity), and the notion that households in greater need should receive greater benefits (vertical equity). Attempts to correct the "unfair" program elements result in unfortunate trade-offs -- either other inequities result or the programs may become administratively complex and unwieldy or excessively costly.

In any case, average annual benefits ($143 for circuit-breakers; $173 for homestead exemptions) are not sufficient to merit a program with this degree of complexity.

When property tax relief programs are considered as housing allowances or income maintenance programs, it is less clear why one particular cost of housing has been singled out for relief. In fact, property tax relief does not require that benefits, i.e., funds that are freed for other uses, be spent in any particular manner. Hence, income maintenance, which provides assistance to those deemed needy and deserving, to purchase adequate housing or other basic essentials may be a more direct, efficient and equitable form of relief from undue burdens for the elderly poor as well as other lower income groups.

If the popular acceptance of State and local property tax relief programs rests on the basis that it helps in reforming the regressive tax structure at the State and local level, then why exclude other more obviously regressive taxes such as the sales tax? Presently, New Mexico does include all State and local taxes in its Low Income Tax Credit (LITC). Although the political acceptability of property tax relief is a reasonable rationale for the continuing existence of present programs in the short-run, the unique effort of New Mexico should be considered as a more equitable alternative to States in the future.

RECOMMENDATION D-1

A credit or rebate against State and local taxes targeted at lower income households, including both property and sales taxes, should be considered as a replacement for existing "circuit-breaker" and homestead exemption programs. Such a credit or rebate should gradually diminish as income rises. Consideration should be given to provision of rebates to family units whose State income tax liability is less than the amount of credit entitlement. Equity requires that both the aged and non-aged be included. (This was also presented in the context of the sales tax as Recommendation C-2).

RECOMMENDATION D-2

At the national level, adequate income maintenance or housing allowances to all lower income households is a preferred vehicle for Federal aid. Therefore, Federal intervention is <u>not</u> recommended in the form of property tax relief assistance, since -- in addition to the poorly focused benefits of existing programs -- Federal action in this area would encourage States to change their tax structure to gain maximum Federal dollars and, therefore, to <u>increase</u> reliance on the property tax.

PART II

ANALYSIS AND EVALUATION

CHAPTER I - INTRODUCTION AND BACKGROUND

The Congressional mandate that the Federal Council on the Aging undertake a study of the combined impact of all taxes on the elderly provided the Council with the opportunity to explore, analyze and develop recommendations in an area which may impinge on the well-being of the elderly. This effort represents an assessment of the relative impact of the tax structure on the income position of the population aged 65 years of age and older. The substantive findings, in turn, have led to the development of recommendations which are consistent with both advocacy for the aged and the macro-economic interests of the nation as a whole.

The Purpose of the Study

The tax system is essentially made up of two parts: one part consists of the structural provisions necessary to raise revenues to finance government administration and provision of public services, while the second part consists of a system of tax preferences or "tax expenditures" through which government financial assistance programs are carried out through special tax provisions rather than through direct government expenditures. Although the individual income tax at the Federal level is the tax most aptly described in these terms, these elements are present, in many other taxes at the Federal and State-local levels. Third, in addition to the special tax provisions or tax expenditures which are grafted on to existing tax structures, special tax relief programs exist or have been proposed, outside of the tax system itself (e.g., property tax relief programs such as "circuit-breakers" or relief from payroll taxes on post-retirement age earnings).

The purpose of the study is, therefore, to consider the impact on the elderly of the three distinct aspects of the tax system and its appendages:

- o The design of the basic structure provided to raise revenues;
- o The system of preferences grafted on to the basic structure; and
- o Related tax relief programs outside of the tax system itself.

Accordingly, the present study raises several questions which relate to the effect of the above three elements on the distribution of income between the aged and non-aged and among the aged:

1. Does the tax system as a whole impact the elderly more or less heavily than it impacts the non-elderly?

2. How do specific taxes which comprise the tax system impact the elderly relative to the non-elderly?

3. Are the specific taxes which make up the tax system based on widely supported principles of "fairness" in taxation, such as ability-to-pay? Put another way, are lower income households more lightly burdened than higher income households (including both the aged and non-aged)?

4. Is the system of preferences or "tax expenditures" consistent with social notions of equity? That is, is financial assistance greater for those with greater need?

5. Are the related tax relief programs lying outside of the tax structure equitable, efficient and adequate? Do they target greater assistance to those in greater need? Is the relief which is granted adequate? Are there alternative means of redistributing income that are more efficient?

The assumption underlying each of these questions is that age (65+) is a good proxy measure of low income. Evidence indicating the supporting basis for this contention and the necessary qualifications are therefore in order.

2. Income and Wealth Characteristics of the Elderly

No matter how one measures income, certain observations are without dispute. First, the distribution of income is highly unequal, both among the general population and among the elderly. Second, more so than any other age class, the elderly are disproportionately represented at the lower end of the income distribution. Table I-1 indicates the proportion of households by age class which fell below the $5,000 money income 1/ level in 1974.

Almost 50 percent of the elderly units are represented among households receiving less than $5,000 income. This is roughly five times the concentration of the 35 to 44 year old age group and almost twice the concentration of the next most highly represented age group, 14 to 24 years of age.

Since the data are not adjusted by family size, and family size tends to be smaller among the aged, the disparity in well-being between aged and non-aged consuming units may be overstated. 2/

Median income 3/ figures by age also indicate that the distribution of income of elderly household units falls below those of every other age class as well as below the distribution of all age groups combined (Table I-2).

1/ This is not intended as a measure of income adequacy across all age groups, particularly since households of varying sizes are included. It is, however, roughly comparable to the 1974 poverty threshold for a non-aged, non-farm family of four in 1974 ($5,038).

2/ Census income data are also subject to underreporting and non-reporting, particularly in the case of transfer and property income. Since these sources of income are more prevalent among the aged than non-aged groups, income of the aged may be relatively understated on these counts.

3/ This income figure divides the upper and lower fifty percent of the income units in the group.

Additionally, aged blacks fare less well than aged whites. Using census-defined poverty threshold figures for the aged ($2,982 for a two-person non-farm aged family), almost 8 percent of aged white families were below the poverty level, while nearly 28 percent of black families were classified as poor. For unrelated individuals, the figures were even higher; 29 percent of white single person aged houeholds were in poverty versus more than 60 percent for similar black household units.

TABLE I-1: PERCENT OF HOUSEHOLDS 1/ BY AGE OF HEAD BELOW $5,000 MONEY INCOME 2/ (1974)

Age of Head	Percent Below $5,000
14 to 24 years	27.1
25 to 34 years	11.6
35 to 44 years	9.5
45 to 54 years	11.0
55 to 64 years	19.6
more than 65 years	48.6
Total Households (all ages)	21.1

Source: U. S. Bureau of Census, "Money Income and Poverty Status of Families and Persons in the United States: 1974." (Advance Report), Current Population Reports, Series P-60, No. 99, derived from Table 11.

1/ Includes related family members and all unrelated persons who share a housing unit.

2/ Includes earnings; Social Security and public assistance payments; dividends, interest and rent; unemployment and workmens compensation; government and private employee pensions.

TABLE I-2: MEDIAN MONEY INCOME OF FAMILIES AND UNRELATED INDIVIDUALS*

Age Class	Families 1/	Individuals Unrelated 2/
14 to 24 years	8,618	4,103
25 to 34 years	13,000	8,019
35 to 44 years	15,117	8,430
45 to 54 years	16,709	6,232
55 to 64 years	13,645	4,858
More than 65 years	7,298	2,956
Total (all ages)	12,836	4,439

*Source: U. S. Bureau of the Census, "Money Income and Poverty Status of Families and Persons in the United States: 1974," (Advance Report), Current Population Reports, Series P-60, No. 99, Tables 6, 17 and 18.

1/ Includes 2 or more related individuals.

2/ Single person households or individuals who are part of larger households including one or more families or unrelated individuals.

TABLE I-3: LOW INCOME 3/ STATUS OF AGED FAMILIES AND UNRELATED INDIVIDUALS BY RACE (1974)*

	All Races	White	Black
Percent of total more than 65 years of age below low income level			
Families	9.5	7.7	27.7
Unrelated Individuals	31.8	28.9	60.5
Percent of total aged below 125 percent of low income level			
Families	16.8	14.3	43.1
Unrelated Individuals	49.8	46.6	80.3

*Source: U. S. Bureau of the Census, "Money Income and Poverty Status of Families and Persons in the United States: 1974," (Advance Report), Current Population Reports, Series P-60, No. 99, Tables 6, 17 and 18.

1/ Low income represents different dollar amounts depending upon family size and composition, age, sex and farm-nonfarm residence.

Although it is clear that money income is unambiguously low for a significant proportion of the elderly, it is important to note that current income status is not necessarily equivalent to economic status. When economic status is thought of as command over goods and services, then money income is but one component; net worth is also a significant determinant of consumption possibilities. Among the elderly, net worth is particularly important in measurements of economic circumstances, since average net worth is greater for aged families than for the non-aged.1/

It has been estimated that "...(n)et worth holdings spread over an average-aged family's remaining expected lifetime would add as much as thirty percent to its current money income each year. Both the absolute amount of resources and the rankings of (aged) families by economic well-being are likely to vary when a more comprehensive measure (than current income) is used."2/ Although the potential for dissaving through spending down asset accumulation adds another valuable dimension to measures of economic well-being, measures of wealth are difficult to calculate and few such estimates are available.3/ Even these estimates are subject to methodological differences and problems of reliability and validity.

1/ At the end of 1962, net worth averaged $30,124 for aged families compared to $19,984 for all families. (Dorothy S. Projector, Survey of Changes in Family Finances, Board of Governors of the Federal Reserve System, 1968.)

2/ Marilyn L. Moon, The Economic Welfare of the Aged and Income Security Programs, Institute for Research on Poverty, Univ. of Wisconsin, 1975.

3/ See, for instance, Projector and Weiss, Survey of Financial Characteristics of Consumers, Board of Governors of the Federal Reserve System, 1966, and Epstein and Murray, 1963 Survey of the Aged, Social Security Administration, 1967.

A recent study incorporating measures of potential claims in income represented by net wealth holdings indicates that (1) many elderly would still be classified as "poor" by the official Social Security Administration definition, and (2) inclusion of net wealth considerations makes the distribution of income among the elderly more unequal. This suggests that although asset ownership is important among the elderly as a group, significant asset holdings are concentrated among a small proportion of the elderly.

3. The Tax Base

Both income and net worth characteristics of the elderly are important in this study for several reasons:

First, in order to properly assess the burden of a tax on individuals in different circumstances, a comprehensive definition of income, which includes both current income and the potential claims on income represented by net worth, should be used. Second, since different taxes frequently have different tax bases, comparisons between the burdens of various taxes can be made consistently only if the tax base used is comparable for each tax.

Hence the individual income tax (based on taxable income), the payroll tax (based on income from covered earnings below a specified level), the sales tax (based on consumption expenditures regardless of income sources), and the property tax (based on a selected wealth holding), -- the burden of each may be compared to the other only if the definition of income includes all the relevant sources of income and wealth.

A comprehensive concept of income is relied upon in this study subject to its availability and, in certain circumstances, its appropriateness.

4. Taxes Selected for Inclusion

The initial overview of the impact of the tax structure on the elderly considers most government receipts from the household sector of the economy that may be classified as taxes. Included are the individual income tax (Federal and State-local), the corporate income tax, payroll taxes, sales and excise taxes, the (real) property tax, and personal property and motor vehicle taxes.1/ From among this listing, several taxes were selected for individual consideration based on one or more of the following criteria: (1) relative size of revenues and, therefore, the general importance of the tax; (2) a priori judgements concerning the magnitude of its impact on the elderly, and (3) the existence of current policy issues relevant to a specific tax and its impact on the elderly. The taxes selected for individual treatment on this basis include:

- o The individual income tax
- o The Social Security payroll tax
- o The sales tax
- o The property tax

1/ Based on Joseph A. Pechman and Benjamin A. Okner, Who Bears the Tax Burden?, The Brookings Institution, 1974.

CHAPTER II - THE AGGREGATE PICTURE

1. Introduction

The impact or burden of a tax is usually thought of as the effect it has on the distribution of real income of individuals and households. There are different points of view from which the burden of the tax system as a whole might be considered.

First, one might ask what the effect of taxes is on various income groups relative to a situation in which there were no taxes. This approach is not satisfactory primarily because it assumes that the size of the pie 1/ that is to be distributed is unchanged. This is an important omission because the imposition of a tax affects not only the income of individuals and households, but also the level of economic activity in the nation as a whole, hence the amount of income available for distribution.

In order to avoid part of this difficulty, the percent of income which is consumed by existing taxes among different income classes may be compared to a hypothetical tax structure which is proportional to income. Government expenditures are assumed unchanged under the hypothetical and the existing systems. The appropriate question to ask concerns which income groups do relatively better and which groups do relatively worse under the current system. Implicit in this approach is the importance of the principle of ability-to-pay. This approach is consistent with the nature of actual policy decisions.

1/ The "pie" is Gross National Product (GNP), defined as the dollar value of the flow of goods and services produced within a year, valued at market prices.

Yet a third point of view exists. Revenues are collected via taxes in order to support government expenditures, and such expenditures may benefit some income classes more than others. The third case considers the combined effects of tax collections and government expenditures on various income groups. The "benefit principle," which suggests that it may be fair - to some degree - to pay taxes if something is received in return, is implicit in this approach. This approach entails unusual difficulty, since many government expenditures such as defense spending, are not divisible among households.

The approach used in this chapter asks which households fare relatively better and which fare relatively worse under the existing tax structure - the aged or the non-aged? It incorporates the assumptions of the second point of view: (1) the level of government expenditures is unchanged; (2) the level of GNP is unchanged.

First, the combined impact of all taxes on the general population by income class is discussed. Second, the burden the tax structure imposes on the elderly is compared to the results for the general population. Lastly, the reasons are suggested for the differences in relative burdens between the elderly and non-elderly.

2. The Combined Impact of All Taxes on the General Population

The Pechman-Okner Study: Concepts and Methodology

A recent study by Joseph Pechman and Benjamin Okner has provided detailed estimates of the burden of the Federal, State and local tax structure on individuals and families.1/ The data is derived from a statistical merge of the data from the Survey of Economic Opportunity (SEO) and Internal Revenue Service individual income tax files for the same year, 1966. This is the most recent year for which adequate data is available for a comprehensive study. Although changes in the tax structure have occurred since 1966, it is not believed that the changes significantly affect the general pattern of tax burdens. 2/ The total sample size is 72,000 individuals and families, which when properly weighted, are representative of the entire U.S. population.

The income concept employed is more comprehensive than definitions found in familiar sources such as the Bureau of the Census. The census money income concept approximates the cash flow available to individuals and families within a year; the Pechman-Okner income concept estimates the cash flow during the year plus the claims on income represented by asset ownership. It is somewhat similar to the income concept used in the National Income Accounts compiled by the Bureau of Economic Analysis.

1/ Ibid.

2/ Ibid.

Moreover, the study encompases various points of view regarding the burden or incidence of different taxes. A tax may be shifted to producers or consumers of the taxed commodity through lower profits or higher prices so that the tax liability and the tax burden differ. On the other hand, the burden may not be shifted and the tax liability and tax burden may coincide. In the case of many taxes, economists are in agreement about where a tax is shifted or if it is shifted at all. There are, however, two major exceptions: the corporate income tax and the property tax. Some believe that the burden of the corporate income tax falls primarily on the profits of producers; other believe it is shifted, all or in large part, to consumers through higher prices. Similar disagreement exists about the shifting of property tax liabilities. Conclusive evidence is not yet available to resolve either issue.

The Pechman-Okner study impartially treats several gradations of difference in point of view about the incidence or burden of the major taxes mentioned above. The results which embody the most progressive assumptions and the least progressive assumptions are presented here. 1/

1/ With a progressive tax, the ratio of taxes to income rises as income rises; with a regressive tax, the ratio of taxes to income falls as income rises. "Most progressive" and "least progressive" refers to the degree of progressivity or regressivity in the overall collection of taxes being discussed.

The most progressive assumption is that both the corporate income tax and the property tax impact income from capital ownership; the least progressive assumption is that the burden of these taxes is largely shifted to consumers of taxed commodities. The treatment of other major taxes is as follows: the individual income tax is not shifted; sales and excise taxes are not shifted; the payroll tax on employees is not shifted but the payroll tax on employers is shifted to employees through lower wages under the most progressive view, while under the least progressive view one half the employer payroll tax is shifted to employees and one half to consumption in general through higher prices.

The Pechman-Okner Study: Findings

The major conclusions of the Pechman-Okner study are two-fold:

Conclusion 1. If the impact of the tax structure is observed by income class, then the assumptions made about tax incidence - particularly the corporate income tax and property tax, will lead to somewhat different conclusions. Under the most progressive assumptions (the two taxes impact income from capital), effective tax rates rise steeply as income rises, reaching almost 50 percent of income for families with incomes of $1 million or more. Under the least progressive

assumptions (the two taxes impact consumption) the highest effective rate is about 30 percent at incomes of $100,000 or more and is only slightly different from the 28 percent rate at incomes below $3,000. The large middle range from $3,000 to $100,000 experiences an effective tax rate in the neighborhood of 25 percent. (Table II-1)

Conclusion 2. If the impact of the tax structure is observed by population percentiles arranged in ascending order by income, then the impact of all taxes combined affects all but the very lowest and very highest income groups in a similar manner: taxes absorb a similar fraction of income across most of the income range. Included are incomes between $2,000 and #30,000 per year or 87 percent of all families. The least progressive assumptions result in rough proportionality within the stated range, while the most progressive assumptions result in slight progressivity - but the differences are not large. This indicates that the tax structure has very little effect on the relative distribution of income.

At both the high and low ends of the income distribution, effective tax rates rise sharply under both sets of assumptions. Under the most progressive assumptions, effective tax rates at the very lowest income levels ($2,000 and below) range from 18 percent up to 35 percent while the maximum rate at highest income levels (over $30,000) is about 40

percent. Under the least progressive assumptions, maximum rates for the lowest income levels peak at over 50 percent while the highest income levels are subjected to effective tax rates that peak at about 30 percent. (Table II-2)

In summary, although differences in income and effective tax rates are large, examining them both in terms of the impact of the tax structure by income class and by population percentiles gives us an additional valuable insight: the total tax system may appear to be progressive or regressive depending upon the incidence assumptions, but when looked at in terms of the number of individuals and families that are impacted by differences in effective tax rates, most families are treated similarly. Only 3 percent of families at the upper end of the income distribution and about 10 percent of families at the lower end of the income distribution have higher tax rates than average.

3. The Combined Impact of All Taxes on the Elderly Relative to the General Population

The previous discussion indicated that the tax structure as a whole impacts 87 percent of all individuals and families in proportion to their income and only the remaining 13 percent (10 percent of families at lowest income levels and three percent at highest income levels) experience higher than average effective tax rates. Under the most progressive assumptions, the lower end of the income scale pays a lower proportion of their income in taxes than the highest income groups, while the reverse is true under the least progressive assumptions.

Table II-1: ESTIMATES OF EFFECTIVE RATES OF FEDERAL, STATE, AND LOCAL TAXES BY INCOME CLASS, 1966

Adjusted Family Income (000)	Most Progressive Assumptions	Least Progressive Assumptions
0-3	18.7	28.1
3-5	20.4	25.3
5-10	22.6	25.9
10-15	22.8	25.5
15-20	23.2	25.3
20-25	24.0	25.1
25-30	25.1	24.3
30-50	26.4	24.4
50-100	31.5	26.4
100-500	41.8	30.3
500-1,000	48.0	30.3
1,000 and over	49.3	29.0
All classes	25.2	25.9

Source: Pechman and Okner, Who Bears the Tax Burden? Table 4-3, p.49.

TABLE II-2: AVERAGE EFFECTIVE RATES OF FEDERAL, STATE AND LOCAL TAXES BY SELECTED POPULATION PERCENTILES, 1966

Population Percentile	Most-Progressive Assumption	Least Progressive Assumption
3d	24.4	35.6
5th	18.2	28.9
10th	17.4	25.4
20th	20.6	25.5
25th	21.6	26.4
30th	22.1	26.1
40th	22.7	25.7
50th	22.9	26.0
60th	22.7	25.6
70th	22.9	25.4
75th	23.0	25.4
80th	22.9	25.6
90th	24.0	25.0
91st	24.0	25.0
92nd	24.0	25.1
93d	23.9	25.3
94th	24.0	24.7
95th	24.5	24.1
96th	25.7	24.6
97th	25.2	24.0
98th	26.7	24.4
99th	28.3	25.2
Top	39.2	28.6

Source: Pechman and Okner Who Bears the Tax Burden?, Table 4-4, p.51

The total picture is made up of weighted averages of many different taxes, some of which represent a larger burden to low income groups and some a larger burden to high income groups. Additionally, even individuals and families within the same income class may be affected differently since specific taxes may be more or less important among families.

In 1966, 19 percent of all families had an aged head of household. Under both incidence assumptions, these families paid higher corporation income and property taxes, but lower individual income, sales and payroll taxes than non-aged households. (Table II-3) The relative total burden of the aged versus the non-aged depends largely upon the assumptions made about the corporation income tax and the property tax. Under the most progressive assumptions, the aged pay 27.6 percent of their income in taxes; the non-aged pay 24.8. Under the least progressive assumptions, the aged pay the same proportion of their income in taxes as the non-aged, 25.9 percent.

TABLE II-3: ESTIMATES OF EFFECTIVE FEDERAL, STATE AND LOCAL TAX RATES FOR AGED AND NON-AGED, BY TAX, 1966

Tax	Aged		Non-Aged	
	Most Progressive Assumptions	Least Progressive Assumptions	Most Progressive Assumptions	Least Progressive Assumptions
Individual Income Tax	6.9	7.2	8.7	8.6
Corporation Income Tax	8.2	6.6	3.2	4.1
Property Tax	5.9	4.4	2.5	3.2
Sales and Excise Taxes	4.5	4.7	5.2	5.1
Payroll Taxes	1.9	2.8	4.9	4.6
Personal Property and Motor Vehicle Taxes	0.2	0.2	0.3	0.3
Total Taxes	27.6	25.9	24.8	25.9

Source: Pechman and Okner, Who Bears the Tax Burden?, Table 5-3, p. 72

Let us again consider the implications of the assumptions labeled "most progressive" and "least progressive." In the former case, the larger burden relative to income falls on higher income households; in the latter case, the larger burden relative to income falls on low income groups. With this distinction in mind, it may appear contradictory that the aged as a group with a disproportionate representation of lower income families should fare worse under assumptions that are supposed to impact high income households to a greater extent than low income households, while they do no better than the non-aged under assumptions that are supposed to more harshly impact lower income families. An explanation is in order.

As previously stated, the income concept used in the Pechman-Okner study incorporates not only the current year's cash flow, but also the claims on income represented by asset ownership. Asset ownership, or more precisely, net-worth, is higher on average among the elderly than the non-elderly population. 1/ This should not be surprising, since older age groups have had more time to accumulate equity in homes and other assets and to pay off debts.

1/ At the end of 1962, net worth averaged $30,124 for aged families compared to $19,984 for all families. Part of the difference is accounted for by the higher than average rate of homeownership among the elderly, although other asset holdings such as corporate stock are significant asset holdings. The figures would be larger if calculated in current dollars. (figures from: Dorothy S. Projector, Survey of Changes in Family Finances, Board of Governors of the Federal Reserve System, 1968)

Most would agree that a household's economic circumstances should be judged not only on the basis of current income, but also by their wealth holdings. According to this view, the figures presented in the Pechman-Okner study are satisfactory, since they measure tax burdens by considering a comprehensive measure of "economic circumstances." Accordingly, the implications inferred by the Pechman-Okner study findings are that only those elderly households which have significant property holdings or wealth are more severely impacted by the tax structure on average; therefore the policy conclusion would appear to be - do nothing!

On the other hand, some might argue that in the case of the elderly, asset accumulation which represents a lifetime of effort should, to some degree, be safeguarded. This is frequently supported on three grounds:

1. Many assets, particularly homes, are not divisible into yearly income unless the entire asset is relinquished.

2. Policies which assume that assets held in later years of life when current income has diminished should be "consumed" (i.e., transformed into cash holdings for current use) may impair work effort in earlier years - to the detriment of the entire economy.

3. Assets are required by the elderly for a "rainy day," since they cannot rely upon future increase in income and life expectancy is uncertain.

For those who lean towards the second viewpoint, the Pechman-Okner study may understate the burden of all taxes on the elderly. On this basis, however, logical consistency requires that asset accumulation be treated favorably in earlier years of life as well as later years of life, since the existence

of assets among the aged requires the incentive for accumulation in earlier years. Therefore, in the extreme, the circumstances of all households, regardless of age, should be judged on the basis of current income alone. This position, then, reduces to a direct contradiction of the view that "economic circumstances" are best judged by the income and wealth position of households.

Both positions have merit: the reconciliation between the principle of equal treatment of households in similar circumstances and the arguments for consideration of the special position of the elderly are a matter of social policy.

Clearly, abstract arguments are not always helpful in suggesting what, if anything, should be done on an operational basis. The overall effect of the tax structure would generally appear to have no more impact on the elderly than the non-elderly. This is not the same as saying that it does not affect the income position of all the aged. Since the low income aged are of particular concern, an overview of the "average" effect of the tax system on the elderly is insufficient. The manner in which low income groups are impacted depends on several factors: The level and source of income; consumption patterns of lower income groups, as well as differences in local tax structure. In order to determine the ways in which the lower income elderly - and lower income groups in general, are harmed or benefited by taxes relative to other groups, several major taxes will be examined in turn: the individual income tax, the payroll tax, sales taxes, and the property tax.

CHAPTER III - THE IMPACT OF SPECIFIC TAXES ON THE ELDERLY

A. THE INDIVIDUAL INCOME TAX

1. Introduction

The natural first step in examining the impact of the tax structure on the income position of the elderly is to explore the effect of the largest source of Federal revenues--the individual income tax. Without exception, the elderly are treated preferentially at all income levels by the Federal income tax structure. This is due not only to the disproportionate incidence of low current incomes among the elderly, but also to the double exemption permitted and the preferential treatment of major sources of retirement income which are either lightly taxed or not taxed at all.

State and local individual income taxes do not act to change this conclusion. Although six States have not yet implemented an individual income tax, those that do, have a mechanism which is similar in principle to the Federal version.

However, a close look at the tax preferences granted to elderly taxpayers, indicates that a major portion of the benefits accrue to tax filing units with incomes above $10,000 per year, while no benefits are conferred upon those individuals with incomes too low to file tax returns. Tax expenditures, regardless of age target, frequently have questionable distributional consequences and cause serious erosion of the tax base, forcing tax rates to rise. Therefore, no further preferential treatment of the elderly via the Federal individual income tax system is recommended.

Federal Versus State and Local Individual Income Taxes

Before discussing the cumulative burden of Federal and State and local individual income taxes, it would be desirable to picture the relationship between the size of the impact of Federal versus State and local tax collections. The relative burdens imposed by the two levels of government on the general population are presented in the Table III-A-1. Although the data reflects 1966, it is not believed that changes in the tax structure since that time effect the general pattern of tax burdens at the Federal level. However, eight States have added the individual income tax as a revenue source since 1966 so that the relative magnitudes may slightly understate the impact at the State and local level on a current basis. (See Table III-A-2)

Table III-A-1 indicates that Federal income taxes amount to 9.2 percent of income for the total tax filing population, while State and local income taxes combined equal only 0.9 percent of income. The tax at both levels of government is progressive, that is, the tax impacts upper income classes more heavily than lower income classes. In addition, the tax burden is relatively modest for most families. The highest average effective tax rate at the Federal level is 20.7 percent for families with incomes from one-half million dollars to one million dollars; the highest average effective tax rate at the State and Local level is only 1.9 percent. Roughly 95 percent of all families had incomes less than $25,000; at this income level, the maximum tax rates at the Federal and State and local levels were 9.9 percent and 1.1 percent, respectively.

2. Estimates of the Relative Burden of Individual Income Taxes on the Elderly

The appropriate way to estimate the burden of a tax is in terms of its effect on the distribution of income. There is little disagreement in the case of the individual income tax that the burden rests on income recipients; therefore, the legal tax liability and the tax burden coincide. However, estimates of the burden may diverge with the use of different income concepts. The most conceptually satisfying definition gives a comprehensive picture of the economic circumstances of a family unit by including money income, in-kind income and the claims on income represented by assest ownership. This is essentially the same as the definition of income preferred by economists, i.e., consumption plus tax payments plus (or minus) the net increase (or decrease) in the value of assets during the year. Although no continuing income data of the Federal government is consistent with this concept, estimates of tax burdens based on this comprehensive definition are available 1/ from the Brookings Institution MERGE file. 2/ The estimates include Federal and State and local individual income taxes.

1/ Benjamin A. Okner, "Individual Taxes and the Distribution of Income," The Personal Distribution of Income and Wealth, James D. Smith, ed., National Bureau of Economic Research, 1975

2/ See Chapter II of this study for a description of the MERGE file.

Table III-A-1

Effective Rates of Federal and State and Local Individual Income Taxes,[a] by Family Income Classes, 1966

(percent)

Family Income Before Transfers ($000)	*Federal Individual Income Tax*	*State and Local Individual Income Taxes*	*Total Individual Income Taxes*
0- 3[b]	2.7	0.2	3.0
3- 5	4.6	0.4	5.0
5- 10	6.7	0.6	7.2
10- 15	8.1	0.8	8.9
15- 20	9.1	0.9	10.0
20- 25	9.9	1.1	11.0
25- 50	11.4	1.2	12.6
50- 100	17.3	1.7	19.0
100- 500	19.6	1.9	21.5
500-1,000	20.7	1.9	22.7
1,000 and over	19.0	1.8	20.8
All classes	9.2	0.9	10.2

NOTE: Details may not add to totals because of rounding.

[a] Effective tax rates are calculated on the basis of family income before transfers, excluding the amount of corporation income tax allocated to families in the MERGE File.

[b] Excludes families with negative incomes.

Source: Benjamin A. Okner, "Individual Taxes and the Distribution of Income," The Personal Distribution of Income and Wealth, James D. Smith, ed., National Bureau of Economic Research, 1975

Table III-A-2

DATES OF ADOPTION OF MAJOR STATE TAXES

INDIVIDUAL INCOME*

Before 1911	1911-20	1921-30	1931-40	1941-60	Since 1961
Hawaii, 1901; total, 1.	Wisconsin, 1911; Mississippi, 1912; Oklahoma, 1915; Massachusetts, 1916; Virginia, 1916; Delaware, 1917; Missouri, 1917; New York, 1919; North Dakota, 1919; total, 9.	North Carolina, 1921; South Carolina, 1922; New Hampshire, 1923[2]; Arkansas, 1929; Georgia, 1929; Oregon, 1930; total, 6.	Idaho, 1931; Tennessee, 1931[2]; Utah, 1931; Vermont, 1931; Alabama, 1933; Arizona, 1933; Kansas, 1933; Minnesota, 1933; Montana, 1933; New Mexico, 1933; Iowa, 1934; Louisiana, 1934; California, 1935; Kentucky, 1936; Colorado, 1937; Maryland, 1937; total, 16.	Alaska, 1949; total, 1.	New Jersey, 1961[3]; West Virginia, 1961; Indiana, 1963; Michigan, 1967; Nebraska, 1967; Connecticut, 1969[4]; Illinois, 1969; Maine, 1969; Ohio, 1971; Pennsylvania, 1971; Rhode Island, 1971; total, 11.
					Broad-based tax, 40.
					Grand total, 44.

*States without an individual income tax: Florida; Nevada; South Dakota; Texas; Washington; Wyoming. States with limited tax: Conn. (capital gains); N.H. (interest + dividends, and commuter tax); N.J. (commuter tax); Tenn. (interest and dividends).

Source: Advisory Commission on Intergovernmental Relations, Federal-State-Local Finances: Significant Features of Fiscal Federalism, U.S. Government Printing Office, February 1974.

The Relative Burden of the Elderly

Aged families pay significantly less income taxes as a percent of income than do the non-aged at all income levels. On average, the aged pay 6.2 percent of their income while non-aged households pay 10.5 percent. (See Table III-A-3.)

When the effective tax rates of the aged and non-aged are compared by family size, two distinct patterns emerge. First, within each family size, rates are generally lower for the aged. This is consistent with the relative difference in average tax rates noted above. However, a second interesting pattern is observable. Effective tax rates rise somewhat with family size among the elderly, while this is not a systematic pattern among the non-aged. This is most likely due to the increased probability of additional earners in larger elderly households while larger household size among the non-aged carries with it the increased probability of more dependents.

The Variability of Effective Tax Rates Within Income Classes

The structural features of the individual income tax permit wide variations in tax liabilities not only across income levels, but also for family units with similar incomes. This occurs because the individual income tax is designed to distinguish between family units on the basis of many characteristics in addition to income. For instance, particular

Table III-A-3

Effective Rates of Individual Income Taxes[a] by Age of Family Head and Size of Family, by Family Income Classes, 1966
(percent)

Family Income Before Transfers ($000)	All Families						Nonaged Families[b]						Aged Families[b]					
		Family Size						Family Size						Family Size				
	All Sizes	1	2	3	4	5+	All Sizes	1	2	3	4	5+	All Sizes	1	2	3	4	5+
0- 3[c]	3.0	4.1	2.5	2.0	1.8	1.7	3.9	5.5	3.7	2.3	1.9	1.9	1.7	2.0	1.7	0.7	1.1	[d]
3- 5	5.0	8.5	4.3	4.2	2.9	1.6	5.6	10.0	5.4	4.4	2.7	1.5	3.1	3.8	2.7	2.8	4.8	2.2
5- 10	7.2	11.5	8.2	7.4	6.1	3.9	7.4	12.4	8.9	7.5	6.1	3.9	5.5	4.9	5.7	6.0	5.4	4.5
10- 15	8.9	13.8	10.6	9.7	8.2	6.7	9.0	15.1	10.9	9.7	8.2	6.7	8.2	7.4	8.3	8.8	8.7	6.1
15- 20	10.0	12.6	11.4	10.4	9.8	8.6	10.1	14.2	12.0	10.7	9.8	8.6	8.3	8.2	7.8	8.6	9.8	8.5
20- 25	11.0	12.7	12.7	11.1	10.8	9.9	11.3	16.8	13.5	11.6	10.9	9.9	7.6	5.0	7.7	6.9	9.2	10.5
25- 50	12.6	11.4	12.5	13.4	12.8	12.5	13.1	16.1	13.8	13.7	12.8	12.5	8.0	6.1	7.2	10.3	12.6	6.0
50- 100	19.0	21.7	17.1	18.9	20.2	20.0	20.2	23.3	20.7	19.0	20.3	20.0	4.6	9.6	4.3	[d]	3.5	–
100- 500	21.5	16.4	22.0	24.7	24.1	20.3	21.6	16.4	22.1	24.7	24.1	20.3	10.3	–	10.4	–	–	–
500-1,000	22.7	19.4	23.1	23.7	25.9	23.0	22.7	19.4	23.1	23.7	25.9	23.0	–	–	–	–	–	–
1,000 and over	20.8	19.8	20.3	23.8	21.0	21.7	20.8	19.8	20.3	23.8	21.0	21.7	–	–	–	–	–	–
All classes	10.2	11.6	11.3	10.5	9.8	8.7	10.5	13.3	12.5	10.7	9.8	8.7	6.2	5.0	5.8	7.7	8.5	6.6

[a] Effective tax rates are calculated on the basis of family income before transfers, excluding the amount of corporation income tax allocated to families in the MERGE File.
[b] Families headed by an individual age 64 or under are considered nonaged; those headed by an individual age 65 or over are classified as aged.
[c] Excludes families with negative incomes.
[d] Less than half of 1 percent.

1/ The exclusion of transfer payments, which are a major source of income among most elderly, implies that the estimates of income tax burdens for aged families is probably overstated, - particularly for low income aged families.

Source: Benjamin A. Okner, "Individual Taxes and the Distribution of Income," The Personal Distribution of Income and Wealth, James D. Smith, ed., National Bureau of Economic Research, 1975.

family characteristics such as marital status of the family head, family size, homeownership, medical expenses, contributions, and so forth, - all contribute to a modification of tax liabilities over and above the criterion of income differences alone. Particularly important to the elderly is the differential treatment of income from different sources. Some income such as Social Security and Railroad Retirement benefits is not taxed at all, while other contributory retirement income is in many cases taxed at preferential rates. Taxable income from earnings, which is of secondary or tertiary importance to most employed retirees, is taxed in full. Realized capital gains are generally taxed at less than half the rates imposed on income from earnings, but even in this case the elderly receive preferential treatment on the realized gains from the sale of a home (limited to once-in-a-lifetime). A selected listing of provisions in the Federal income tax code which grant preferential treatment to the elderly is contained in the Appendix.

3. The Distribution of "Tax Expenditures"

The term "tax expenditure gives explicit recognition to the fact that special tax relief is analagous to a government expenditure. The reasoning behind the tax expenditure concept consists of two parts: first, an imputed tax payment that would have been made in the absence of the special provision is assumed, and second, the simultaneous payment of the resulting tax revenue is directly granted to the individual benefitted by the special provision. Special tax provisions take the form of exclusions from income, exemptions, deductions, credits against tax liabilities, preferential rates of tax, and deferrals of tax.

Since tax preferences may be thought of as government expenditures or subsidies to affected groups, they may also be directly translated into expenditure programs and evaluated accordingly. Three major preferences granted to the elderly are the additional exemption, the retirement income credit, and the exclusion of Old Age and Survivors Insurance (OASI or Social Security) from taxable income. The amount of revenues foregone by the Federal Government in fiscal 1974 for these three tax expenditures alone was in excess of $4 billion. 1/

Presumably, the major intent in granting these tax preferences was to alter the income distribution between the aged and the non-aged and in particular, to distribute benefits among the aged in a manner favorable to lower income aged. Estimates of the distribution by adjusted gross income class is presented in Table III-A-4. Several preliminary observations may be made: (1) Benefits accrue to all adjusted gross income classes; (2) Benefits are not concentrated on lower income aged tax filers. This is particularly noticeable in the case of the additional exemption and the retirement income credit. However, the figures in Table III-A-4 are deficient in an important respect which severely understates the inequitable distribution of tax benefits: the actual number of taxpayers in each income class diverges sharply between lower and upper income classes. Table III-A-5 adjusts for this deficiency and presents per capita benefits by adjusted gross income class.

1/ U.S. Department of the Treasury, Office of the Secretary of the Treasury, Office of Tax Analysis, unpublished estimates.

TABLE III - A - 4

Estimated Distribution of Selected Tax Expenditures of Individuals
by Adjusted Gross Income Class
Fiscal Year 1974

($ Millions)

(1) Adjusted Gross Income Class ($000)	(2) Additional Exemption for Age 65 or Over	(3) Retirement Income Credit	(4) Exclusion of Social Security Benefits for Aged	(5) Exclusion of Social Security Benefits for Dependents and Survivors	(6) Total
0-3	$ 7	$ 1	$ 470	$ 80	$ 558
3-5	95	18	460	75	648
5-7	185	22	380	60	647
7-10	268	20	470	75	833
10-15	196	19	330	55	600
15-20	106	9	140	20	275
20-50	211	10	215	35	471
50-100	56	1	45	5	107
100 and Over	26	*	20	5	51
Total	$ 1,150	$ 100	$ 2,530	$ 410	$4,190

Source: U.S. Department of the Treasury, Office of the Secretary of the Treasury, Office of Tax Analysis, Unpublished estimates.

TABLE III - A - 5

Estimated Distribution of Selected Per Capita Tax Expenditures
by Adjusted Gross Income Class
Fiscal Year 1974

(Dollars per tax filing individual age 65 and over and eligible spouse)

(1) Adjusted Gross Income Class ($000)	(2) Number of Age 65 Plus Exemptions by Income Class	(3) Percent of Age 65 Plus Exemptions in Each Income Class	(4) Additional Exemption for Age 65 and Over	(5) Retirement Income Credit	(6) Exclusion of Social Security Benefits for Aged	(7) Exclusion of Social Security Benefits for Dependents and Survivors*	(8) Total Additional Exemption, Retirement Income Credit and OASI
0-3	1,966	21.4	$ 3.56	$ .51	$ 239.06	$ 40.69	$ 283.82
3-5	2,006	22.8	47.36	8.97	229.31	37.39	323.03
5-7	1,451	15.8	127.50	15.16	261.89	41.35	445.90
7-10	1,318	14.3	203.34	15.17	356.61	56.90	632.02
10-15	1,098	11.9	178.51	17.30	300.55	50.09	546.45
15-20	495	5.4	214.14	18.18	282.83	40.40	555.55
20-50	686	7.5	307.58	14.58	313.41	51.02	686.59
50-100	130	1.4	430.77	7.69	346.15	38.46	823.07
100 and Over	47	0.5	553.19	**	769.23	106.38	1,428.80
Total	9,197	100.0	--	--	--	--	--
Average	--	--	$ 229.55	$ 12.20	$ 344.33	$ 51.41	$ 636.14

Note: Details may not add to totals because of rounding.
*Total tax expenditures by income class in this category are divided by the number of extra exemptions taken on the basis of age on the assumption that the number of eligible dependents and survivors are distributed in the same relative proportions as the aged tax filing population.

Source: U.S. Department of the Treasury, Office of the Secretary, Office of Tax Analysis, Derived from unpublished estimates.

The vertical inequities 1/ suggested previously are accentuated when tax expenditures are presented on a per capita basis (Table III-A-5). The aggregate tax expenditures in Table III-A-4 (column 6) show that the general tendency is for total tax expenditures to decline as income rises (with the exception of a slight rise after the $0 to $3,000 adjusted gross income category and a peak in the $7,000 to $10,000 dollar range). Total benefits in the lowest income range are eleven times as great as in the highest income range; the highest income group receives only slightly in excess of one percent of all benefits. This is, however, an erroneous picture.

If the same totals (Table III-A-4, Column 6) are adjusted by the number of tax filing individuals and eligible spouses aged 65 and over (Table III-A-5, Column 8) the results are just the opposite; the highest income individuals receive far greater benefits than the lowest income individuals - $1,429 to $284, respectively. The aged with incomes of $100,000 and over receive five times as much in per capita benefits as those with incomes under $3,000. This general pattern is repeated when the per capita distribution is examined separately for each preference item. The most extreme distribution occurs in the case of the additional exemption for individuals aged 65 and over. Average benefits are more than 155 times as great for those with incomes above $100,000 as they are for those with incomes below $3,000, - approximately $553. to $3.50, respectively.

1/ "Vertical equity" refers to differences in treatment of individuals or families in different circumstances; the principle suggests that people in greater need should be given greater benefits.

Significantly, the number of individuals who filed for the allowable extra exemption as head-of-household and eligible spouse, aged 65 or over, totalled slightly over 9 million persons. This represents less than one-half of the 65 plus population in 1973. This suggests that over eleven million elderly did not receive any benefit at all from the extra exemption.

The probable reasons are two-fold: first, in the case in which the elderly live in a dependency status with non-aged relatives, the non-aged tax filer cannot claim the extra exemption for the aged dependent. However, between 60 percent and 80 percent of the elderly have living arrangements with no relative present. 1/ Of those who do live with relatives, not all are dependent by Internal Revenue Service definition. Hence, dependency status is unlikely to account for a large proportion of the non-filers.

The second, and most important reason for non-filing, is that many elderly have incomes too low to be required to file a tax return. After exclusion of Social Security benefits, it is not unlikely that perhaps as many as nine million elderly do not receive benefits from most other preference items because their incomes are below the taxable level. Therefore, those most in need of financial assistance are excluded from many benefit provisions of the income tax system.

1/ Janet Murray, "Living Arrangements of People Aged 65 and Older," Preliminary Findings from Social Security Survey of the Aged, 1968, Report No. 4, Social Security Administration, September 1971.

In essence, the tax preferences translate into a program of financial assistance which in general, grants higher per capita benefits to upper income classes, and no benefits at all to those whose income is so low that they are not subject to the income tax mechanism. A direct cash allowance proposal with these features would hardly be taken seriously.

Criticism of three important preferences granted to the elderly does not mean that they are the only inequitable tax expenditures, nor are they singled out as the worst examples possible. The estimated $4 billion dollars in expenditures represented through lost revenue is but a small part of estimates of over $57 billion 1/ in tax preferences granted the business and household sectors of the economy in fiscal 1974. Similar charges of inequity may be properly levied against most other tax preferences. 2/

Of the many vices attributed to tax expenditures, one in particular deserves careful attention. Tax preferences erode the tax base and reduce revenues, thereby keeping tax rates higher than they might be in

1/ U.S. Department of the Treasury, ibid. Caution is suggested in interpreting totals: items may be interactive and are therefore not necessarily additive. Additionally, totals may differ due to differences in judgement as to which items should be included and which items excluded.

2/ For a more extensive discussion of tax expenditures, see: Stanley S. Surrey, "Tax Subsidies as a Device for Implementing Government Policy: A Comparison with Direct Government Expenditures," The Economics of Federal Subsidy Programs, Part 1, General Study Papers, Joint Economic Committee, May 1972.

the absence of such "loopholes." 1/ This works against any redistributional intent on the part of the architects of tax preferences and argues in favor of serious tax reform measures.

Conclusions and Recommendations

The aged as a group are treated more favorably than the non-aged by the individual income tax--but the middle and upper income elderly do better than the lower income elderly under existing preferential provisions. Because of the limitations inherent in the use of the income tax system as a device to render financial relief to those in need, it is recommended that no further preferences for the elderly be sought via the existing individual income tax system. Explicit expenditure programs or a negative income tax system are better suited to attaining redistributional goals.

1/ See Joseph A. Pechman and Benjamin A. Okner, "Individual Income Tax Erosion by Income Class," The Economics of Federal Subsidy Programs, Part 1, General Study Papers, Joint Economic Committee, May 1972.

B. THE PAYROLL TAX

1. Introduction

The payroll or employment tax which finances the Social Security system is the most significant in size of all general payroll taxes; revenues are second in size only to those of the individual income tax. Payroll tax revenues from covered employment are earmarked to finance the federal program of Old Age, Survivors and Disability Insurance (OASDI or Social Security) and in part, the health insurance segment of the program (Medicare) which was added in 1966. 1/

The elderly as a group pay lower payroll taxes than the non-elderly, largely due to their lower rate of labor force participation. Nevertheless, because the tax represents a larger burden to low income households than to upper income households, some suggest that the elderly who elect to remain in the labor force past the age of retirement and benefit eligibility be relieved of the payroll tax burden. Evaluation of this proposition requires further discussion of significant Social Security program features.

2. The Social Security System

Financing

Soon after its inception in 1935, Social Security was modified to make it a social insurance plan which provided legally enforceable rights to benefits after retirement in recognition of contributions (tax) during one's working life. From this point of view, the tax and the benefits are inseparable parts

1/ The Federal-State system of Unemployment Compensation is also financed by a general tax on the employer's payroll, but is far less significant in size and will be disregarded in the present discussion.

Additionally, public retirement programs other than Social Security cover employees of the Federal Government, State and local governments, military personnel and railroad employees. The financing arrangements of these retirement income programs are also excluded from consideration.

of the same program. Increases in benefits required increases in size until the system matured, thereby enabling each working generation to pay for their own retirement benefits. This approach was gradually modified, and by the 1960's became in effect a pay-as-you-go system which required the current working generation to finance the legislated benefits to the current retired generation. Nevertheless, "...Congress has always strongly believed that the tax schedule in the law should make the system self-supporting as nearly as can be foreseen and, therefore, actuarially sound." 1/

Accordingly, in addition to short-term estimates, 75 year projections are made by simulating expected benefits levels in future years which consider changes in the size and composition of the retired population, the labor force, wage rates and price levels. Simultaneous consideration is given to the interaction between benefit levels, tax rates and the taxable base in order to maintain approximate equality between revenues and expenditures over time. Distinct from short-run fluctuations which may create a temporary surplus or a deficit in revenues relative to benefit payout, recent long-run projections have indicated that under present law, higher rates of contribution as well as upward adjustment of taxable income ceilings will be required in the future to maintain actuarial balance within a closed system. This is especially true due to an apparent unintended coupling of cost-of-living and wage increases in the benefit formula. However, upward adjustments have not been unknown in the prior history of the program.

1/ U.S. Congress, Senate, Social Security Amendments of 1960, 86th Cong., 2d Sess., S. Rept. 1956, p. 37.

The system has undergone numerous changes since 1935, largely due to the growth and change in composition of the population, changes in the level of productivity and wage rates, expanded coverage, and the impact of inflation on real purchasing power. The original legislation levied a combined employee-employer rate of two percent on the first $3,000 of wages of all workers under age sixty-five in commerce and industry (except railroads) in the United States. At that time, this represented total earnings for about 95 percent of covered workers. A comparable figure for 1975 would be above $20,000. However, both the tax rate and the taxable income ceiling as well as benefit levels have continued to rise, either by legislative mandate, or as is most recently the case, by automatic cost-of-living increases and concurrent upward revision of taxable income ceilings built into the 1972 amendments. The combined tax rate is currently 11.7 percent, which is levied on the first dollar of earnings up to the maximum taxable income ceiling of $14,100, which will be raised to $15,300 as of January 1, 1976. Of the total 11.7 percent tax, 9.9 percent is earmarked for financing of OASDI, and 1.8 percent for Medicare. Nominally, employees pay 5.85 percent of the tax out of wages and earnings and employers pay the additional 5.85 percent.

Coverage

Additionally, significant changes in coverage have occurred during the 40 year history of the Social Security program. In 1950, regularly employed farm and domestic workers as well as nonfarm self-employed (except professionals) were extended coverage; in 1956, the disabled were included and in 1965 self-employed professionals were granted participation rights.

Currently, covered workers comprise significantly over 90 percent of the labor force; the majority of the remainder are covered by other public retirement programs. By 1973, 86 percent of the elderly aged sixty-five and over were recipients of Social Security benefits. By 1980, the precentage of elderly recipients is expected to rise to 90 percent.

Benefit Levels

The benefit level of a retiring worker depends upon his or her earnings history, and is calculated in two steps. First, an average monthly taxable wage (AMW) in covered employment is calculated. The AMW is based upon earnings since 1951 for practically all workers with the five years of lowest earnings excluded. Second, the primary insurance amount (PIA) is derived from a tabular benefit conversion formula which is included in the law. The conversion formula replaces fixed percentages of the preretirement AMW with the replacement percentage declining as the AMW rises over graduated intervals and a stipulated minimum benefit of $101.40 at low average earnings. Actual benefits depend upon the PIA--the retirement benefit for a single worker at age sixty-five. Those individuals who retire at age sixty-two receive 80 percent of the PIA; those who retire at age sixty-five with dependent spouses also aged sixty-five receive 150 percent of the PIA, surviving spouses of deceased workers get 100 percent of the PIA. The most recent (June 1975) benefit levels are presented in Table III-B-1. Potential monthly benefits for a single retired worker aged sixty-five range from $101.40 to $522.80 and from $152.10 to $784.20 for a retired couple both aged sixty-five. Although the dollar amount of benefits are higher at higher earnings up to the taxable income ceiling, the replacement rate is greater at low earnings levels.

TABLE III-B-1

Ratio of Old Age and Survivors Insurance Benefits
to Selected Average Monthly Earnings, Effective June 1975

		Single Retired Worker Age 65		Couple Both age 65	
Annual Earnings	Average Monthly Earnings for OASDI Benefit	Monthly Benefits (PIA)	Ratio of Benefit to Average Monthly Earnings**	Monthly Benefit	Ratio of Benefit to Prior Earnings
$ 912 or less	$ 76 or less	$101.40	above 1.33	$152.10	above 2.00
1,200	100	130.50	1.31	195.80	1.96
3,000	250	209.70	.84	314.60	1.26
4,800	400	279.80	.70	419.70	1.05
6,600	550	345.90	.63	518.90	.94
9,000	750*	425.00	.57	637.50	.85
10,800	900*	461.00	.51	691.50	.77
12,000	1,000*	485.00	.49	727.50	.73
13,200	1,100*	506.60	.46	759.90	.69
14,100	1,175*	522.80	.44	784.20	.67

Source: Social Security Bulletin, Vol. 38, No. 7, July 1975

*Projected estimates based on 1975 rate schedule. At the beginning of 1976, the highest average monthly earnings possible is $585 for a male worker retiring at age 65 and $613 for a woman.

**The ratio of benefits to most recent earnings is considerably lower than those presented in the table.

Benefit levels have risen substantially in recent years. This is due in part to the steady rise in wage rates and hence the average monthly earnings on which benefit calculations are based, and in part to congressionally legislated across-the-board increases in benefit levels. For both reasons, recent retirees generally have higher benefit levels than those who retired in earlier years when average earnings were lower.

In summary, both benefit levels and tax rates may be expected to continue to rise in the future. If the strong sentiment to maintain the self-supporting nature of the system prevails, then consideration of preferential relief from contributions for the elderly who work past retirement age cannot be considered without also considering the interactive effect on the system as a whole.

3. Should the Elderly be Relieved of the Payroll Tax?

The discussion up to this point is offered as a background for evaluation of the suggestion that the elderly who voluntarily work past retirement age be excused from further contributions towards the Social Security system.

The answer depends upon many complicated issues:

- How many elderly depend upon post retirement earnings and contributions to obtain eligibility? (This may be particularly important to women who either enter the labor force later than average or have interrupted work histories.)

- How would benefit levels of those workers currently past retirement age be affected in the future?
- Would benefit levels of future retirees be affected?
- How would this affect the long-term actuarial balance of the system?
- Will the method of financing Social Security be altered?
- How will payroll tax relief affect labor force participation by the elderly? By the non-elderly?
- Would selective taxation on the basis of age be constitutional?

First, it is assumed that voluntary relief from payroll taxes would not be a desirable program element since the uncertainty it would introduce would complicate program operation and forecasting of benefits and revenues. Compulsory termination of payroll tax payments at and above a specified age is preferable from the point of view of program administration.

Second, the answers to many of the questions suggested above are not clear. Assuming that income from which no contributions were made would not be counted in calculating eligibility and benefits as is currently the case, further research would be required to determine how many elderly with shorter than average employment histories would lose eligibility altogether. Undoubtedly, this would more harshly impact women who enter the labor force in later years and those who are involved in seasonal employment or prone to cyclical variations in employment and may therefore not have acquired sufficient quarters for eligibility prior to age sixty-two through age seventy-two.

Additionally, for those who voluntarily postpone benefits due to continued labor force participation, it is likely that in some cases the generally higher wage rates in recent years as opposed to earlier earnings would significantly raise benefit levels when employment is partially or completely terminated and benefit awards accepted. This is particularly important when one considers the provision for complete substitutability of high earnings years for the five years of lowest earnings. It is therefore not necessarily true that relief from payroll contributions will be beneficial to all aged over the long run, especially since lifetime benefits may exceed lifetime contributions among lower earnings groups.

In addition, the loss in revenues will have an adverse impact on program financing. Currently, the short-run problem of the slower rise in payroll tax revenues relative to benefit payments due to the economic downturn argues against consideration of measures which would reinforce the difficulty. Proposals for augmenting revenues through general finance measures have not been unanimously well received, nor is it likely that serious consideration would--or should--be given to raising tax rates or reducing benefits at the present time.

Over the long run, however, tax rates, taxable income ceilings and benefit levels are subject to change. Erosion of the taxable income base by selective exclusion from tax liabilities on the basis of age may work to reduce benefits of future retirees or to raise tax rates and taxable income ceilings. Although the magnitude of the effect is unknown, the direction of the possible effects in the case of tax rates and benefit levels is clearly undesirable.

Therefore, it is not clear that relief from payroll tax obligations on post-retirement age earnings would be beneficial to all elderly, to the Social Security program or to the nation.

Further study should be directed towards comparisons of the costs to the system and the fairness to participants under various options:

1. The payroll tax is terminated on post-retirement age earnings;
   - o credit is given on such untaxed earnings towards eligibility and benefit payments;
   - o no credit is given for untaxed earnings;
   - o no credit is given on untaxed earnings but an actuarial increase in benefit levels is included to compensate for the shorter period of benefit collection.
2. The payroll tax on post-retirement age earnings is continued;
   - o both post-retirement earnings and an actuarial increase in benefit levels to compensate for the shorter period of benefit collection are included in benefit calculations.

Within each of these options, it is important to know who among the employed elderly will benefit most. Additionally, options should be studied within the larger context of the impact of the payroll tax on lower income workers of all ages.

It is therefore recommended that action to relieve the elderly worker of the payroll tax should be deferred: further study should be directed towards alternative means of relieving the burden of the payroll tax on all lower income earners, taking into account the impact on the elderly worker and the costs to the system.

C. SALES AND EXCISE TAXES

1. Introduction

The general sales tax represents a major revenue source at the State and local level of government. The State is the primary user of this form of taxation and it is frequently the dominant source of State revenues. Local governments rely mainly on real property taxation, but general sales taxes are not unknown at the local level. Nearly one half of the States in 1971-72 had local jurisdictions which imposed a sales tax in addition to the State level tax, but the amounts collected at the local level were relatively small. 1/ General sales taxes are frequently criticized on the grounds that they are regressive because the poor spend a larger fraction of their income on consumption than do the rich.

Excise taxes 2/, which exist at both Federal and State levels, may be either regressive or progressive, depending upon whether the taxed commodity is primarily consumed by lower income groups or upper income groups. On balance, excise taxes tend to be regressive since they are usually levied on mass consumption items such as alcohol, tobacco and various highway and automobile related items. An excise tax may be preferred on grounds other than ability-to-pay. The purpose may be to discourage certain forms of consumption which are socially undesirable, for instance, liqour consumption. In the case of highways and highway related "user" charges such as gasoline levies, the tax affects only those consumers who receive the benefits of the

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1/ See appendix to Chapter III, Section C, for summary presentation of State and local sales tax rates, excluded items and dates of adoption of sales tax.

2/ An excise tax is a selective sales tax which is levied on a specified commodity or group of commodities.

commodity and may be considered equitable on these grounds. Excise taxes are the primary form of consumption tax at the federal level, but a relatively minor source of revenue. The concern over the regressivity of consumption taxes are therefore focused on reliance placed on these taxes at the State and local level.

2. The Burden of Sales and Excise Taxes on the Elderly

Estimates for 1966 indicate that the aged as a group were less harshly burdened by consumption taxes on average than the non-aged. Approximately 4.5 percent of the income of the elderly compared to 5.2 percent of the income of the non-elderly was extracted by consumption taxes. 1/ The relatively lighter burden of the elderly is attributable in part to their relatively lower consumption of highly taxed items such as liquor, tobacco, gasoline and automobiles, and in part to their relatively lower average incomes and the relatively larger impact of other State and local taxes, both of which act to limit their consumption expenditures in general. However, discussing the relative position of the aged to the non-aged in the context of the sales tax is similar to comparing two individuals, one of whom is a little pregnant while the other is pregnant.

The general concensus about the sales tax is that it does adversely affect the ability of all lower income groups to purchase the basic essentials of living by raising prices. The more necessary the taxed commodity, the less likely it is that the purchase can be avoided, and the more likely it is that the sales tax weighs heavily in low-income budgets. What, then, are the alternatives to the sales tax?

1/ Pechman and Okner, Who Bears the Tax Burden?

3. Alternatives to the Sales Tax: Evaluation and Recommendations

General and selective sales taxes provided an average of almost three times more revenue than did the State personal income tax. As of 1972, six States did not have an income tax and five states had not imposed a general sales tax. From a State's vantage point, the choice between the regressive sales tax and an income tax based on ability-to-pay is not clear cut.

The State Income Tax as an Alternative

The arguments in favor of the personal income tax include the following:

1. It considers ability-to-pay and may be designed so that low income households bear no burdens or very modest burdens.
2. Revenues grow automatically with growth in population or with increases in productivity.

From the State's point of view, the personal income tax also presents hazards to its fiscal position:

1. To derive the same amount of revenue as collected by a broad based sales tax would require higher marginal income tax rates, thus driving out higher income residents.
2. Just as revenues grow automatically with increases in population or productivity, they decline during unhealthy economic climates. Economic declines usually generate higher demands for many State and local services, particularly public assistance and unemployment compensation.

Therefore, with some justification, States have been concerned about the possible erosion of their tax base by the loss of high income residents and about the instability of income tax revenues. Widespread adoption of State personal income tax works against the possibility of undesirable out-migration but the instability of this source of revenue remains. There are options available at the federal level which would enhance the stability of State revenues, and therefore the desirability of the personal income tax:

1. The Federal Government could institute a program of counter-cyclical revenue sharing.
2. The Federal Government could assume full responsibility for the welfare function.

Counter-cyclical revenue sharing has many factors to recommend it:

1. Federal aid could be targeted only <u>when</u> there is a need and only <u>where</u> there is a need. The potential difficulty of turning off a program - which is present in most categorical grants - is absent.
2. It is consistent with the Federal responsibility to stabilize the economy.
3. Part of Federal aid could be tied to reduction or elimination of reliance on the sales tax. This provision would simultaneously work against both recession and inflation.
4. It would represent a step towards equalizing the fiscal disparity between rich and poor States.

Full Federal provision of welfare benefits and services with an appropriate degree of uniformity also has much to recommend it:

1. It would remove from State responsibility a volatile source of fluctuations in State expenditures that are primarily caused not by the actions of States themselves, but by the level of economic health of the economy as a whole.
2. States and localities would be able to generate sufficient revenues to cover other public services at much lower rates than currently exist <u>or</u> they would be able to offer more services or initiate desirable new services <u>or</u> some combination of the above two possibilities.
3. Differences in treatment of people in similar circumstances due to the accident of geographic location and the consequent differences in States' ability or willingness to provide welfare payments and related services would be eliminated.
4. To the extent that differences in welfare benefit levels and eligibility criteria play a role in providing an incentive for migration of the poor to more generous States, this difficulty would be eliminated. No State would be required to bear more than its "fair share" of welfare costs, as is presently the case.

5. Centralization of the proliferation of programs which currently exist at the Federal, State and local levels would avoid much of the "notch" problem. 1/

Reducing the Regressivity of the State and Local Sales Tax

The arguments in favor of the sales tax are as follows:

1. It is a relatively stable source of revenues.

2. Some of the burden of the sales tax may be "exported" to residents of other States who make purchases within the sales tax locale, but reside elsewhere. This is a compelling argument particularly for those States which rely heavily on the tourist industry.

3. A specified level of revenues can be collected at lower rates under a broad based sales tax than under a graduated income tax. The sales tax as an alternative to the income tax is therefore preferred by upper income households.

4. It is not as "visible" as an income tax since it is not deducted in a lump sum from earnings. It is extracted in small amounts and may never be summed to its total over the year. Less public opposition than otherwise is likely.

Compelling arguments against the sales tax include:

1. It is regressive and impacts the poor more heavily than the rich, and

1/ As the diversity of programs currently operate, eligibility for some programs creates an entitlement for benefits from other programs. Additionally, the benefit levels between programs are frequently inter-dependent. Loss of eligibility for a single program or small amount of additional benefits from another program or from working may mean a substantial loss in overall benefits rather than the desired increment in benefits. This situation may be compared to one in which there is a tax on income that may exceed 100 percent. The point at which the abrupt change in benefits takes place is referred to as the "notch."

2. It treats families with the same income, regardless of family size, on the same basis, thereby penalizing larger families and violating the principle of vertical equity.

As long as any of the positions which support the imposition of sales taxes are attractive to States, it is unlikely that they will be eliminated. With the growing demands on State revenues, it also is not practical to eliminate a fertile source of revenue. However, incentives to reduce reliance on the sales tax relative to the income tax and efforts to reduce the regressivity of the tax are in order. This may be accomplished with only minimal federal assistance:

1. Disallow deductibility 1/ of State and local sales taxes in calculating federal liabilities. This will deny States the "tax expenditure" subsidy and provide an incentive to decrease reliance on sales taxes.

2. Accompany the above action by using the revenue gains to the Federal Government to provide a credit 1/ against Federal income tax liabilities with a maximum ceiling per household which declines as income rises. This will provide an incentive to States to increase reliance on the personal income tax, since it will be more favorably received by State residents.

1/ Deductions are worth more to high income households than low income households. A one dollar deduction for a household in the 14 percent Federal income tax bracket will reduce liabilities by 14 cents; the same dollar deduction will reduce liabilities for a household in the 50 percent bracket by 50 cents. Credits, if properly targeted, may be worth more to lower income households.

At the State level, exemption of basic essentials such as food and drugs would significantly reduce regressivity. As of 1973, of the 45 States and the District of Columbia which imposed a sales tax, only 19 exempted food. 1/ In many cases, the exemption of food and drugs can only be accomplished by a loss of substantial revenue to the State, and would benefit not only needy households but also those households who are not in need by any standards. An alternative which would accomplish the same objective at less cost to the State would be the following:

1. Provide a tax credit against State income tax liabilities or a tax rebate which gradually diminishes as income rises until it becomes zero at some specified income ceiling.

This is similar in concept to the popular "Circuit-Breaker" programs which operate in many States to relieve property tax "overload". In fact one State (New Mexico) operates a program which is nominally a "circuit-breaker" but is more comprehensive than those designed for property tax relief. It includes both the property tax and sales tax, and avoids the adminstrative complexity of proof of claim requirements. Instead, the New Mexico Low Income Tax Credit provides average estimates of all State and local taxes at various income levels and family sizes and credits or rebates a pre-determined "standard" sum to eligible households. By "averaging" the burdens of State and local taxes within income classes, it avoids the difficulty inherent in property tax relief alone where, within any income class, higher benefits go to those with more valuable homes. 2/

1/ See Appendix to this section, Table 1.

2/ See discussion in Section D-5 of this chapter.

This would suggest that:

2. A credit or rebate against State and local taxes targeted at lower income households should include both sales and property taxes and should be considered as a replacement for existing "Circuit-breaker" and Homestead exemption programs.
3. Consideration should be given to provision of rebates to family units whose State income tax liability is less than the amount of credit entitlement.
4. Equity requires that both the aged and non-aged be included.

The loss in revenue to States could be substantially mitigated by broadening the tax base to include additional items such as "services" which are primarily consumed by upper income groups, and if necessary, basic essentials such as food and drugs. Although inclusion of "basic" items may not be desirable since the initial outlay required would act as a hardship to low income families even if refunded later, the inherent regressivity of State and local taxes would be reduced if not eliminated.

4. Appendix: Selected Characteristics of States' Sales Tax Structure

Table 1

STATE AND LOCAL SALES TAXES, JULY 1, 1973 – SUMMARY TABLE
(Percentage Rate)

State	State rate	Local rate (max.)	Food exempt	Income tax credit
Alabama	4	3a		
Alaska		5bc		
Arizona	3	2c		
Arkansas	3	1		
California	4¾	1¼*d	X	
Colorado	3	3a		
Connecticut	6.5			X
Florida	4		X	
Georgia	3	1	X	
Hawaii	4			
Idaho	3			X
Illinois	4	1		X
Indiana	4		X	
Iowa	3			
Kansas	3	½		
Kentucky	5			
Louisiana	3	3c	X (food-2%)	
Maine	5		X	
Maryland	4		X	
Massachusetts	3		X	
Michigan	4			X
Minnesota	4	1	X	
Mississippi	5			
Missouri	3	1*		
Nebraska	2½	1		
Nevada	2	1½*f		X
New Jersey	5		X	
New Mexico	4	½*		
New York	4	3*	X	
North Carolina	3	1*		
North Dakota	4		Xj	
Ohio	4	0.5*	X	
Oklahoma	2	2*		
Oregon		e		
Pennsylvania	6		X	
Rhode Island	5		X	
South Carolina	4			
South Dakota	4	2*		
Tennessee	3.5	1.75*		
Texas	4	1*	X	
Utah	4	0.5*		
Vermont	3		X	X
Virginia	3	1*		
Washington	4.5	0.5*		
West Virginia	3			
Wisconsin	4	0.5e	X	
Wyoming	3	1e		
District of Columbia	5		Xi	X

* Uniform State-collection of local sales taxes.
a – Locally-collected in some jurisdictions, State-collected in others.
b – The combined city-borough rate.
c – All local taxes self-administered.
d – A 1¼% sales tax is levied by all counties in the state.
e – Local tax authorized, but none presently imposed.
f – A one percent county tax is mandatory.
i – Food is taxed at two percent.
j – Limited.

Source: Federation of Tax Administrators, *Tax Administrators News*, Vol. 32, No. 10 (October 1968); updated by ACIR staff.

Source: Advisory Commission on Intergovernmental Relations, Federal-State-Local Finances: Significant Features of Fiscal Federalism, U.S. Government Printing Office, February 1974.

Table 2

STATE GENERAL SALES TAX RATES, JULY 1, 1973
(Percent)

2	2.5	3	3.5	4	4+	5	Over 5
Nevada[1]	Nebraska	Arizona	Tennessee	Alabama	California (4-¾)	Kentucky	Pennsylvania (6%)
Oklahoma		Arkansas		Florida	Washington (4-½)	Maine	Connecticut (6.5%)
		Colorado		Hawaii		Mississippi	
		Georgia		Illinois		New Jersey	
		Idaho		Indiana		Rhode Island	
		Iowa		Maryland		District of Columbia	
		Kansas		Michigan			
		Louisiana		Minnesota			
		Massachusetts		New Mexico			
		Missouri		New York			
		North Carolina		North Dakota			
		Vermont		Ohio			
		Virginia		South Carolina			
		West Virginia		South Dakota			
		Wyoming		Texas			
				Utah			
				Wisconsin			
Total 2	1	15	1	17	2	6	2

[1] Excludes the one percent mandatory county tax.
Source: ACIR staff compilation based on Commerce Clearing House, *State Tax Reporter*.

Source: Advisory Commission on Intergovernmental Relations, Federal-State-Local Finances: Significant Features of Fiscal Federalism, U.S. Government Printing Office, February 1974.

Table 3

DATES OF ADOPTION OF MAJOR STATE TAXES

GENERAL SALES*

1931-40	1941-50	1951-60	Since 1961
Mississippi, 1932; Arizona, 1933; California, 1933; Illinois, 1933; Indiana, 1933[6]; Iowa, 1933; Michigan, 1933; New Mexico, 1933; North Carolina, 1933; Oklahoma, 1933; South Dakota, 1933; Utah, 1933; Washington, 1933; West Virginia, 1933; Missouri, 1934; Ohio, 1934; Arkansas, 1935; Colorado, 1935; Hawaii, 1935; North Dakota, 1935; Wyoming, 1935; Alabama, 1936; Kansas, 1937; Louisiana, 1938; total, 24.	Connecticut, 1947; Maryland, 1947; Rhode Island, 1947; Tennessee, 1947; Florida, 1949; total, 5.	Georgia, 1951; Maine, 1951; S. Carolina, 1951; Pennsylvania, 1953; Nevada, 1955; Kentucky, 1960; total, 6.	Texas, 1961; Wisconsin, 1961; Idaho, 1965; New York, 1965; Massachusetts, 1966; New Jersey, 1966; Virginia, 1966; Minnesota, 1967; Nebraska, 1967; Vermont, 1969; total, 10. Grand total, 45[7].

*States without a general sales tax: Alaska; Delaware; Montana; New Hampshire; Oregon.

Source: Advisory Commission on Intergovernmental Relations, Federal-State-Local Finances: Significant Features of Fiscal Federalism, U.S. Government Printing Office, February 1974.

D. THE PROPERTY TAX

1. Overview

Public support of property tax relief, particularly for elderly persons, has increased significantly in recent years. The unpopularity of the tax - which is the mainstay of local government finance - rests on the belief that the tax is regressive, 1/ administered unevenly, and particularly burdensome to elderly people with low incomes. Although public distaste for the effects of the residential property tax has elevated discussions of property tax relief to the Federal level, there is no consensus on the need for and/or nature of Federal involvement.

This study examines alternative propositions and presents evidence to support the view that property tax liabilities are a burden to the lower income aged - as well as all lower income groups, but that property tax relief in existing forms is inequitable and is, in any case, an inefficient and insufficient means of attacking the underlying problem of current income inadequacy.

Homeownership and housing characteristics of the elderly suggest that the problem is not one of inadequate housing per se, but one of inadequate current income.

Neither the claim that the property tax is regressive or that it is progressive can be resolved due to lack of data availability and hence, empirical support. Additionally, if the proper concept of income (average income over five years or more) is employed in measuring property tax burdens, the tax appears to be roughly proportional to income. Evidence

1/ A regressive tax is one which takes proportionately more from low income groups than higher income groups; a progressive tax is one which takes proportionately more from high income groups than lower income groups, and a proportional tax is one which takes the same proportion of income from all income classes.

further supports the view that property tax liabilities do impact the elderly disproportionately in terms of current income; property tax burdens have a disproportionate impact on the elderly regardless of whether the tax is viewed as regressive or progressive.

Current forms of property tax relief which are described later in this section, are not consistent with any existing theory of property tax burdens, but are analagous to "back-door" income maintenance or housing allowance programs. As such, they are seriously flawed.

As long as property tax liabilities enter into the calculations, greater benefits go to those with greater net worth within any income class; this is not consistent with equity considerations. Other inequities exist which violate the principle of ability-to-pay, the equal treatment of households in similar circumstances (horizontal equity), and the notion that households in greater need should receive greater benefits (vertical equity). Attempts to correct the "unfair" program elements result in unfortunate tradeoffs - either other inequities result or the programs may become administratively complex and unwieldly, or excessively costly.

In any case, average annual benefits ($143 for circuit-breakers; $173 for homestead exemptions) are not sufficient to merit a program with this degree of complexity. Once property tax relief programs are considered as housing allowances or income maintenance programs, it is less clear why one particular cost of housing has been singled out for relief. In fact, property tax relief does not require that benefits, i.e., funds that are freed for other uses, be spent in any particular manner. Hence, income maintenance, which provides assistance to those deemed needy and deserving, to purchase adequate housing or other basic essentials may be a more direct, efficient and equitable form of relief.

If the popular acceptance of State and local property tax relief programs rests on the basis that it helps in reforming the regressive tax structure at the State and local level, then why exclude other more obviously regressive taxes such as the sales tax? One State does include all State and local taxes in its relief program, 1/ and the example provided by this unique effort should be studied for application in other States.

Federal intervention in the form of property tax relief is not recommended. Under proposed legislation, undesirable and unintended effects may occur.

- o States will be encouraged to increase reliance on property taxes.
- o Federal programs may be more costly than anticipated if States increase reliance on the property tax.
- o Owners and renters will not be treated equally within the same jurisdiction. A uniform percentage-of-rent will overstate the impact on renters in low tax areas and understate the impact in high tax areas: the opposite effect will occur in the case of homeowners.
- o Proposals to channel relief through the Federal income tax mechanism may not reach otherwise eligible applicants who do not file income tax returns. This group is likely to include the poor and the aged.

1/ New Mexico Low-Income Tax Credit (LITC)

The political acceptability of property tax relief programs is a reasonable rationale for the continuing existence of present programs in the short run. However, in the light of their poorly focused benefits, the Federal Government should not lend it support. Alternative means of channeling assistance to lower income households should be sought.

2. Homeownership and Housing Characteristics of the Elderly

In contrast to the below average annual income position of most elderly households, homeownership is above average - frequently mortgage free. Although ownership rates peak in the 60 to 65 age bracket, 64 percent of the elderly above that age owned their own homes, compared with 60 percent of the general population in 1972. 1/ Blacks were at least 40 percent less likely to own their own homes than whites; the disparity is slightly less between aged blacks and whites.

The majority of elderly homeowners have completed mortgage payments. Only 15 percent of elderly homeowners have a mortgage remaining, while nearly three-quarters of non-aged homeowners have a mortgaged home. Among those with existing mortgages, the amount of equity is higher for the elderly than for the non-elderly mortgagee.

Housing consumption of the elderly is also above average. The median number of rooms is 50 percent greater among the elderly than it is among the population at large. This is in part a reflection of housing needs in earlier years before younger family members departed. It also suggests that many of the elderly do retain their homes past the years of family formation and development.

1/ Bureau of Labor Statistics, Consumer Expenditure Survey, 1972-73, Tabulations Based on First-Year Diary, Press Release, May 15, 1975.

In fact, contrary to arguments that excessive tax burdens force households to move, the elderly rarely move for any reason. 1/ The likelihood of changing residence is lowest among households living in owner-occupied single family detached units, less than 1.5 perecnt per year. Owners are approximately one-fourth as likely to move as renters.

In sum, the typical housing conditions of the elderly are above average in a number of important ways: (1) rate of homeownership; (2) probability of being mortgage-free; (3) number of rooms per-person, and (4) stability of location. Certainly, not all the elderly are so fortunate, but many are. Blacks in particular are unlikely to be as well-off as their aged white counterparts. This is in part due to lower lifetime earnings and in part to housing discrimination in past years.

The favorable "average" housing conditions of the elderly relative to the non-elderly should be interpreted carefully. Measures of the "average" do not tell us anything about either the best or the worst housing conditions experienced by the elderly. Instead, they suggest that although the housing conditions of many aged households may be deplorable, the situation may not be more serious for the elderly than the non-elderly.

One complaint that frequently occurs among the aged, concerns their inability to provide proper maintenance for the housing they do have. This complaint, coupled with the preceding discussion is indicative of both the diminished physical abilities of many elderly and the low level of their incomes - rather than a housing problem in and of itself.

1/ Abt Associates, Draft Report of Property Tax Relief Programs for the Elderly: An Evaluation, Prepared for U.S. Department of Housing and Urban Development, Office of Policy Development and Research, forthcoming, 1976. The assistance of the Office of Policy Development and Research in granting access to the three volume Draft Report is gratefully acknowledged.

3. Property Tax Incidence: Theory

The incidence or burden of a tax concerns the effect a tax has on the distribution of real income for private use. The term "real income" refers not only to the dollar amount of income, but also the purchasing power it represents. Real income may change in several ways:

1. the number of dollars received by individuals may change with the prices of goods and services unchanged;
2. relative prices of goods and services may change with individual dollar income unchanged;
3. both relative prices and the dollar amount of income may remain unchanged, but the general price level may change (Pure Inflation), and
4. a combination of the above may occur.

Incidence theory and measurement is concerned with the combined effects of 1. and 2., changes in dollar income and in relative prices. The households whose dollar income and/or consumption pattern is affected bear the burden of a tax.

Tax "Liability" versus Tax "Burden"

As clear cut as the burden may appear to the average taxpayer, it is the "liability" and not the "burden" which is usually clear. The taxpayer who writes the check bears the liability, but in response he may change his behavior in an effort to avoid the tax or to pass it on to others. In response to a tax; firms and individuals may adjust their prices, sales, and purchases, thereby affecting individuals in their capacity as owners, producers or consumers of the taxed commodity. The manner in which the

complex adjustment process takes place determines the final resting place of the tax. The "burden" of a tax is borne by those affected after the adjustment process. If a tax falls on owners of capital (residential, business and commercial property, etc.) it is considered progressive, since most capital owners are in higher income brackets; if it falls on consumers, it is considered "regressive," since consumption takes a larger fraction of income from lower income households than higher income groups.

The Property Tax: Regressive or Progressive?

The adjustment process related to the property tax is a matter of some dispute. It is a matter of importance in this discussion for several reasons:

1. arguments against the property tax cite its regressivity or unfairness relative to ability-to-pay;
2. proper treatment of homeowners and renters in property tax relief programs requires knowledge of the manner in which they are burdened by the tax.

The Traditional View: The Property Tax is Regressive

The traditional view of the incidence of the property tax has been that renters pay the tax in the form of higher rents, owner-occupants in their role as consumers of housing services, and consumers in general pay the property tax on commercial and industrial property in the form of higher prices for the goods they buy. This view assumes that property taxes, as a cost of producing housing services (and other goods and services), reduces the rate-of-return or profit to investors, thereby reducing investment in residential structures (and the production of other taxed goods and services)

until prices rise sufficiently to restore the pre-tax profit level. Therefore the burden falls on consumers of housing services (owner-occupiers and renters) and in a more general way on all consumers of goods and services. Since housing expenditures and outlays for consumer goods tend to absorb a much larger fraction of current incomes of the poor than of the rich, such a tax would appear to be highly regressive.

The New View: The Property Tax is Progressive

A more recent view holds that taxes on structures (both residential and commercial) divert investment into more profitable sectors of the economy, without affecting the total level of investment, thereby lowering the rate of return to all capital owners. Under this view, the tax is progressive since capital owners are concentrated in higher income brackets.

Additionally, there are complicated effects arising out of inter-jurisdictional differences in tax rates. Investors in high tax areas can be enticed into producing housing and other local goods and services only if they receive sufficient profits to cover the higher than average local tax rate. This may be accomplished through lower wages, higher prices or lower land rents. Lower than average tax rates, on the other hand, may generate higher wages and land rents and lower prices. Residents of high tax communities may therefore experience real income losses and residents of low tax communities may receive additional benefits. The literature suggests that the deviations from the average rate of tax may reinforce rather than offset the progressive nature of the tax. 1/ More research is necessary to determine the actual effects of differences in tax rate between jurisdictions and the effects of the adjustment process on the overall level of investment.

1/ Henry Aaron, "A New View of Property Tax Incidence," The American Economic Review, Papers and Proceedings, May, 1974.

If the property tax is shifted to all capital owners, then the burden of the tax falls on individuals roughly in proportion to the value of their capital. For the vast majority of persons, homeownership represents the largest asset; individuals in their role as renters are not affected.

Under both the traditional and the new view, the analysis applies only to reproducible capital such as structures. Land is immobile; hence, that portion of the tax which falls on land is born by the owners of land regardless of the assumptions relating to the remaining portion of the tax. However, the total incidence of the tax is yet an unresolved issue.

The Measurement of Income

The conventional wisdom that the property tax is regressive is subject to criticism on yet other grounds. Economists generally agree that the economic circumstances of households are not accurately measured by annual income; household incomes may be unusually high or low over a single year. For most consumption expenditures, some short term adjustments can be made when income fluctuates; for housing expenditures, this is not the case. Housing expenditures, more so than other types of consumption, tend to be related to long-term average income or "normal" income. It follows that if tax burdens are to be allocated according to housing expenditures, then property taxes are related to normal income, not annual income.

This is of crucial importance for the following reasons:

1. Low income brackets are more likely to include households with substantially lower incomes than previously experienced or anticipated rather than temporarily higher income;
2. High income brackets are more likely to include households with higher-than-usual incomes, rather than lower-than-usual incomes.

Since this is the case, measured on an annual basis,

3. Average housing expenditure in lower income groups include the higher housing outlays (and hence, higher property taxes) of those whose income is only temporarily depressed. This makes it appear as if lower income groups generally spend a higher proportion of income for property taxes than in fact, they do.
4. Average housing expenditures and the ratio of taxes to current income will be biased downward in upper income groups for similar reasoning.

The importance of this observation is that it lessens the credibility of the argument that the poor spend a larger proportion of their income on housing and therefore on residential property taxes than the rich do - which is the basis for the traditional conclusion that the tax is regressive: Evidence points to a rough proportionality between housing expenditures and normal income. 1/

1/ For example, Henry Aaron, Shelter and Subsidies: Who benefits from Federal Housing Policies? The Brookings Institution, 1972. Appendix C, p. 213.

Relevance to Policy Considerations

Of what policy significance is the controversy over the progressivity or regressivity - or proportionality, if "normal" income is used - of the property tax?

If the tax is progressive and represents the largest burden to individuals with the highest net worth or wealth - not limited to real property holdings - then relief from current liabilities bears no relationship to the burden of the tax - and hence the problem is misspecified.

If the tax is regressive, then the large question should concern the degree of reliance placed on raising local revenues in this manner. However, regressivity alone - or progressivity alone for that matter, are insufficient grounds for determining the "fairness" of a tax; the economic incentives which result and the pattern of benefits must be examined as well as available alternative sources of revenue. If relief is offered, this view indicates that owners and renters, regardless of age should be included.

Discussion of the proportionally of residential property taxes to normal income directly raises the issue of what the terms of judging ability-to-pay should be and on what terms relief - if any - should be granted.

4. The Measurement of Property Tax Liabilities and Burdens

Studies of the distribution of tax burdens by income class come to significantly different conclusions depending upon the assumptions made about the incidence of the tax. Additionally, estimates may differ even under the same set of assumptions when different income concepts or different years are used. The results of a number of such efforts are reported here.

However, none of these estimates are intended to serve as a precise representation of the absolute magnitudes involved. Instead, they are presented as an illustration of the general direction and the relative size of burdens under different income concepts and different assumptions about the incidence or burden of the tax.

Estimates of the Tax Burden for the General Population

Pechman and Okner, 1/ have provided estimates of the burden of the property tax in their exhaustive study of Federal, State, and local tax burdens. Fortunately for present purposes, they have made calculations under differing sets of assumptions about the incidence of tax, two of which parallel the previous theoretical discussion of progressivity or regressivity of the property tax. Table III-D-1 indicates that if the burden is assumed to fall on all capital owners (Column 1), the tax as a percent of income rises as income rises. Assuming that the tax falls on consumers of housing and other taxes goods and services (Column 2), the burden is reduced as income rises. The direction and size of the numbers are in approximate accord with estimates prepared by the Musgraves 2/ for the year 1968, using a conceptually similar income concept and roughly similar theoretical assumptions.

Although tabulations of the burden of the property tax on the aged population are not presented by income class, average tax rates as a percent of income are available for the elderly and the non-elderly. (Table III-D-1))

1/ Joseph A. Pechman and Benjamin A. Okner, Who Bears the Tax Burden? The study is summarized in Chapter II of this report.

2/ Richard A. Musgrave and Peggy B. Musgrave, Public Finance in Theory and Practice, McGraw-Hill, 1973. Tables 15-1 and 15-2, pp. 368 and 370.

TABLE III-D-1 ESTIMATES OF PROPERTY TAX BURDENS, TOTAL POPULATION, 1966 1/

Income classes in thousands of dollars; tax rates as percent of family income.

Adjusted Family Income	(1) Progressivity Assumption	(2) Regressivity Assumption
0-3	2.5	6.5
3-5	2.7	4.8
5.10	2.0	3.6
10-15	1.7	3.2
15-20	2.0	3.2
20-25	2.6	3.1
25-30	3.7	3.1
30-50	4.5	3.0
50-100	6.2	2.8
100-500	8.2	2.4
500-1000	9.6	1.7
1000 and over	10.1	0.8
Average:		
All Classes	3.0	3.4
Non-Aged	2.5	3.2
Aged	5.9	4.4

1/ Source: Joseph A. Pechman and Benjamin A. Okner, Who Bears the Tax Burden? The Brookings Institution, 1974. Table 4-8, p. 59.

If the tax is assumed to be regressive, the average tax rate of the elderly is greater than both the average for the population as a whole and the non-elderly; 4.4 percent, 3.4 percent and 3.2 percent, respectively. This is almost half the size of the average burden reported by the Advisory Commission on Intergovernmental Relations (ACIR) (Table III-D-2). Both the Pechman and Okner and the ACIR estimates are based on income over the period of a year. Although the estimates are for different years (1966 and 1970), this is probably a minor part of the explanation. The ACIR estimates cover single family homeowners only, which may account for part of the difference. Perhaps more important, different concepts of income are employed. The ACIR uses current money income, while the Pechman-Okner study uses a comprehensive income definition which includes the potential claims on income represented by asset ownership. The difference, simply stated, points out that if two households have the same current incomes, but only one household owns a home, corporate securities, and insurance or pension equity, the two households are not in the same economic circumstances. The Pechman-Okner income concept considers these differences and includes estimates, albeit crude, of the income on an annual basis that such assets or wealth would represent. This suggests that census money income figures may, on average, understate the economic circumstances of the aged population.

Table III-D-1 also indicates that if the tax is assumed progressive, the average tax rate for the elderly of 5.9 percent is twice that of the population as a whole, 3.0 percent. The difference is even greater when the elderly are compared with the non-elderly alone; 5.9 percent to 2.5 percent.

Under the progressivity assumption, that is, a higher proportion of the income of the rich than of the poor is extracted, the burden of the tax on the elderly appears larger than under the regressivity assumption. Considering the relatively low current money income position of the elderly, the results may come as a surprise to many: it indicates that some of the aged possess significant property holdings, e.g., real estate, corporate stock, insurance assets, etc. This is not unreasonable when one considers the above average homeownership rates of the elderly and that older persons have had the advantage of a lifetime to accumulate equity in a home and to acquire savings or investments. Nevertheless, the fact remains that the elderly have significantly low current incomes.

Estimates of Homeowner Tax Liabilities

The ACIR takes the position that the ... "regressivity issue is something of a red herring ... There would be a need for property tax relief even if the tax were proportional - or even progressive - if the absolute level of the tax worked hardship on some persons." 1/ The observation that the level of a current tax liability may present hardship to lower income groups is without dispute; the form of relief that will adequately relieve the difficulty is less clear.

Table III-D-2 substantiates the position that on average, the elderly not only pay more tax as a percent of current income than the non-elderly (8.1 percent to 4.1 percent), but also that the tax liability removes visibly large percentages of the income of low income groups of all ages.

1/ Advisory Commission on Intergovernmental Relations, Property Tax Circuit Breakers: Current Status and Policy Issues, February, 1975.

TABLE III-D-2 ESTIMATES OF PROPERTY TAX LIABILITIES, ELDERLY AND NON-ELDERLY 1970 SINGLE-FAMILY HOMEOWNERS

(Property Tax as a Percent of Current Income)

Income Classes in Thousands of Dollars

Family Money Income	Tax as Percent of Family Income	
	Elderly (65 and over)	Non-Elderly (under 65)
Less than 2	15.8	18.9
2-3	9.5	10.1
3-4	8.0	7.2
4-5	7.3	5.5
5-6	6.2	5.1
6-7	5.8	4.3
7-9	4.8	4.1
10-15	3.9	3.7
15-25	3.3	3.3
25 or more	2.7	2.9
Average Tax:		
All incomes	8.1	4.1

Source: Advisory Commission on Intergovernmental Relations, Property Tax Circuit Breakers: Current Status and Policy Issues, 1975

What is not captured by the figures in Table III-D-2, is that there are more elderly than non-elderly single-family homeowners represented in the lower income brackets. Homeownership among the non-elderly appears to be more strongly related to current income than it is for the elderly. The vast majority of non-aged homeowners are concentrated in middle and upper money income brackets; the majority of aged homeowners are in lower money income brackets. 1/

Average patterns of income, family size and composition, and housing expenditures are most clearly reflected in the three budgets for lower, moderate and higher living standards prepared by the Bureau of Labor Statistics (BLS). The hypothetical family depicted for the non-aged includes a husband and wife with two children. The aged family consists of an urban retired couple, defined as a husband, age 65 and over, and his wife. Precise characteristics are defined for each group that are representative of the real world, based on the dicennial Consumer Expenditure Survey conducted by the Bureau of the Census for BLS. Table III-D-3 clearly shows that housing claims a greater share of the elderly household's budget at every standard of living than it does for the non-elderly.

At similar standards of living, the elderly spend roughly one and one-half times as great a proportion of income on housing as do the non-elderly, even though they are more likely to be mortgage free. One explanation is that actual housing expenditures of the elderly reflect higher home values (and hence higher property taxes) for puchases made on the basis of previously higher incomes. This, in combination with lower average incomes at the same standard of living due to differences in average family size, may explain the aged/non-aged differences.

Interestingly, the share of housing expenses in the household budget does not vary significantly as income increases. Since the typical elderly and non-elderly families are considered separately, life-cycle fluctuations in income have been removed, and the pattern remaining supports the belief that housing expenditures are indeed related to average or "normal" income and on that basis, are proportional for all income classes.

A similar pattern of proportionality is reflected in figures isolating property taxes as a share of housing costs and as a share of total budgets (Table III-D-4). Property taxes for the elderly represent approximately one-third to one-half of all housing costs, and are the single largest housing cost, aside from utilities. Property taxes represent from eight percent to nine percent of their total budget.

In sum, the elderly bear the burden of the property tax, regardless of whether it is assumed to be progressive or regressive. In the former case, they bear the burden primarily due to high rates of homeownership among the elderly; in the latter case, they bear the burden as consumers of housing with low annual income.

Although each point of view above has policy significance, the argument was presented that in any case, tax liabilities present hardship to the elderly based on diminished incomes. Because of low current incomes, the aged spend a larger fraction of their incomes for housing and property taxes than do the non-aged at similar standards-of-living (Table III-D-3), but not necessarily more than the non-aged at similar income levels (Table III-D-2).

TABLE III-D-3 HOUSING EXPENSES AS SHARE OF STANDARD HOUSEHOLD BUDGETS

Budget Level of Household	Total Budget	Housing Budget	Housing Share of Total Budget
	(dollars)	(dollars)	(percent)
Lower Budget			
Elderly:			
1967	$ 2,671	$ 939	35.2
1973	3,763	1,276	33.9
Non-Elderly:			
1967	5,915	1,303	22.0
1973	8,181	1,627	19.9
Moderate Budget			
Elderly:			
1967	3,857	1,330	34.5
1973	5,088	1,839	36.1
Non-Elderly:			
1967	9,076	1,756	19.3
1973	12,626	2,908	23.0
Higher Budget			
Elderly:			
1967	6,039	2,066	34.2
1973	8,043	2,873	35.7
Non-Elderly:			
1967	13,050	3,340	25.6
1973	18,201	4,386	24.1

Source: Bureau of Labor Statistics, Three Budgets for a Retired Couple in Urban Areas of the United States, 1967-68, and Supplement, 1973; Three Standards of Living for an Urban Family of Four Persons, 1967, and Supplement, 1973.

TABLE III-D-4 PROPERTY TAXES IN THE ELDERLY BUDGET
(Homeowners)

Budget Level	Property Taxes As a Share of Structure-Related Housing Costs	Property Taxes As a Share of Total Budget Costs
Lower	36.8%	9.2%
Moderate	42.7%	8.7%
Higher	45.9%	8.2%

Source: Bureau of Labor Statistics, Three Budgets for a Retired Couple in Urban Areas of the United States, 1967-68.

5. Current Forms of Property Tax Relief: Description and Evaluation

General Feature of Typical Property Tax Relief Programs

At present, 48 States and the District of Columbia operate, or permit localities to operate, a total of 83 different property tax relief programs.

"Circuit-breakers" have been rising in popularity and represented a total expenditure of nearly half a billion dollars in benefits to 3.5 million beneficiaries in 1974. The average payment was $143. Homestead exemption programs, which pre-date the circuit breaker approach, disburse substantially greater sums of property tax relief benefits to more recipients: over a billion dollars in benefits were distributed to six million recipients with an average benefit of $173. Though not as widely used, tax deferral and tax freeze mechanisms are also in operation. A description of the major forms follows:

Circuit Breakers

According to the ACIR, "Property tax circuit-breakers are tax relief programs designed to protect family income from property tax "overload" the same way that an electrical circuit-breaker protects the family home from current overload." Benefits are paid in the form of a credit against State income tax liability or in the form of a direct rebate.

The coverage may vary:

- "Basic" circuit-breakers are limited to elderly homeowners, typically age 65 and over.

- o "Expanded" circuit-breakers include elderly renters along with homeowners. A proportion of rent-typically 15 to 25 percent is assumed to be the property tax equivalent.
- o "General" circuit breakers include the aged and non-aged, homeowners and renters.

The benefits may vary depending upon the formula approach used:

- o The threshold approach provides relief only to households whose property tax liability exceeds some set percentage of household income. Frequently, the threshold percentage rises as income rises; either a different fixed percentage applies to different income classes, or the increases may be graduated so that successively higher percentages apply to increments in income (similar to the Federal income tax).
- o The sliding scale approach provides relief on the basis of a fixed percentage of property tax (whether high or low) for each eligible household within a given income class: the rebate percentage usually declines as income rises.

Benefit levels are also sensitive to the relief limits set and/or the maximum income specified for eligibility as well as the level of taxes in a jurisdiction and home values and assessment practices.

Homestead Exemption Programs

Homestead exemptions operate through a fixed percentage reduction in the assessed value or the actual tax bill. Renters, since they receive no property tax bills, are not included in the program. Although income may be used as a relief eligibility criterion under this program, it is not used as a factor in determining the amount of relief to be provided. Typically income eligibility limits are set at or below a specified maximum income level, or tax as a percentage of income defines eligibility limits.

Tax Freezes

These programs, which are directed at the elderly, hold tax rates at a set level, - usually the level that was applicable at age 65. The participant is excused from the liability of tax increases which may occur; lowering of tax liabilities is not disallowed.

Tax Deferral Programs

The deferral program operates in a manner similar to a loan program. Those who are eligible may defer all or part of their property taxes in exchange for a property lien. When the property title is transferred to a buyer or an heir, the loan-consisting of cumulative deferred taxes (plus interest in some States), must be repaid to the taxing jurisdiction.

Evaluation of Existing Programs

Property Tax Relief Programs as a Form of Income Maintenance

States differ in tax structure, tax rates and intra-State income distributions and due to the proliferation of programs, the different mix of programs among States, the different eligibility criteria, benefit levels,

formulas, and participation rates, - state-by-state comparisons or generalizations about the effectiveness of the total program is difficult if not impossible. 1/ Then, too, there has been a very brief experience with this public policy initiative. However, if the major relief programs - circuit-breakers and homestead exemptions - are viewed by analogy as percent-of-rent housing allowances and income maintenance programs to lower income groups, it can be shown that they function quite imperfectly.

The analogy to housing allowances and income maintenance programs are justified for several reasons:

1. The pattern of benefits generated by relief programs is inconsistent with existing theories of property tax burdens - regardless of which point of view one holds.

If the tax is regressive, the analysis holds that the burden is borne by renters, owner occupants and other consumers of goods and services which are produced with taxed nonresidential property. Relief should then be granted to all owners and renters in their roles as both consumers of housing services and other taxed goods and services. States are far from consistent on this matter; seven states out of a total of 25 states exclude renters, all homestead exemptions exclude renters, the non-aged are included in fewer programs than the aged, and several States have made eligibility provisions for the disabled. This is far from consistent with the point of view that claims owners and renters - regardless of age or other physical characteristics - bear the burden of the tax.

1/ For a comprehensive discussion of state-by-state programs and a comprehensive evaluation, see ABT Associates, Property Tax Relief Programs for the Elderly.

If the tax is progressive, then the burden falls on owners of all types of property roughly in proportion to wealth holdings. Renters per se are not included and the burden has no relationshilp to current property tax liabilities as a determinant of eligibility or benefit levels.

2. The use of tax liabilities in relation to current income is incompatible with the generally accepted premise that housing expenditure decisions and therefore tax liabilities relate to the average level of past-income or expected income over periods of longer than a year. Under this view, the property tax is at least proportional, perhaps slightly progressive.

It has been argued that where one has been (past average income) or where one is going (average expected income) matters little..." when faced with the harsh reality of property taxes that consume a large percentage of the low-income family's budget." 1/ The author of this sentiment goes on to say that "... in a real sense, the regressivity issue is a red herring." It might well be added that the progressivity issue is also a red herring.

The concern of most circuit breaker programs is with current tax liabilities and current income. Obviously, it is difficult to measure anything else and present economic circumstances do count. Even economists who engage in calculations using "normal" income are careful to weight current income more heavily than those of former years.

3. That the programs function as an income maintenance scheme is implicitly embodied in the behavior of at least two States: Connecticut and Wisconsin. Relief is granted to occupants of subsidized or untaxed housing, - which are already receiving preferential treatment through tax abatements, reductions, or tax forgiveness. 2/

1/ ACIR, Property Tax Circuit-Breakers: Current Status and Policy Issues.
2/ ABT Associates, Property Tax Relief Programs for the Elderly.

None of the discussion is meant to suggest that relief, because it is so poorly focused in the light of theoretical insights, should not be granted to affected groups. However, if property tax relief programs are in reality a form of income maintenance 1/ then the appropriate question to ask concerns how well they perform that function.

2. Evaluation Criteria

There are a number of ways by which program effectiveness may be judged:

1. Target Efficiency: Does the program target aid to those most in need?
2. Overall Efficiency: Does the program reach its objective at less cost than alternative programs?
3. Horizontal Equity: Are people in similar circumstances treated similarly?
4. Vertical Equity: Are people in greater need given greater benefits?
5. Adequacy: Are the benefits sufficient to provide an adequate level of relief?
6. Administrative Simplicity: Is the operation of the program - determination of eligibility, level of benefits and manner of payment simple? Does it avoid difficult judgements or costly procedures?

1/ It is recognized that other motivations exist, among which attaining support for local school finance may be prominent. Although not necessarily a subsidiary issue, it is not totally consistent with either the current forms of state and local property tax relief, or the major concerns of this study.

No program may be expected to achieve all objectives equally well: trade-offs, for instance, between administrative simplicity and equity, adequate levels of relief and program costs, or program efficiency and political feasibility are the rule rather than the exception. It is within the purview of the decision-maker to determine exactly what these trade-offs will be.

3. Who gets the Benefits?

The distribution of benefits and the amount of benefits depends upon a mixture of the following factors:

- Age
- Tenure (Homeowner or Renter)
- Income Limits
- Income Definition
- Net Worth
- Deductibles or Coinsurance
- Benefit Formulas
- Maximum Benefits
- Household Unit definition
- Total program monies available
- Length of Residence in Jurisdiction

One result of the program mechanism is that it is possible to target most aid to lower income groups - but in all programs, within each income class, participants with the greater net worth receive greater benefits. An example will illustrate the point. Suppose households are exempted from property tax liability in excess of the following fractions in income: 1/

Income	Property tax in excess of
$3,000 or less	3 percent
$3,001 to $7,000	4 percent
$7,001 to $10,000	5 percent
$10,001 to $15,000	6 percent

The ceiling is set at $15,000 in this case; maximum benefits are $500, and there is no net worth test. The distribution of benefits resembles those of Table III-D-5: The results violate the most commonly held notions of equity and efficiency; households with greater net worth receive greater benefits within each income class. This not only violates the ability-to-pay principle, but may also be unnecessarily costly. Homestead exemptions are subject to this criticism even more obviously than circuit-breakers.

Although most State plans are less generous than the example presented, those that restrict aid to the elderly will exhibit this pattern even more clearly than those States which do not. The elderly have greater net worth at each income level than the non-elderly.

1/ These are the figures from the Muskie-Percy bill (S.1255) which was intended to support state tax relief efforts. It is used as a hypothetical example which is not untypical of state programs.

TABLE III-D-5 AVERAGE ASSISTANCE PER HOUSEHOLD BY INCOME AND NET WORTH CLASS (1972 dollars)

Income class[a]	All net worth classes	Net worth class: Less than $0	$0-10,000	$10,000-20,000	Over $20,000
Less than $0	216	b	123	298	281
$ 0- 3,000	133	122	113	145	210
$ 3,000- 5,000	122	92	93	111	196
$ 5,000-10,000	122	83	85	102	193
$10,000-15,000	191	b	b	123	203
Average	129	95	103	124	201

Source: Brookings MERGE file, updated to 1972 values.
a. Income is equal to Census money income plus realized capital gains.
b. Cell contains fewer than 10 sampling observations.

Source: Henry Aaron, What Do Circuit-Breaker Laws Accomplish? Reprint 277, The Brookings Institution, 1973.

In the case of circuit-breakers, similar difficulties arise in the treatment of homeowners and renters. If renters are not included - and many States do not include them - then, equity is again violated. Since an owned home is a part of net worth (and the largest part for most lower income families) which renters do not have, equity considerations would argue that renters and not owners should receive preferential treatment. Where both are included, the same line of reasoning would suggest that renters receive higher benefits since they may have higher housing costs. Homeowners are likely to have accumulated principal on their mortgages, to pay less since costs were determined at earlier less inflationary periods, or to have paid off their mortgages completely.

All this would suggest that an asset test is in order, but this presents other difficulties. First, what assets should be considered? If the home is included as an asset, such a test is inconsistent with maintenance of homeownership.

All assets are difficult to value and present enormous verification problems and add to administrative complexity and costs. Residential property assessment is particularly subject to error; practices differ, difficult judgements are involved, and sloppiness is not unknown. Additionally, regardless of how assets are computed, an asset test may still violate horizontal equity. A minor difference in assets may determine one household eligible and completely exclude another household that is in approximately similar circumstances. Many states have opted to forego asset tests altogether or use partial tests such as allowing

credits up to a fixed amount of home value, no matter what proportion of the home value the amount represents. Nevertheless, the difficulty in determining what the "fair share" for the renter should be is unresolved; states that include renters resort to rough rules-of-thumb.

Other important questions remain: <u>what income, how much income</u> and <u>whose income</u> should be considered in determining eligibility?

Generally, comprehensive definitions of income are more difficult and costly to obtain and validate than simple ones such as "taxable income." Most states do attempt to include most types of income which are important in determining ability-to-pay, but differences remain. Some differences are probably related to the states program size and hence the costs and benefits to the state of using more refined definitions and more costly verification procedures.

Income ceilings are not an essential element of circuit-breakers since maximum credits or rebates may serve the purpose of restricting aid. Income ceilings may serve to limit aid to low income families, but in so doing may exclude some equally overburdened families in higher tax districts within a state. Equity would call for different income ceilings within a state related to the differences in the tax rates among jurisdictions. Again, administrative cost and complexity weigh against equity considerations.

In asking whose income shall be included, most States have a simple answer. The household unit is usually defined as claimant and spouse. Both the costs that result from larger family size and the benefits that result from income of additional family members are often neglected. Thus, distortions of vertical and horizontal equity may occur. The alternative is more administrative difficulties and higher administrative costs.

In general, programs are less costly if aid is restricted to the elderly. The arguments in favor of preferential assistance to the elderly are based both on diminished incomes and psycho-social bases suggesting that their lifestyle should to as great an extent as possible remain unchanged. Some would suggest that many elderly are better off than non-aged families at the same income level since the younger age groups have larger families and greater family responsibilities and costs associated with working, while older age groups rely more heavily on tax-exempt sources of income and benefit additionally from double exemptions on the Federal individual income tax. On equity grounds, both elderly and non-elderly should be included.

In summary, (1) fine-tuning of programs result in trade-offs between horizontal and vertical equity, program efficiency and introduce complex and unwieldy administrative problems; (2) refinement of program elements cannot be accomplished on a uniform basis, either across States or within States; (3) the general tendency of the inclusion of "property tax liability" in calculating benefits is to grant greater relief to those with higher net worth within any income category and (4) the average level of benefits ($143 for circuit breakers and $173 for homestead exemption programs) is unlikely to significantly upgrade any household's standard of living.

6. Effects of Federal Intervention

From the taxpayer's viewpoint, the residential property tax has been a particularly unpopular item in the menu of taxes ever since its inception. A shift away from the property tax occurred during the depression of the 1930's; the shift away from property taxation has been visible during the past decade. This tendency is reinforced by the growth of State and local property tax relief programs. Federal programs or Federal participation in State and local programs may reverse this trend.

First, Federal intervention whether phrased in terms of relief to individuals through credits and rebates via the Federal income tax system or direct subsidy of State property tax relief costs - act as a form of revenue sharing. From the Federal stance, the distributional effects across States are important.

A uniform Federal program for relief from property tax liabilities across all States will reward States differentially (or the residents of each State) in several ways:

1. States (or state residents) will be rewarded relative to the degree to which States rely on property tax collections relative to other sources of revenue;
2. According to the size of State's residential property tax base relative to non-residential property tax base;
3. In part according to the average value of residential structures (wealth) of the State (or of individuals).

These are not mutually exclusive categories, nor are they a comprehensive listing of all the distributional effects of Federal participation on a uniform basis across all States. The stated effects are sufficient, however, to make an important point: the distributional effect is not neutral.

For example, Table III-D-6 illustrates the distributional pattern under the property tax relief cost-sharing bill introduced by Senators Muskie and Percy in 1973. The Northeast is overwhelmingly favored while the South enjoys considerably less benefits than any other region in the nation. The South, has traditionally had less reliance on property taxes as a source of revenue than other regions. This may be in part due to the observation that the South contains relatively larger proportion of the poverty population, and hence a relatively smaller tax base, and in part due to its ordering of priorities. 1/

The likely result of uniform treatment under a federally sponsored program is that states will be encouraged to place greater reliance on property taxes relative to other forms of taxation, since some of the cost will be shifted to the Federal level. This is particularly true for those areas that currently have below-average reliance on the property tax. This is inconsistent with reducing the impact of property taxes on lower income households.

Second, if proposed programs are costed out on the basis of existing tax structures, and states are provided with incentives to change that tax structure - cost estimates may be wide of the mark. A Federal program could be far more costly than anticipated since states may change their tax structure to gain maximum Federal dollars.

If aid is restricted to the elderly, similar tendencies will result; only the scale will change. However, equity requires that aid include all lower income households.

1/ As an aside, the pattern of benefits across States illustrates why property tax relief in current forms as a vehicle to correct inequities in local school finance will behave perversely: it directs aid to property rich areas.

TABLE III-D-6

DISTRIBUTION OF CIRCUIT-BREAKER BENEFITS UNDER S. 1255 (PROPOSED) BY CENSUS REGION

Census Region	Total benefits (millions of dollars)	Percent of total benefits	Average benefit (dollars)
Northeast	917	44	164
North Central	594	29	124
South	140	7	58
West	413	20	130
National	2,064	100	129

Source: Brookings MERGE file, updated to 1972 values.

Source: Henry Aaron, What do Circuit Breakers Laws Accomplish?

The effect of uniform treatment among homeowners and among renters would also distribute benefits differently between taxpayers in the same region. Among homeowners, those in high tax regions would receive greater benefits than those in low tax regions. For renters, the opposite occurs. A uniform percentage of rent considered to be the renters share of taxes will overstate the impact on renters in low tax areas and understate the impact on renters in high tax areas. Thus two households within the same community and in similar economic circumstances, - one a homeowner and one a renter, will be treated differently.

Another objection may be raised in addition to the other considerations mentioned above. Proposals which operate through the Federal income tax system for reasons of administrative simplicity, may overlook those households most in need. The Federal income tax population consists of individuals with taxable income. It will not reach many households whose income is too low to file a return or whose income source is tax exempt, i.e., the poverty population and the aged.

For all of the above reasons, Federal intervention is not recommended in the form of property tax relief assistance. Adequate income maintenance or housing allowances to all lower income households is a preferred vehicle for Federal aid.

APPENDIX

FEDERAL INCOME TAX TREATMENT OF THE ELDERLY*

Generally, Federal income tax laws apply equally to all taxpayers regardless of age. However, there are some income tax provisions which are specifically geared toward the elderly. Family members who support aged relatives are also provided special tax treatment in some cases. In addition, there are some provisions of general applicability which may be of particular benefit to the elderly. A number of these types of provisions are outlined below.

1. Social Security and Railroad Retirement Benefits

Social security benefits received, monthly or in a lump sum, from the Federal Government or from a State under the Federal social security program are not taxable. Railroad retirement benefits are also excluded from taxation.

2. Personal Exemptions

In addition to the standard personal exemption of $750, a taxpayer is allowed an exemption of $750 if he was 65 years of age or over on the last day of the year. An additional $750 exemption is also allowed if a taxpayer was blind on the last day of the year.

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* Prepared by Ann Marley, Analyst in Taxation and Fiscal Policy, Congressional Research Service, Library of Congress, August 1972. Updated to 1975.

A taxpayer may claim a personal exemption for any dependent with less than $750 of gross income and for whom he provided over half the support. Frequently, this exemption arises in the case of a taxpayer supporting an elderly parent. In applying the "$750 gross income test," tax exempt income, such as social security and railroad retirement benefits, is not included in gross income for tax purposes. However, excludable income is counted in determining whether the taxpayer has furnished over half of the dependent's support. A taxpayer may not claim the age and blindness exemptions for a dependent.

3. Low Income Allowance

For individuals who do not itemize their personal deductions, present law provides a percentage standard deduction of 16 percent of adjusted gross income with a maximum allowable deduction of $2,300 for single persons and $2,600 for joint returns, or a low income allowance of $1,600 for single persons and $1,900 for joint returns, whichever results in a larger deduction. The low income allowance is designed so that used in conjunction with the personal exemption, it will free persons below the estimated "poverty level" from income tax. This provision may be of special importance to elderly individuals living on fixed retirement incomes.

4. Pensions and Annuities

What portion of the pension or annuity payments received each year is taxable usually depends upon whether the retiree contributed to the cost of the pension or annuity and, if so, whether the retiree's part of the cost will be recovered within three years from the date he received the first payment. If a retiree did not contribute to the cost of his pension, and it was fully paid by his employer, usually he is taxed on the full amount he receives each year.

If a retiree contributed all or part of the cost of his pension or annuity, only part of each periodic payment he receives will be taxed, whether he obtained his pension from a commercial organization or in connection with his employment.

If both the retiree and his employer contributed to the cost of his employee pension or annuity, and the retiree will recover his contribution within three years after the date he receives the first payment, no part of the payments he receives is taxable until his cost is recovered. After his cost has been recovered, all amounts he receives are included in gross income. If the retiree will not recover his cost within three years, generally the pension or annuity payments he receives each year are partially taxable and partially nontaxable.

5. Retirement Income Credit 1/

Present tax law provides the taxpayer 65 years of age or over with a credit against income tax equal to 15 percent of the total retirement income received from pensions, interest, rents, dividends or other passive income. For purposes of computing the credit, retirement income may not exceed $1,524. The maximum benefit for a single person is $228.60.

To qualify for the credit an individual must have received more than $600 of earned income in each of any 10 calendar years before the current year.

The income eligible for the credit is reduced by nontaxable pensions, such as social security and railroad retirement benefits. Eligible income is also reduced by 50 percent of earnings over $1,200 and 100 percent of earning over $1,700. This earnings limitation does not apply to individuals 72 and over. For most married couples, the limitation on retirement income eligible for application of the credit is $2,286, which is equal to one and one-half times the limitation allowed a single person. However, in some cases where both spouses can qualify for the credit, a credit limitation of up to twice that of a single person is permitted.

1/ A more detailed discussion of tax provisions concerning pensions, annuities and the retirement income credit are included in Internal Revenue Service Publication 524, Retirement Income and Retirement Income Credit.

Individuals who are under 65, but who are retired under a public retirement system, are allowed a similar credit on amounts up to $1,524 of pensions and annuities received under a public retirement system. They are not entitled to a credit for such income as dividends, interest, or rents, however. If the individual is also under 62, the retirement income limitation is reduced dollar for dollar for earnings above $900.

[The current tax reform bill (1975) reported from the House Ways and Means Committee includes important changes in the Retirement Income Credit such as an increase in size of the credit and restructuring to remove many complications in the existing provision. It was made a tax credit available to all taxpayers age 65 or over regardless of whether they have retirement income or earned income.

The maximum amount on which the credit is computed would be increased to $2,500 for single persons age 65 or over an to #3,750 for married couples filing joint returns where both are 65 or over.

The maximum amounts for computing the credit would be reduced by Social Security benefits and other exempt pension income. The amount on which the credit is based would be phased out above income levels of $7,500 for single persons and above $10,000 for married couples. Above these income levels, the amount on which the credit is computed would be reduced by $1 for each $2 of adjusted gross income above the indicated levels.] 1/

6. Disability Pension 2/

If an employer's accident and health plan provides for the payment of a disability pension when an employee becomes permanently disabled due to sickness or injury before he reaches retirement age, he will be able to exclude from gross income all or a part of the amounts he receives, under the rules for the sick pay exclusion, up to the time he reaches retirement age. After he reaches retirement age, he may still be able to exclude payments he receives or he may be required to include them in gross income. The extent to which he excludes such amounts depends on how his pension was financed.

1/ Joint Committee on Internal Revenue Taxation, Retirement Income Credit, Child Care Deduction, Qualified Stock Options, and Sick Pay Exclusion, Committee Print, September 22, 1975. Errors or omissions in this insert are the responsibility of the study author, and are not to be attributed to Ms. Marley.

2/ A more detailed discussion of this provision is included in Internal Revenue Service Publication 522, Adjustments to Income for Sick Pay.

7. Expenses for Care of Certain Dependents

A taxpayer who maintains a household may claim a deduction for employment-related expenses incurred in obtaining care for a dependent who is physically or mentally disabled or for a disabled spouse. Employment-related expenses include expenses for household services and expenses for the care of the disabled dependent or spouse which are incurred in order to permit the taxpayer to be gainfully employed. These expenses are deductible only if incurred for services in a taxpayer's household. 1/

The maximum deduction is $400 a month. The deduction is fully available both for an unmarried taxpayer and for married taxpayers if their combined adjusted gross income is not above $35,000. (Married couples must file a joint return in order to be eligible for the deduction.) For taxpayers with incomes above $35,000, the otherwise allowable deduction must be reduced 50 cents for each dollar of income above $35,000.

1/ The Senate Finance Committee gave as one reason for the allowance of a deduction for household help in the case of an incapacitated dependent (or spouse) its belief: "... that to the extent possible it is desirable to make provisions for the care of incapacitated dependents in the home rather than institutions outside of the home." (Sen. Rept. 437 to accompany H.R. 10947, The Revenue Act of 1971).

The employment-related expenses deduction in the case of a disabled dependent must be reduced by the amount which such an individual's adjusted gross income and nontaxable disability payments received during the year exceed $750. In the case of a disabled spouse, the deduction must be reduced by the amount of disability payments received by the spouse during the year. The expenses to be offset are only those expenses solely attributable to the disability of the individuals and are not to include the household service expenses which would be allowable in the absence of the individuals for whom the disability dependent care deduction is taken.

8. Nursing Homes, Homes for the Aged

If an individual is in a nursing home or a home for the aged because of his physical condition, and the availability of medical care is a principal reason for his being there, the entire cost of maintenance (including meals and lodging) may be included in medical expenses for purposes of the medical expense deduction.

9. Sale or Exchange of Residence

Present tax law permits a taxpayer to elect to exclude from gross income any gain from the sale or exchange of his residence, provided (1) the taxpayer was at least 65 years of age before the date of the sale or exchange, and (2) he owned and occupied the property as his principal residence for a period totalling at least five years within

the eight year period ending on the date of sale. Taxpayers meeting these two requirements can elect to exclude their entire gain if the adjusted sales price is $20,000 or less. If the adjusted sales price is over $20,000, an election may be made to exclude part of the gain. The adjusted sales price is the amount realized from the sale after commissions and other selling expenses minus certain fixing-up expenses. The taxpayer can avail himself of this provision only once during his life.

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HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

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The Interrelationships of Benefit Programs for the Elderly

Federal Council on the Aging

FEDERAL COUNCIL ON THE AGING
WASHINGTON, D.C. 20201

December 29, 1975

The President
The White House
Washington, D.C. 20025

Dear Mr. President:

On behalf of the Federal Council on the Aging, I am pleased to submit a "Study of the Interrelationships of Benefit Programs for the Elderly."

This study was undertaken to fulfill the legislative mandate of the 1973 Amendments to the Older Americans Act, Section 205 (g):

> The Council shall undertake a study of the interrelationships of benefit programs for the elderly operated by Federal, State, and local government agencies. Following the completion of this study, but no later than eighteen months after enactment of this Act, the President shall submit to Congress recommendations for bringing about greater uniformity of eligibility standards, and for eliminating the negative impact that one program's standards may have upon another.

The 1975 amendments to the Older Americans Act extended the time by which the President is to submit recommendations to January 1, 1976.

Recommendations based on the findings of this study are also included for your consideration.

Sincerely,

Bertha S. Adkins

Bertha S. Adkins
Chairman

The Interrelationships of Benefit Programs for the Elderly

December 29, 1975

FEDERAL COUNCIL ON THE AGING
WASHINGTON, D.C. 20201

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I. PREFACE

The 1973 Amendments to the Older Americans Act direct the Federal Council on the Aging to:

> "Undertake a study of the interrelationships of benefit programs for the elderly operated by Federal, State, and local government agencies. Following the completion of this study, but no later than eighteen months after enactment of this Act, the President shall submit to Congress recommendations for bringing about greater uniformity of eligibility standards, and for eliminating the negative impact that one program's standards may have on another."

The 1975 amendments to the Older Americans Act extended the time by which the President is to submit recommendations to January 1, 1976.

The Council contracted with the Urban Institute on June 25, 1975 to carry out the study under contract #HEW-100-75-0120. The staff of the Human Resources and Income Security Project of the Institute compiled the supporting data for this activity which is contained in the three Appendices described briefly as follows:

Appendix I - "Handbook of Federal Programs Benefiting Older Americans" presents each of 34 programs in a consistent framework based primarily upon common program elements, such as mode of financing, eligibility criteria, benefit formulae, magnitude of program cost and number of beneficiaries.

Appendix II - "Programs for Older Americans in Four States: A Case Study of Federal, State, and Local Benefit Programs" reports on visits to four States for the purpose of identifying and describing benefit programs for the elderly which would be illustrative, although not necessarily statistically representative of State-level activities nationwide.

Appendix III - "The Combined Impact of Selected Benefit Programs on Older Americans: A TRIM Analysis" focuses on the interrelationships among selected benefit programs for the elderly and attempts to measure the level and extent of these interrelationships. It contains the results of the computer simulation model utilized for the analysis.

The conclusions and recommendations herewith presented, while based upon the findings of the Urban Institute study, reflect the formal unanimous action of the Federal Council on the Aging taken at its meeting of December 3-5, 1975 in Washington, D.C.

The Secretary of the Department of Health, Education, and Welfare and the Commissioner on Aging are ex-officio members of the Council, but they do not participate in the development of recommendations by the Council because of the fact that such recommendations are made, under the law, to them, to the President, and to the Congress.

II. PHILOSOPHY AND SCOPE OF WORK

Over the past 15 years government expenditures on social welfare programs have increased dramatically. Much of this growth has been due to increased participation in and the expansion of coverage of the public assistance programs enacted in the 1930s. Equally important, however, has been growth resulting from the creation of new programs. While new programs have most often been established in response to a real need, very little concern has been shown for the relationships among programs. Not only is each individual program complex, but each program's specific provisions are often unique, even though its goals might be similar to those of another program. This has led to administrative complexity and expense, inequities in the distribution of benefits and requirements for eligibility, and confusion among the potential recipients. Indeed, in some cases there has been great divergence between planned and actual impact. The situation has been made even more complicated and confusing by the tangled mix of benefits, which now include cash, food, housing, and medical care, as well as a long list of services. Different kinds of benefits flow from different programs.

Clearly the present situation should be improved. However, no simple solutions are available. One major difficulty is the lack of information about the extent and, in some cases, the nature of the problem.

The objective of this study is to provide information and make recommendations regarding the effects of the interrelationships of benefit programs for the elderly. The elderly are a particularly significant group to consider because they have special needs, a high incidence of poverty,

are the focus of several programs, and are particularly likely to participate in more than one benefit program. Having surveyed Federal programs nationwide and State programs in four States, and after analyzing the interaction of the major Federal programs affecting the elderly (via the Transfer Income Model[1] and other analysis), we have now developed a set of recommendations which would mitigate or eliminate the most serious problem arising from the complex of overlapping programs for Older Americans.

Our recommendations flow largely from the nationwide study since the State studies were limited to four States. TRIM analysis has demonstrated that in 1975 approximately 22 percent of older Americans will receive assistance from at least one of the three income-conditioned programs - SSI, Food Stamps and Medicaid. Of these beneficiaries, 49 percent are estimated to participate in only one program, 34 percent in two programs and 17 percent in all three programs. The most significant overlap is between SSI and Medicaid with 41 percent of the recipient units receiving assistance from both. The Food Stamp/Medicaid overlap affects 26 percent of the recipient units while the Food Stamp/SSI overlap involves only 18 percent. Thus, considerable overlap exists between programs. Over 50 percent of the participants, nearly 3.5 million units, receive benefits from 2 or more programs, and all of these units are likely at some time to be affected by program interactions.

The purpose of this study is spelled out in the report of the House Education and Labor Committee that accompanied the 1973 Amendments to the Older Americans Act:

> ". . .the Council is to undertake a study of the interrelationships of benefit programs for the elderly operated by Federal, State and local government agencies. At least nine major programs, operated by five Federal departments and agencies,

[1] See "The Combined Impact of Selected Benefit Programs of Older Americans" for a description of the Transfer Income Model, Appendix I.

> impinge directly on each other. These include social security (OASDI), veterans benefits, old age assistance, medicare, medicaid, low rent public housing, Federally assisted private housing (Section 202, 236), food stamps, and manpower training.
>
> At the present, problems occur when older people are eligible for assistance from more than one of these programs. For instance, when there is an increase in social security benefits, an individual who receives both social security and old age assistance may, unless corrective action is taken each time there is an increase, receive no increase in total income since his old age assistance benefit is reduced to take account of his increase in social security. The study called for in these amendments should provide the information necessary to come up with a comprehensive solution to this and to similar problems that occur in other areas."

We have, therefore, limited the scope of our work to the existing framework of programs. In particular, we have not attempted to design a new set of programs to provide income and services for the elderly. The set of recommendations given here is far more modest.

We have made no effort to address the issue of what constitutes a fair share of the national income for the elderly. Wherever possible, the recommendations made in this report are intended to be neutral with respect to this issue. In no case have we made a recommendation whose sole purpose was to increase or decrease the fraction of national income going to the aged population. Wherever accurate data were available either from outside sources or from analysis performed by The Urban Institute, we have made estimates of costs associated with our recommendations.

Our underlying philosophy has been to make recommendations which would move our society towards a system in which all elderly individuals in similar economic circumstances would be treated the same. Often the failure of the existing set of programs to meet this standard is caused by the interrelationships among the programs. It is in this area that most of our recommendations are focused. However, if a program fails to meet this standard even if another program is not involved, we have sometimes made recommendations for change.

The issue of racial and other discrimination in administration of benefit programs was beyond the scope of this study. This is not to say that there is no racial discrimination in the provision of benefits to the elderly.

Our recommendations fall into five broad areas. First, we consider the implications of the ways in which some programs count income received from other programs. Some programs reduce their benefit as benefits from other programs increase. While the principle underlying this benefit reduction is sound, it can lead to (1) the failure to pass through cost-of-living adjustments, and (2) high cumulative benefit reduction rates on earnings and other non-transfer income. In some cases (the State supplements to the Supplemental Security Income (SSI) program) this may have been intentional. However, where the benefit reduction rules have led to inequity, we have recommended changes in the rules.

Second, we consider the income tests used in the program for older Americans with low incomes. Currently some of the tests (1) do not always take into account changes in the cost of living, (2) vary substantially (even in their definition of income) from program to program and (3) do not always phase out benefits smoothly as income increases. In some programs the standard income tests is waived entirely if a person is already receiving benefits from another program. We recommend changes which would at least partially remove inequities caused by the income tests currently used.

Third, we consider the asset tests used in most programs for older Americans with low incomes. Currently the tests (1) do not phase out benefits smoothly as assets increase, (2) treat homeowners and renters differently, (3) may discriminate against the elderly versus the nonelderly and (4) vary substantially (both in the treatment and definition of assets)

from program to program. We recommend study of changes which would at least partially remove the inequities caused by the asset tests currently used.

Fourth, we note that several programs have low rates of participation. This leads to a situation where some persons are getting benefits, while other similarly situated persons are not. We recommend study of changes which should bring about increased participation and, thus, diminish the degree of inequality.

Fifth, we consider administration and program evaluation. Currently, the application process for the needs-tested programs is spread across several agencies. We recommend consideration of consolidating this process. In addition, we recommend that a study be undertaken to consider the larger issue of what an ideal set of programs for the elderly should be.

III. RECOMMENDATIONS

A. Reduction in Benefits in One Program Resulting from Increasing Benefits in Another

Introduction

Many of the programs which provide income for older Americans reduce their level of support as the individual's income from other sources increases. Usually benefits are reduced by less than a dollar for every dollar of income from other sources. There are even cases where benefits are reduced by more than one dollar when income from other sources rise by one dollar. Benefits must be reduced as income rises if the program is to be restricted to the low-income group. However, high rates of benefit reduction discourage a person from helping himself.

Examples

Often, the benefit from one program depends upon the income received from other programs. Examples include the following: (1) SSI reduces its benefits by one dollar for every dollar of benefits received from other cash benefit programs except the State supplemental SSI payments (and a $20 per month exclusion). (2) The mandatory State portion of the SSI program reduces its benefits by one dollar for every dollar of benefits received from all other cash benefit programs (including the Federal SSI program). (3) The Food Stamp program reduces the bonus value of the stamps by approximately 30 cents for every dollar of benefits received from cash benefit programs. (4) The Veterans' Pension program reduces benefits by 36 cents to 96 cents for every dollar from unemployment compensation benefits. This form of benefit reduction prevents recipients

from collecting full benefits simultaneously from a whole set of programs and, thereby collecting more than a reasonable level of transfer payments--given their income from other sources. (Of course, it also holds down the cost of the programs by providing reduced benefits.) For a program such as SSI whose purpose, in part, is to fill gaps left by other programs, a 100 percent benefit reduction rate on income received from other programs is entirely appropriate. However, such benefit reduction can have undesirable side-effects if it is not designed carefully. Two of these side-effects are the cancelling out of cost-of-living increases and high, cumulative rates of taxation of earned income.

Cancelling Out Cost of Living Increases

During periods of price stability, the level of benefits received by participants from all programs would remain the same--barring a change in the laws or a change in individual circumstances. During periods of price inflation, however, the total benefits of some recipients rise at the same rate as the Consumer Price Index (CPI), while the total benefits of other recipients do not increase at all. The latter happens to all persons who receive benefits from two or more programs, one of which does not automatically increase its benefit levels and, in addition, reduces its benefits by one dollar for every dollar of benefits received from other programs which <u>are</u> indexed to the CPI.

One important example of this situation is the relationship between SSI State supplements, on the one hand, and the Federal SSI payments and

Social Security retirement benefits on the other.[1] The SSI State supplements are not as a rule increased at the same rate as the CPI.[2] Furthermore, SSI Federal payments and Social Security payments are considered to be part of countable income. The result is that as long as the individual is entitled to a supplement, that supplement will be reduced by the amount his SSI Federal payment and Social Security income is increased (except for the few States where the supplements themselves are indexed). In other words, every additional dollar the Federal government gives to the recipient to compensate him for the increase in the cost of living is taken away by the State government.

Over time, if there is continuing inflation and States do not increase their supplemental income standards, the level of supplemental payments will decrease and ultimately stop altogether. A uniform national standard will have been reached, but the elderly in the States which had been paying supplements will be worse off than they were before the inflation. The

[1] There are two types of SSI State supplements--optional and mandatory. Congress authorized the States to pay supplements which would be excluded from countable income in calculating the Federal SSI benefit. This allowed the States to supplement the Federal payments if they so desired. Later Congress required States to pay all persons who had been receiving State public assistance the difference between the benefit a recipient would be getting currently if the State's public assistance program were still in effect plus other income (the sum of the two being the State income standard) and the Federal SSI payments plus other income (the sum of the two being the Federal income standard). (This provision was intended to make sure that no one's income was reduced as a result of the changeover to SSI.) Many States have elected not to provide optional supplements. There are a few States which have mandatory supplements but not optional supplements.

[2] The mandatory supplements are increased only if the CPI declines, since this is the only instance in which the Federal SSI payments would decline. Some of the optional supplements may be increased if the actual rent or other expense of a recipient goes up. Only three States increase their optional supplements at the same rate as the CPI.

elderly in the States which paid no supplement will be just as well off as before. In order to reduce the inequity of this situation, we make the following recommendation.

RECOMMENDATION 1: We recommend that mandatory SSI State supplements remain unchanged when benefits from Federal social insurance and needs-tested programs (including SSI and Social Security) are increased due to increases in the cost of living.

If mandatory SSI payments had not been reduced due to cost-of-living adjustments in the Federal SSI program, the total cost of mandatory SSI payments would be at most $150 million per year greater in 1975 than it is without them. Over time annual costs of this change will rise as the amount of inflation experienced since the program's inception rises. However, by the year 2000 the annual cost of this change will have fallen to near zero since the mandatory supplemental payments are made only to persons receiving payments from the State-administered Old Age Assistance programs before SSI began.

High Cumulative Rates of Benefit Reduction

High cumulative rates of benefit reduction can occur when two programs simultaneously reduce their benefits as a third source of income increases. A further complication occurs if one of the two programs reduces its benefits as benefits from the other program increase.

This occurs when a person is receiving Social Security and a Veteran's Pension for a Non-service-connected Disability. In this case suppose there is an elderly couple eligible for the minimum Social Security payment in 1975 of $152.10 per month (two-thirds being his entitlement and one-third hers) who are also eligible for a Veteran's Pension for a Non-service-connected Disability. This example is shown in Table 1. Because the wife's Social

TABLE 1

MONTHLY INCOME DETERMINATION FOR A COUPLE RECEIVING SOCIAL SECURITY AND A VETERANS' PENSION*

1	2	3	4	5	6
Earnings	Social Security Benefit**	Countable Income for Veteran's Benefits	Veteran's Benefit (from Benefit Schedule)	Total Income (Cols. 1 + 2 + 4)	Benefit Reduction Rate
$0	$152.10	$ 86.19	$157.97	$310.07	
					40%
100	152.10	186.19	117.63	369.73	
					53%
210	152.10	296.19	59.29	421.39	
					105%
250	132.10	324.86	37.14	419.24	
					114%
270	122.10	339.19	24.37	416.48	
					172%
290	112.10	353.52	0	402.10	
					50%
310	102.10	367.86	0	412.10	
					50%
330	92.10	382.19	0	422.10	
					50%
474.20	20.00	482.87	0	494.20	
					50%
514.20	0	514.20	0	514.20	
					0%
550.00	0	550.00	0	550.20	
					0%
558.20	0	558.20	0	558.20	

*The figures in this example would be substantially changed if the couple were also receiving income from a private pension.

**One-third of this benefit belongs to the wife and is, therefore, not included in countable income. In addition, 10 percent of the total benefit is not included in countable income.

BENEFIT SCHEDULE

PENSIONS FOR VETERANS WITH NON-SERVICE-CONNECTED DISABILITIES

Monthly countable income:	Monthly Benefit[1]
$0 to $41.67	$172.
$41.68 to $58.33	$172, less 24% of monthly income in excess of $41.67.
$58.34 to $150.00	$168, less 36% of monthly income in excess of $58.33.
$150.01 to $250.00	$135, less 48% of monthly income in excess of $150.00.
$250.01 to $291.67	$87, less 60% of monthly income in excess of $250.00.
$291.68 to $316.67	$62, less 72% of monthly income in excess of $291.67.
$316.68 to $333.33	$44, less 84% of monthly income in excess of $316.67.
$333.34 to $350.00	$30, less 96% of monthly income in excess of $333.33
$350.00	$14.
$350.01 and above	$0.

[1]For veteran and spouse.

Security benefit and 10 percent of the total Social Security benefit for the couple are not counted for purposes of calculating the veteran's benefit, only $86.19 per month is considered part of countable income.[1] This is $1,034 per year and entitles them to a veteran's pension of $157.97 per month, which, when added to their Social Security benefits, yields a total monthly income of $310.07.

If the husband decides to work and earns $100 per month, their Social Security benefit remains unchanged, but their countable income grows by $100 to $186.19 per month, thus reducing their veteran's pension to $117.63--a benefit reduction rate of 40 percent.

As earnings rise by another $110 (to $210) per month, the veteran's pension drops by $58.34 to $59.29 as countable income increases to $296.19. This is a benefit reduction rate of 53 percent. Total income reaches $421.39 per month.

When earnings increase by another $40 (to $250), the question arises as to the husband's "retirement" status. Social Security benefits for husband and wife are reduced by $20 per month and the husband continues to receive two-thirds of the Social Security benefit and the wife one-third. Since the wife's benefit and 10 percent of the total benefit are not counted, only $74.86 of the Social Security benefit is included along with the $250 earnings as countable income for the veterans program. Thus, countable income is $324.86 per month, and the veteran's benefit is, therefore, reduced to $37.14. Since the sum of the reduction in Social Security payments and veteran's pension exceeds $40 per month, the benefit reduction rate is greater than 100 percent, and total income has actually declined by about $2.

[1]The veterans program treats private pension income and Social Security benefits in the same way. Social Security, however, does not count private pension income in calculating benefits.

As earnings continue to increase, the question of his retirement status progressively takes on more relevance. Benefits continue to decline by a larger amount, so that by the time earnings have reached $290 per month, total income has dropped to $402.10 per month--$19 per month lower than when the husband was earning only $210 per month. As earnings increase from $270 to $290 per month, the benefit reduction rate is 172 percent.

After becoming ineligible for veteran's benefits, the couple's benefit reduction rate drops to the 50 percent rate used by Social Security. Total income rises back to $422.10 by the time earnings reach $330 per month. This means that over the range of monthly earnings from about $210 up to $290 per month, total income does not increase.

High benefit reduction rates discourage the elderly from working to support themselves. Benefit reduction rates which exceed 100 percent actually punish persons who work to help themselves.

RECOMMENDATION 2. We recommend that the President direct the Veterans Administration to study the problem of the high benefit reduction rates caused by simultaneous receipt of benefits from Pensions for Veterans with Non-service-connected Disabilities and other Federal programs (particularly Social Security payments) because in our findings there appears to be an inequity.

An example of how these benefit reduction rates in excess of 100 percent could be eliminated is illustrated in Table 2. In this example we have substituted SSI's basic cash guarantee and its treatment of earned and unearned income for the schedule of benefits and the treatment of income currently used by the Veteran's Pensions for Non-service-connected Disabilities. A 50 percent benefit reduction rate has been applied to earnings in excess

TABLE 2

HYPOTHETICAL INCOME DETERMINATION FOR A COUPLE RECEIVING SOCIAL SECURITY AND A VETERAN'S PENSION

(Assuming basic cash guarantee and treatment of earned and unearned income used by SSI)

1	2	3	4	5	6	7	8
Earnings	Social Security Benefit	Countable Income for Veteran's Benefits	Basic Cash Guarantee	Veterans Benefit (Column 4 minus Column 3)	Total Income (Cols. 1+2+5)	Benefit Reduction Rate	Change in Total Income Over Existing Rules
$0	$152.10	$132.10	$236.60	$104.50	$256.60		- $53.47
						18%	
100	152.10	149.60	236.60	87.00	339.10		- 30.63
						50%	
210	152.10	204.60	236.60	32.00	394.10		- 27.29
						50%	
250	132.10	204.60	236.60	32.00	414.10		- 5.14
						50%	
270	122.10	204.60	236.60	32.00	424.10		+ 7.62
						50%	
290	112.10	204.60	236.60	32.00	434.10		+ 32.00
						50%	
310	102.10	204.60	236.60	32.00	444.10		+ 32.00
						50%	
330	92.10	204.60	236.60	32.00	454.10		+ 32.00
						50%	
474.20	20.00	204.60	236.60	32.00	526.20		+ 32.00
						75%	
514.20	0	214.60	236.60	22.00	536.20		+ 22.00
						50%	
550.00	0	232.50	236.60	4.10	554.10		+ 4.10
						50%	
558.20	0	236.60	236.60	0	558.20		0

of $65 per month, and a 100 percent benefit reduction rate has been applied to other income in excess of $20 per month. This change generally results in benefit reduction rates of 50 percent being applied as long as the veteran is receiving payments from either of the two programs. However, some beneficiaries would have smaller total incomes under this hypothetical example as can be seen from the last column of Table 2.

Whatever changes are made, the benefit schedule should be modified in such a way as to keep total costs of the program the same as they are now.

B. Income Tests

Adjusting for Changes in the Cost of Living

Many of the transfer programs for the elderly do not adjust their allowable levels of income or their benefit levels for changes in the cost of living. Since benefit levels usually depend upon the level of countable income (with benefits eventually reaching zero when countable income reaches a certain point), these two problems can be considered together.

If benefits and allowable levels of income are fully adjusted for changes in the cost of living, the real level of income being paid to recipients remains constant regardless of what is happening in the rest of the economy. However, if benefits and allowable levels of income are not adjusted for changes in the cost of living, all recipients will experience a decline in their real level of income during periods of inflation, and some recipients will lose eligibility altogether.

In the Federal SSI program benefits and allowable levels of income are increased at the same rate as the overall increase in the cost of living, but the amount of earned and unearned income which is not counted as part of income for purposes of the income test remains at a fixed level regardless of inflation. In addition, allowable levels of assets remain at a fixed level. Similarly, for Food Stamps, the face value of coupons awarded and the income standards are increased at the same rate as the cost of food. However, the wage and salary income exclusion is fixed at a maximum of $30 per month. In addition, allowable levels of assets remain at a fixed level.

For Medicaid recipients eligible by virtue of receiving SSI payments, allowable levels of income are increased at the same rate as the cost of living since SSI income standards are adjusted. For other Medicaid recipients, income standards are not generally adjusted. Since the program pays the full cost of medical expenses to eligibles who have met the income test, there is no need to adjust benefits for changes in the cost of living.

Pensions for Veterans with Non-service-connected Disabilities and Pensions for Widows and Children of Veterans do not automatically increase with the cost of living.

RECOMMENDATION 3. We recommend that the income standards, benefit schedules, income disregards, allowable asset levels, and exclusions from assets of the SSI, Food Stamps, Medicaid, Pensions for Veterans with Non-service-connected Disabilities, and Pensions for Widows and Children of Veterans programs be increased at the same rate as the cost of living.

Programs providing particular types of goods or services rather than money should use the increase in the price of goods or services they provide rather than the overall Consumer Price Index. According to the Transfer Income Model, SSI would cost about 2 percent more (an increase of about $72 million) in 1976 if the amount of earned and unearned income which is not counted by SSI for purposes of the income test had been increased at the same rate as the cost of living since the program's inception. The cost of Pensions for Veterans with Non-service-connected Disabilities and Pensions for Widows and Children of Veterans programs would probably be less in 1975 if automatic adjustments for the cost of living were made. This is because legislated changes in the benefit schedules have exceeded changes in the cost of living.

The increased cost of Food Stamps resulting from the proposed change

was not calculated, but we estimate the percentage increase to be about the same as for SSI--namely about 2 percent in 1976.

Because of the diversity of Medicaid rules, we have been unable to estimate the increased cost resulting from the recommendation. Since Medicaid income standards are not generally increased at the same rate as the cost of living currently, the percentage increase in costs would probably exceed 2 percent.

To adjust allowable levels of assets, ideally one would use a price deflator particular to the type of asset being deflated. For example, the $25,000 limit on owner-occupied housing in SSI would be increased by the same percentage as a housing price index (preferably an index specific to the area where the person lived although currently separate indexes do not exist for all areas). However, in the interests of simplicity the Consumer Price Index (CPI) would probably suffice. According to our analysis, if the SSI homeowner exemption had been increased at the same rate as the overall cost of living, total benefits paid out by the Federal SSI program would have increased in 1975 by about 1.6 percent (approximately a $58 million increase). Although we have not calculated the increase in costs resulting from similar changes in the other benefit programs, the percentage increase in costs should be roughly the same.

Uniformity in Definition of Income

Uniformity Across Programs

An additional problem with income tests of the low-income programs is the lack of uniformity of the definition of countable income for purposes of the income test. This lack of uniformity complicates the

application process and, in addition, results in persons in similar economic circumstances but receiving benefits from different programs being treated differently.

Examples of the lack of uniformity are many. SSI excludes from countable income $20 per month of Social Security benefits if they are the sole alternative source of income, while Pensions for Veterans with Non-service-connected Disabilities excludes 10 percent. SSI includes 50 percent of the earnings of both the recipient and spouse, while the veterans program totally excludes the earnings of the spouse. This means, in this example, that families with widely different incomes can receive the same benefit. SSI and Food Stamps each have about a dozen categories of income excluded from their income tests. However, only in one case (infrequently earned income up to $30 per quarter) are the exclusions the same. For Medicaid the standards differ widely from one State to another.

The philosophical justification for exclusions is that certain expenditures of income (e.g., food, medical expenses, educational expenses) are essential or highly desirable and should, therefore, not be included as part of countable income. Since the programs were designed by different Congressional committees at different times under different Administrations, it is not surprising that the lists of exclusions are not identical or defined in the same way.

However, the widely varying rules have created a very confusing and complex situation from the standpoint of administration. While we recognize that some heterogeneity among the programs may be necessary, we feel that all of the programs should be viewed together and that adjustments in definitions of countable income be made to achieve greater uniformity wherever possible. One promising way to deal with this problem is to allow

a "standard deduction" from income in lieu of a set of particular exclusions. This approach is being recommended in currently pending legislation to alter the Food Stamps Program.

RECOMMENDATION 4. In order to reduce complexity as well as improve equity, we recommend that what is included in countable income and allowable exclusions be made more uniform across the income-conditioned programs.

The cost implications of these changes would depend upon the exact nature of the changes. However, there are many combinations of changes which would involve no change in total costs.

Links in Eligibility Between Programs

Another problem with the income tests occurs because in certain cases with Medicaid and Food Stamps the program's income standards are entirely ignored in establishing eligibility. In most States receipt of SSI payments results in automatic eligibility for Medicaid. In all States receipt of SSI payments results in eligibility for Food Stamps if all members of the household are eligible for SSI. This means that a person whose income is comprised of earned income and Social Security benefits might fail to qualify for Medicaid or Food Stamps, while a person with equal total income comprised of SSI and earned income would qualify for both programs.

If the link between Medicaid and SSI were broken, one consequence would be a dramatic increase in lack of uniformity among the States of eligibility criteria for Medicaid. This is because the States have a great deal of leeway in establishing eligibility for Medicaid for persons who are not receiving benefits from SSI or the Aid to Families with Dependent Children (AFDC) program. The result would be a large decline in persons eligible

for Medicaid. In order to prevent this from happening while, at the same time, treating persons similarly who are in similar economic circumstances, uniform national income standards could be established to determine eligibility for Medicaid. However, the costs, changes in caseloads, and distribution of benefits of taking this step are not known.

RECOMMENDATION 5. We, therefore, recommend that the Department of Health, Education, and Welfare study the advisability of breaking the eligibility link between SSI, on the one hand, and Food Stamps and Medicaid on the other, the administrative complications of breaking these links; and - in relation to such removal of links - the advisability of establishing uniform national standards for determining eligibility for Medicaid.

If national standards are established, a provision should be included that will permit persons who currently qualify for Medicaid under the current standards to continue to receive benefits even if they do not qualify under the new national standards.

The cost of this change will depend upon the national standards which are chosen and, therefore, should be estimated as part of the study.

Smoothing the Phase out of Benefits

In all means-tested programs there are income tests which result in all benefits being cut off if income rises above some level. In some cases, notably the Federal SSI program, benefits decline smoothly as income rises. In other programs, including Medicaid, Food Stamps, Pensions for Veterans with Non-service-connected Disabilities, Pensions for Widows and Children of Veterans, Low Rent Public Housing and the Rent Supplement Programs, a benefit ranging from a few dollars up to hundreds of dollars per year can be cut off if income increases by a small amount (in some cases even by one dollar).

Medicaid

In many States an elderly person's eligibility for Medicaid depends upon whether he is eligible for SSI.[1] If an elderly person's income increases enough to make him ineligible for SSI, he also becomes ineligible for Medicaid. In 1973 the average monthly Medicaid payment to persons age 65 and over who received medical services was $154. This benefit can be wiped out by an increase in monthly income of a few dollars if that increase makes the recipient ineligible for SSI. In other States the medically needy are eligible for Medicaid even if they are not eligible for SSI. However, the income test for being found medically needy is often more stringent than the income test for SSI (if the State pays substantial supplemental benefits). Thus, if a person in one of these States loses eligibility for SSI, he may be forced to spend all of his income in excess of the medically needy income standard to meet his medical expenses before becoming eligible again for Medicaid. This person could be forced to spend on medical expenses all of his income between the SSI and the medically needy income standards because of a slight increase in countable money income.

One possible way to eliminate this abrupt decrease would be to allow elderly persons to establish eligibility for Medicaid by spending all income in excess of the SSI income limit or the State medically needy standard (whichever is greater) on medical expenses.[2] However, this proposal would probably cause a substantial change in the cost of the Medicaid program by, in effect, setting national standards for all elderly persons. The cost, caseload, and distribution of benefits could all be estimated in the study outlined earlier in Recommendation 5.

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[1]According to TRIM analysis approximately 1,600,000 elderly families receive SSI payments and qualify for Medicaid as well.

[2]This assumes that the link between Medicaid eligibility and SSI eligibility is retained. If not, a uniform national standard could be used in lieu of the SSI standard. See Recommendation 5 (above). The Federal eligibility standards for SSI are currently uniform nationwide. The standards for Medicaid vary widely from State to State.

Food Stamps

In the case of Food Stamps the benefits received at a level of income just below the cut-off point is small enough that the loss in benefits as income rises by one dollar total income is minimal. For example, when an elderly (over 65) person's earnings rise from $376 to $377 per month, he becomes ineligible for SSI. If his eligibility for Food Stamps depends upon his being on SSI, he loses a Food Stamp benefit worth $10 per month.[1] As the result of the $1 increase, his total income has actually dropped by $9 per month. The abrupt cessation of benefits in the Food Stamps program as income increases could be eliminated easily by changing the benefit schedule slightly. The amount of money involved is so small, however, that we do not recommend a change.

Pensions for Veterans with Non-service-connected Disabilities and Pensions for Widows and Children of Veterans

Pensions for Veterans with Non-service-connected Disabilities are limited to veterans with $250 or less in countable monthly income. If monthly income rises by a small amount (even one dollar), benefits fall from $5 per month to zero. For veterans with one dependent benefits fall from $14 per month to zero if income increases from $350 to $351. Pensions for Widows and Children of Veterans are handled similarly.

The abrupt cessation of benefits in the Pensions for Veterans with Non-service-connected Disabilities could be eliminated by gradually reducing benefits as countable income approaches the maximum allowable level. The amount of money involved is so small, however, that we do not recommend a change.

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[1]According to TRIM analysis approximately 80,000 elderly families receive both SSI and Food Stamp benefits.

Low-Rent Public Housing and Rent Supplement Programs

In the Low-Rent Public Housing program income ceilings are set by local housing authorities. Thus, there exist in each local jurisdiction some ceiling beyond which the tenant becomes ineligible for the program and (in theory, at least) could be forced to leave the project. In practice this ceiling may be flexible and allow for individual circumstances, but the law itself provides no protection against a full loss of benefits to the tenant whose increase in income makes him ineligible.

There is, in effect, up to a 25 percent benefit reduction rate applied to income since tenants generally are obliged to pay only one-quarter of their income for rent (in some cases less). At some point, this subsidy ceases and the tenant pays the full rent charged by the authority. If the housing unit is being rented at market value, then there is no subsidy at this point and, therefore, a smooth reduction in benefits. If, however, rents are set below market value, the tenant is receiving a subsidy even though he is paying the full rental charge. This subsidy is then entirely cut off if income eligibility is lost and the tenant has to move.

The Rent Supplement Program generally uses the same income standard as public housing. However, tenants do not have to move if they lose eligibility. They merely pay the full market rent to their landlords. However, since the minimum supplement is 10 percent of the full market rent, there is an abrupt cessation of benefits when a tenant becomes ineligible. For example, if a tenant were paying $90 per month of a $100 per month rent, a one dollar increase in income which resulted in the tenant losing

eligibility could lead to a $10 per month loss of a subsidy. This probably does not occur very often in practice but could easily be eliminated, if this were deemed desirable, by eliminating the floor on the payment and gradually decreasing the benefit as income rose.

C. Asset Tests

How Programs Treat Assets and the Resulting Inequities

Several programs which help Older Americans, including SSI, Medicaid, Food Stamps, Pensions for Veterans with Non-service-connected Disabilities, and some housing programs, use asset tests as well as income tests in determining eligibility for participation. The rationale for employing an asset test is that persons with substantial wealth should not be helped even if their measured income is low since assets can either be sold and used for support or be converted into income-producing assets (if they are not already).

Asset tests as presently used cause four types of inequities. First, a small increase in a person's assets (in theory even one dollar) can result in loss of eligibility for a program yielding sizable benefits. For example, an individual with $1,500 worth of stocks and bonds and no other assets would be eligible for SSI provided he met all the other tests, while an individual with $1,501 worth of stocks and bonds and no other assets would be ineligible even though his income might be the same or lower than the first individual's income. Second, because there is usually an exemption for owner-occupied housing, asset tests discriminate against persons who rent rather than own housing. Third, asset tests discriminate against the aging vis a vis the non-aging since elderly persons of a given economic status are more likely to have accumulated wealth than the young and middle-aged and are more dependent upon wealth income. Finally, definitions of countable assets vary among the programs, leading to inconsistencies and complexities among the programs.

An individual receiving SSI benefits may have no more than $1,500 in

non-excluded assets. (A couple is allowed $2,250.) Excluded assets include a home worth up to $25,000, non-liquid income-producing property, household goods and personal effects up to $1,500, an automobile worth less than $1,200, and the cash surrender value of life insurance up to $1,500. If assets rise beyond the asset limit they must be disposed of and used for support, and until that is done all benefits are lost. For example, a reassessment of a house triggered by inflation could push a family over the $25,000 exclusion and force the family to sell the house. Selling the house and using most of the proceeds to purchase a less expensive house or to pay living expenses can re-establish eligibility as long as not over $1500 remain. These are both wrenching and expensive procedures for an elderly person to undertake. Furthermore, the elderly in some areas may be unable to sell their houses.

Even so the homeowner with no mortgage is treated better than the renter. The homeowner with no mortgage lives rent-free and pays only taxes, insurance, and maintenance.[1] (In many States property taxes are substantially reduced for the elderly homeowner.) Yearly taxes, insurance, and maintenance expenses usually amount to about 5 percent of the market value of a house. (For example, the yearly taxes, insurance, and maintenance expenses on a $25,000 house would be approximately $1,250 per year.) However, the annual rent for a house is usually about 10 percent of its market value. (For example, the yearly rent on a $25,000 house would be approximately $2,500 per year.) The homeowner, who pays no rent but does pay taxes, insurance, and maintenance expenses, is getting approximately a 5 percent implicit return on his house. (For example, the owner of a $25,000 house would have to pay $2,500 per year in rent to live

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[1] Homeowners with sizable mortgages are in effect paying rent in the form of interest payments. In the following discussion, therefore, they resemble renters rather than homeowners.

in a comparable house which he did not own. In fact, he pays only $1,250 per year in taxes, insurance, and maintenance. He, therefore, is getting $1,250 per year in implicit income from owning his own house.) Neither the asset nor its return is considered in determining eligibility for SSI. If a homeowner receiving SSI benefits were no longer able to maintain a $25,000 house due to illness, for example, and sold the house, he would then have $25,000 in assets other than a house. Although his true economic condition would be unchanged, he would become ineligible for SSI unless he spent most of those assets. Alternatively a renter with the same income but with $25,000 of liquid assets would be ineligible for SSI. However, by purchasing a $25,000 house, he could establish eligibility. Furthermore, a renter with no assets can be getting exactly the same SSI payment as a homeowner with $25,000 in assets if their countable incomes are the same. Since the homeowner is getting rent-free housing (even after paying taxes, insurance, and maintenance expenses) while the renter is spending income on housing, this would seem inequitable.

The Medicaid program's treatment of assets is similar to that of SSI. In fact, for those persons qualifying for Medicaid because of their eligibility for SSI, the treatment is identical and the same inequities result. For those persons attempting to qualify under the "medically needy" criteria, the rules vary from State to State but usually include asset tests with sizable exemptions. As long as there is a limit to total assets there will be an abrupt cessation of benefits as assets rise in value, and, as long as certain types of assets are excluded, persons in similar economic circumstances will be treated differently.

The elderly can qualify for Food Stamps by meeting either the SSI or the Food Stamp eligibility criteria. While the asset test for Food Stamps

is less stringent than the asset test for SSI, both have a limit to total assets and a set of excluded assets. Thus, the same objections apply in this case as in the SSI case discussed above.

For Pensions for Veterans with Non-service-connected Disabilities, there is an asset test which depends upon whether the veteran's assets are small enough to be depleted during his remaining lifetime. If so, he is eligible. Survivors are subject to the same test. A dwelling, lot, and personal affects are excluded. Even though this case is less well-defined than SSI, the same objections apply.

The Low-rent Public Housing program has no Federal asset test. However, the Department of Housing and Urban Development encourages local housing authorities to establish limits. Wherever HUD's recommendation is followed, there will be an abrupt cessation of benefits as assets rise in value. In the rent supplement program and the low-interest housing program there is a similar problem since assets for the elderly are limited to $5,000 (with no housing exclusion, obviously). However, since the asset limit is only $2,000 for the nonelderly, framers of the legislation have taken into account the argument that the elderly should be penalized less for asset-holding than the rest of the population.

Reducing the Inequities of Asset Tests

In all of the above cases applying a cost-of-living adjustment to the asset limitation would keep constant over time the relationship between real asset levels and benefit levels. This was recommended as part of Recommendation 3 (above).

While this recommendation would prevent persons from creeping across asset limits with no change in real asset holdings, it would not address the more fundamental problems caused by the absolute limit to assets and the

exclusions, as well as the unfair treatment of the elderly vis a vis the remainder of the population.

FCA ACTION 1. The Federal Council on the Aging will initiate a study of the philosophical and administrative rationale connected with the way in which assets and asset income are considered in determining eligibility for benefit programs and the various options available to reduce the inequities in the existing asset tests.

In carrying out this study, the Federal Council on the Aging will draw upon existing analysis and data and work closely with concerned Federal departments and agencies.

Several important issues will have to be addressed by this study. First, what is the best way to phase out benefits as asset holdings increase? One alternative is to include in countable income some fraction of asset holdings and eliminate the asset test. Another alternative is to allow persons to exclude assets from the asset test by converting them into irrevocable life annuities. Yet, a third alternative would be to have a benefit schedule in which the level of benefits depended upon both countable income and assets (with benefits decreasing as either income or assets increased). In this study these and other alternatives should be studied as to their effects and feasibility of operation.

A second issue to be addressed should be the degree to which a beneficiary should be required or encouraged to consume his assets during his lifetime, rather than passing the assets on to his/her heirs. Almost any asset test provides some incentive for the elderly person to consume or give away part of his/her asset holdings. However, the tests can be designed to provide little incentive, a large incentive, or even compel consumption as a condition of receiving benefits.

A third issue is whether the owner-occupied home should get special treatment by the asset test. As was noted above, exclusions for owner-occupied housing can discriminate against renters. However, rules which encourage homeowners to sell their houses may impose hardships. The difficulty is compounded by the problem of making a fair determination of the market value of a house. In some areas assessed value may be only a small fraction of market value, while in declining areas, assessed value may exceed market value.

Finally, as part of this study there should be a survey of a representative sample of the aged population (including both program recipients and non-recipients) which would gather detailed data on the value of assets by type of asset and transfer income by type, as well as the usual demographic and economic data. This survey would provide valuable information on the likely impacts upon caseloads, costs, and the distribution of benefits of changing the asset tests currently used by transfer programs serving the elderly.

Because there is a strong tendency for persons to under report asset holdings when they are surveyed, an attempt should be made to estimate the degree of under reporting and adjust the survey data for this problem. One way in which this might be accomplished would be to examine audit information collected in the course of checking to see the error rates in calculating benefits for the various programs. (SSI has conducted a sizeable investigation of the degree to which there are overpayments and underpayments of benefits due to inaccurate information on application forms. Accuracy was checked by auditing beneficiaries' checking and savings accounts.)

Furthermore, the Office of the Assistant Secretary for Planning and Evaluation within the Department of Health, Education, and Welfare is planning to undertake an annual, comprehensive income survey. The Federal Council on

the Aging supports their efforts and urges them to pay special attention to the problem of assets. The Council will cooperate with this effort, in particular in regard to the assets study which the Council plans to undertake.

The cost of implementing the recommendations resulting from this recommended study will depend upon the particular recommendations made. However, it will be possible to design the recommendations in such a way as to leave costs unchanged.

D. Participation of Eligibles

Programs for the elderly can be grouped under three broad categories: retirement programs (including Social Security), other entitlement programs which are categorical in nature (e.g. one must have low income, or be disabled, or be a veteran to qualify), and programs which have closed-ended funding and thus must ration their benefits to less than the number eligible. In the latter two groups of programs, the issue of participation arises.[1] Consider first the entitlement programs which have categorical eligibility requirements. These include SSI, Food Stamps, Pensions for Veterans with Non-Service Connected Disabilities, Pensions for Widows and Children of Veterans, Medicare and Medicaid. All have open-ended funding, and those who qualify are legally entitled to benefits. Yet a large number of eligible older Americans do not receive benefits from some of these programs. The two most outstanding cases are the SSI and Food Stamp programs.

When SSI was implemented in January 1974, DHEW estimated that about 3.8 million non-institutionalized units (families or single individuals) age 65 or over would be eligible for Federal benefits. However, about half this number actually received SSI benefits in the first six months of operation (January - June, 1974). Our analysis using the TRIM model suggests that there will be about a 65 percent participation rate (ratio of recipients to eligibles) in 1975.[2]

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[1] There is a set of issues which might be broadly regarded as participation issues involving retirement programs for older Americans, such as vested rights, the relationships of contributions to benefits, and whether everyone who is entitled to benefits actually receives them. However, the scope of this section will be limited to the more common concept of participation, that being in the other types of programs available to the elderly.

[2] This figure is not directly comparable to the former because it is for 1975. Also, the CPS does not provide the value of owner-occupied homes, a critical factor in the number eligible for SSI (persons with homes valued in excess of $25,000 are ineligible for SSI payments). We therefore used the 1970 Census Public Use Sample, which has information on the value of owner-occupied homes, to make adjustments to the number of eligibles calculated from the CPS.

The precise numbers are not as important as the fact that, by any estimate, a large number of older low-income people who are eligible for SSI are not receiving benefits.

Estimates of participation in the Food Stamp Program by eligible households have ranged from 30 to 60 percent, though there is evidence that some of the nonparticipants are eligible for only short periods of time during any given year. The Chilton Survey (commissioned by the Food and Nutrition Service of the Department of Agriculture, at the request of the Subcommittee on Fiscal Policy, Joint Economic Committee) indicates that participation by eligible households headed by a person over age 65 is even less than the national average.[1]

With the exception of Medicare, where participation among eligibles is quite high, there is little information on the participation rates in the other entitlement programs.

For entitlement programs, we hold the view that all families or individuals eligible for benefits from programs with open-ended funding should have the opportunity to receive those benefits. This does not mean that they actually receive them; rather it means that eligible families should be aware of the fact that they are--or might be--eligible for benefits, that they know how to apply for benefits should they choose to receive them, and that applying should be relatively simple. Nonparticipation by eligibles can only be for three reasons: (1) ignorance about the program, (2) the benefits are less than the "cost" of getting them (psychic costs from the stigma of the program or demeaning treatment, nonmonetary costs such as long waiting lines and the time and inconvenience of filling out forms, and monetary costs such as traveling to the agency), or (3) outright denial of benefits through discriminatory practices, lack of personnel to process all applications, or for whatever reason.

[1] A possible reason for higher participation among the non-aged is that local welfare offices also certify Food Stamp eligibility, thus AFDC recipients are made aware of their potential eligibility for Food Stamps.

Information

There is a need to know not only how many eligibles do not participate in these entitlement programs, but who they are and why they don't participate. Such information would be useful to both the government for evaluating the administration of programs and to the administrators themselves for determining how to improve upon their present practices and procedures. One would like to know how participation rates are related to:

1. Knowledge of Programs: Knowledge of a particular program, by age, level of education, residence, etc. would reveal who is unaware of the program, and thus to whom educational efforts should be directed, as well as the form that these efforts should take (e.g., information dissemination to literate vs. illiterate or rural vs. urban individuals would take a different form). This type of information is also necessary to evaluate the cost of educational programs relative to the increase in participation rates that might result, in order to assess the desired amount of investment in increasing knowledge.

2. Attitudes Towards Programs: Given participation rates less than 100 percent, it is important to know if attitudes inhibit participation--and, if so, who holds these attitudes (the uneducated or the educated, blacks or whites, rural or urban, etc.). A knowledge of what these inhibitive attitudes are and an identification of who holds them is essential to determine (1) whether an informational program should be undertaken to change them (e.g., whether they are based on erroneous information rather than moral positions), and (2) what information should be disseminated (e.g., some may not participate in Medicaid because they believe that, if the government pays the bill, it can also dictate what treatment they must have or how long they must stay in the hospital; or low participation in the Food Stamp program may be due to a reluctance of some poor families to enter banks and stand in the "welfare line" to buy the stamps).

3. Availability of the Program: There is inadequate knowledge about the impediments to availability of specific programs to specific segments of the population (e.g., those with no car living in a town with no welfare office, or the infirmed who cannot leave their home). We are not aware of any comprehensive study of participation rates in a spatial context, relating the geographic location of offices to participation rates by residence, age, sex, level of income, and education. The cost to the participant in terms of transportation and time has by and large been ignored in studies of participation rates. A knowledge of impediments to availability is necessary to determine the optimum administrative approaches for each program--number of offices, their location, office hours, the need for home vs. office contacts, etc.

With some modification the above discussion of participation in the entitlement programs is also applicable to those programs with closed-ended funding. These are programs which have limited funding and therefore have a limited number of "units of service" (as under Title VII of the Older Americans Act, Title XX of the Social Security Act, and under the various housing programs). Participation in these cases is more of a privilege than a right, and there are usually more eligible individuals or families who want to participate than there are service units available. In those cases the agency must ration the available service units, usually allowing participation on a first-come, first-served basis and keeping a waiting list in chronological order of application and certification of eligibility, or utilizing procedures to rank the applicants by priority needs for service.

All of these types of Federal programs are State or locally administered, and and in many cases there are insufficient data at the national level to know who among the eligibles apply for the services and, among those that apply, who receive benefits. In other words, we do not have sufficient data to construct

profiles of those receiving services, those on waiting lists, and those who for one reason or another do not apply at all. Lack of such information also limits the ability to determine how many of these recipients participate in other programs, and therefore does not allow an assessment of the magnitude of the problems, if any, of deleterious program interactions.

RECOMMENDATION 6. We recommend that the Administration on Aging conduct a study to determine the magnitude and the distribution (by age, sex, education, income, race, health status, size of community, urban versus rural, region) of (a) eligibles, (b) participants, and (c) eligible nonparticipants for all of the Federal income-conditioned benefit and service programs for the elderly; and to determine the reasons for nonparticipation of those who are eligible.

This study should build upon the work which has already been done in this area. However, it should pay particular attention to programs which have not already been studied.

Outreach

As mentioned earlier, one of the outcomes of the above study would be information on the extent to which ignorance about the programs inhibits participation and on who among the eligibles lack knowledge. This, in turn, would give some indication of the extent of outreach necessary, and to whom that outreach should be directed. There is a third important element of outreach not addressed by this study, however, and that is the effectiveness of various methods of outreach. It is not enough to know who lacks information if we do not know how to reach them.

Of all the major income-conditioned programs, the SSI program has probably had the most ambitious outreach effort. Several outreach projects have been

launched, employing various methods and techniques.[1] However, these have not been conducted in a setting to allow an evaluation of the effectiveness of alternative methods. Moreover, some methods may be highly effective for some groups and relatively ineffective for others. For example, some older people are illiterate, others are infirmed, others are mentally incompetent, others have no television, others may not perceive themselves as poor, others may find applying for a program to be degrading. In short, an effective outreach program may contain a mix of methods, but to date there have been insufficient evaluations of past and current outreach efforts to allow the Social Security Administration to maximize the effectiveness of outreach expenditures by making choices among methods and modes of outreach.

While outreach efforts have been less for other programs such as Food Stamps, the relative effectiveness of various outreach methods has not been carefully evaluated for these programs either. Even in the Veterans programs, with their large, informal outreach program carried out by the veterans service organizations, there is no careful study of the most effective mix of outreach methods.

There is a need for a careful evaluation of a wide variety of outreach methods. Relative effectiveness can best be measured in a controlled experiment, and such an experiment could explore the effectiveness of utilizing existing institutions as well as alternative methods of outreach (e.g. radio, TV, mail, personal contact by peers, personal contact by agency personnel).

RECOMMENDATION 7. We recommend that the Administration on Aging conduct a series of controlled experiments to test the relative effectiveness of various methods of outreach, by socio-economic-demographic subgroups of the population.

[1]These include letters to Social Security recipients, the SSI Alert program funded by the Administration on Aging, the Mass Saturation Projects in selected areas of Alabama and Kansas, and MBR Leads, which used Social Security's Master Beneficiary Records (MBR) of earnings and contributions to identify persons who might be eligible for SSI benefits.

As with the preceding recommendation this study should build on existing information wherever possible.

It is essential that the study address the issue of the effectiveness of alternative methods of outreach for minority groups and for various age cohorts of the elderly (e.g., different methods for persons who are 85 than for persons who are 65).

Finally, the study should focus on attitudinal issues. No outreach effort will work effectively unless the climate of the administering agency is perceived by the elderly to be encouraging and sympathetic.

E. Administration and Program Assessment

Central Determination of Eligibility and Benefits

Our study of programs for Older Americans has shown that an elderly individual or family could conceivably receive benefits at the same time from a social insurance program (Old Age, Survivors, and Disability Insurance), five separate income-conditioned Federal programs (Supplemental Security Income, Medicaid, Food Stamps, Pensions for Veterans with Non-Service-Connected Disabilities, and one of several housing programs)--not to mention State-level income-conditioned programs and other State and Federal programs for which eligibility is not conditioned on income. If benefits were only received from the Federal social insurance and income-conditioned programs mentioned above, an elderly person would have to deal with four or five separate agencies,[1] be certified for initial eligibility six separate times, and report back to these four or five offices at various (and different) times throughout the year to report income and assets for recalculation of benefit levels. Finally, in determining benefits each of the programs has different definitions of income and assets, different income and asset disregards, and, in some cases, different accounting periods (the length of time income is averaged for calculating benefits).

The practice of having separate agencies to administer each program and the diversity of practices and procedures across agencies is confusing, if not

[1]Social Security and SSI are administered by the same office, and, in most States, Medicaid and Food Stamps are administered by one agency.

bewildering, to even the most sophisticated potential beneficiary--and it is inefficient, imposing an unnecessary expense on taxpayers. Separate administering agencies exist presumably because the programs are funded by separate Federal agencies under different legislation. Furthermore, the income-conditioned programs have a means test while the social insurance retirement benefit is dependent on one's covered employment record. But this need not necessarily lead to separate administration of determination of eligibility.

There are several ways in which administrative functions could be combined. One is to simply have one local office collect income, asset, and other personal data from elderly applicants, and then send that information to each of the separate offices for eligibility certification and determination of benefits. This would at least relieve the elderly of having to report this same information to several different offices, and would substantially reduce the time and cost on the part of both applicants and government personnel. After the initial application, however, the applicant would have to continue to deal with four or five separate offices to receive benefits and to periodically have the level of benefits adjusted as their economic or family situation change.

A greater degree of centralized administration could be achieved by also having that one office be the sole contact with elderly persons receiving income-conditioned benefits from Federal programs. This could be achieved in one of two ways: (1) by having that one office send the relevant information about the applicant to the other agencies, who would certify eligibility and level of benefits, and return the decision to the intake office; or (2) by having the intake office determine eligibility and level of benefits (including subsequent periodic adjustment of benefits) and simply provide information to the other agencies regarding who is eligible and what benefits they should receive.

The highest degree of centralization would be to have eligibility determination and the dispensing of benefits be delegated to one office by the various Federal agencies, in the manner in which Public Assistance offices now administer the Food Stamp program. Even maintaining the same diversity of eligibility rules, a single administering office for all Federal programs for the elderly would allow the beneficiary to deal with only one office for initial certification and recertification, would require the recipient to give income and assets information only once for use in determining the level of benefits from all six programs, and would greatly facilitate outreach efforts. This would (1) save the taxpayer a great deal of money, (2) save the potential beneficiary a large amount of time and expense, and (3) dramatically increase participation rates among eligibles.

Moreover, the heterogeneity in definitions of income, assets, set asides, exclusions, and accounting periods could be substantially reduced (as recommended elsewhere in this paper), leading to further reductions in administrative costs. Such simplification makes sense even with separate administrative agencies; when this simplification of definitions is combined with administration by a single agency it could substantially reduce (perhaps by as much as 50 percent) the current administrative costs and reduce by more than half the "cost" to the recipients. The administrative expenses could be shared by the separate funding agencies (much like the Food Stamp Program and AFDC now share administrative costs). Such centralization would benefit both the "givers" (taxpayers) and the "receivers" (aging beneficiaries).

There are, we realize, some outstanding issues, such as the degree of centralization discussed above, whether the one proposed office should be an existing one (e.g., Social Security) or a new creation, and which programs could feasibly be administered by one office. For example, there are a large

number of State-administered programs, partially or wholly Federally financed. Within the time constraints of this study we could not give ample consideration to the advantages and disadvantages of having the same office also administer State-operated programs.

Neither do we want to open up the issue here of whether the administration of income maintenance programs should be completely separated from public social services. The Federalization of income maintenance programs for the aged, blind, and disabled, which was brought about by enactment of SSI, is still too new for assessment of its impact on State- and local-operated social services based on Title XX of the Social Security Act.

Finally, there is an alternative approach to the centralization outlined above. Local offices for each of the various programs could be retained, but each local office would at least process applicants, and perhaps also calculate benefits, and dispense benefits for all of the programs. While this decentralized approach might cost more than the centralized approach described above, it would have the benefit of being a less intimidating operation than having all local program operations concentrated in one very large local office. The study proposed below should bear in mind this important human element.

Thus, while we endorse in principal the notion of some centralization of local administration of a number of Federal programs, we recognize that the issue must be given further study to arrive at the most efficacious organizational structure.

RECOMMENDATION 8. We recommend that the Executive Branch should study the desirability, feasibility, cost effectiveness, and convenience to the elderly of having a simplified system at the local level to determine eligibility and benefit levels for all Federally funded income-conditioned programs

(including services) for those age 65 and older. The relationship to the administration of the social insurance programs should also be considered.

Whatever body is chosen to look at this problem should include State representatives since there are many Federal programs which are influenced by the State administration.

The study should look at a wide range of options for local organization should develop a set of administrative proposals, and should bear in mind that enabling legislation may be required for many of the changes which are recommended. While all programs should be included in the study, the study may show that not all of the programs should be incorporated in the new recommended local system.

While the FCA strongly endorses information and referral services, they should not be considered a substitute for the simplified system approach contained in recommendation 8.

Reassessment of Programs for the Elderly

A number of programs for older Americans are designed for, and available to, those at all income levels. Some of these are recreational in nature, others attempt to mitigate loneliness or insecurity, still others are designed to convert the free time of retired people into productive uses, beneficial to both the elderly and the community. Another set of programs are available only to elderly individuals or families who are in economic need. Their purpose is to provide in-kind benefits or services which the more financially secure can afford to purchase and which society deems as necessities (food, medical care,

housing), or to provide cash to buy these and other necessary goods and services. This latter set of programs--available only to those in economic need--are commonly called income-conditioned programs; the level of cash or in-kind benefits are highest for those with the most need (lowest incomes), and are less for the less needy (i.e., decline as income rises, with benefits diminishing to zero at modest levels of income). All of these programs are intended to raise the economically deprived to a standard of living which society deems as "minimally acceptable".

Some argue that there should be only one program for the elderly who are in economic need, that being an income-conditioned cash program which raises the income level of all older Americans to a minimally acceptable standard. Others argue that such a simple approach is unsatisfactory because (1) the elderly may not have sufficient knowledge to spend the money in a way to maximize their own well-being (e.g. spend too little on food), or (2) they may not spend the money in a way which those who are providing the money (taxpayers) would like them to spend it (e.g. not enough on housing, resulting in unsightly neighborhoods), or (3) that the needs of the elderly vary so much due to health, initial housing facilities, etc., that one program cannot adequately take account of their special needs, or (4) that it is inefficient for the private market to provide their special needs on a pay-for-service bases.

For whatever reason, or combination of reasons, there are at least eleven Federal and Federally-subsidized State benefit programs,[1] plus a number of social service and health programs designed to assist the low-income and vulnerable elderly. There is some question as to whether the Federal monies for all of these programs are best spent in such a variety of programs; whether the same amount of Federal funds would be more effective if devoted to fewer

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[1]These include Medicaid, SSI, Food Stamps, four different housing programs and four separate programs for veterans.

programs, since most of the programs have the same basic objective, namely to help those older Americans who have insufficient resources to help themselves.

As is pointed out in Appendix I and in the discussion and recommendations in this report, the money income-conditioned programs for the elderly are not well coordinated. They are conceived and funded by different Congressional committees over time, and administered by different agencies with different purposes in mind; and a consolidation of administration of existing programs, while a decided improvement over the present situation, would not eliminate the deleterious and redundant effects arising from the overlap and interactions of the many existing programs. While it is beyond the scope and the time constraints imposed on the present study, our research into State and Federal programs reveal that there is a need for another study whose purpose would be to explore the rationale for the present set of programs for the elderly. Building on the findings and recommendations of the present study, such a proposed study could (1) explicitly define the needs of the low-income elderly population, (2) outline a set of policies to meet these needs, and (3) recommend a minimum set of programs which would fulfill the stated policy objectives. Hopefully the proposed set of programs would (1) be internally consistent, (2) provide equitable treatment among the low-income elderly population, and (3) reduce the number of programs, and thereby reduce administrative costs to the government and participation "costs" to the recipients. These changes would lead to a reallocation of funds among programs but would not affect the total level of benefits going to the elderly. Consequently total costs should be lower.

FCA ACTION 2. Studies will be initiated by the Federal Council on Aging to develop recommendations for a minimum and internally consistent set of income-conditioned benefits and services for the elderly to replace the current set of overlapping, often-inconsistent set of State and Federal programs now in existence.

ANNEX. DESCRIPTION OF PROGRAMS CONSIDERED

For many programs designed to aid the elderly, the receipt of benefits is a privilege rather than a right. All of the housing programs and the various programs under the Older Americans Act fall in this "privileged" category. The reason is that they have closed-ended funding. For example, the Rent Supplement program will pay the difference between the rental value of the apartment and 25 percent of an individual's (family's) income if that individual lives in an apartment building built with PL89-117 funds. But there are not nearly enough such buildings to house all low-income older people who apply for the program. So only a privileged few get any benefits from this type of program.

In a second category of programs the individual (or family) is lawfully entitled to benefits. There are two such types: (1) contributory retirement programs (including Social Security) and (2) categorical programs with open-ended funding. Of the latter, the six most relevant programs to Older Americans are--Supplemental Security Income (SSI), Food Stamps, Medicare, Medicaid, Pensions for Widows and Children of Veterans and Pensions for Veterans with Non-Service-Connected Disabilities (under the latter program veterans are defined to be disabled when they reach age 65).

In the analysis for this report we have paid particular attention to the major programs with open-ended funding and with categorical eligibility requirements (group (2) above)--and within this subset, to those for which benefits are conditioned upon income and are thus targeted on the low-income elderly population. Among the retirement programs, we have considered only Social Security, since it is the only one for which benefits are earnings-conditioned. Except for two housing programs, we have given little attention to those with closed-ended funding because they interact minimally with other programs and because, in some cases, data on the number of elderly participants is virtually nonexistent.

The eight programs given particular attention in our analysis are listed and briefly described below. A more complete description of these and other programs are contained in another report entitled "Handbook of Federal Programs Benefiting Older Americans."

The Supplemental Security Income Program

The Supplemental Security Income (SSI) Program, Title XVI of the Social Security Act, was designed to provide a nationally uniform minimum cash assistance program to the aged (persons over age 65), blind and disabled. The SSI program replaced the State administered programs of Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled. The program consists of three basic components: the basic Federal SSI program; State mandatory supplementation; and State voluntary supplementation. The basic Federal SSI program provides monthly benefits of $157.50 to a single eligible individual and $236.60 to an eligible couple with no other income. The State mandatory supplementation "holds harmless" individuals who were transferred from those programs replaced by SSI, by requiring the States to totally compensate them for any decrease in income which they may have suffered as a result of the change to the Federal SSI program. In addition each State may choose at its own option to supplement these basic payment levels by any amount they select through the Voluntary State supplementation component.

The Old Age, Survivors, and Disability Insurance Program

The Old Age, Survivors, and Disability Insurance Program, commonly referred to as Social Security, includes a retirement program, where retirement benefits received are based on the contributions paid in. In addition, the program also provides benefits to survivors of eligibles or to persons becoming disabled after establishing eligibility. Approximately 90 percent of the employed

labor force currently contributes to the OASDI program; contributions are paid in at a 5.85 percentage rate for both the employer and the employee and at a 7.9 percentage rate for self-employed persons on the first $15,300 of the earner's income. The benefit is calculated as a percentage of the retired worker's average monthly earnings that were subject to the Social Security tax. The percentage is higher for low wage earners. Workers retiring at age 62 to 64 and electing to start receiving benefits at that time receive permanently reduced benefits. The minimum benefit payable in June 1975 to a 65 year old individual was $101.40 per month and for a couple was $152.10 per month. The maximum benefit payable to an individual was $341.70 per month. The benefit payment level is automatically adjusted for inflation by a formula based upon changes in the Consumer Price Index.

Medicare

The Medicare program, Title XVIII of the Social Security Act, provides medical insurance for those persons receiving or entitled to OASDI or railroad retirement. Noneligible persons over 65 who met special requirements can purchase coverage. Part A provides limited Hospital Insurance which covers inpatient hospital care and post-hospital care after payment of a deductible. Part B, Supplementary Medical Insurance, is a voluntary program to cover certain physician's services and other outpatient medical services after the payment of a co-insurance. All recipients have to pay a premium for this coverage. However, practically all who are eligible have enrolled. The Federal government, out of general revenues, matches the total of the premiums paid.

Medicaid

The Medicaid program was enacted in 1965 as Title XIX of the Social Security Act to enable each State, at its option, to furnish medical assistance to needy families and aged, blind or disabled individuals, and to provide such services as may be required by these persons to attain independence. Thirty-five states provide coverage to SSI recipients and the remaining 16 states have chosen to limit coverage to this group to those individuals who would have been eligible

under the medical assistance standards in effect on January 1, 1972. These individuals may qualify for assistance by spending on medical care that portion of their income which is in excess of the 1972 medical standards. The benefits of this program are medical care services for which full or partial payment is made on behalf of eligible beneficiaries. The cash value of the basic Medicaid benefit is determined by the reasonable cost of medical care, which may be reduced by a deduction related to the recipient's income and resources.

The Food Stamp Program

The Food Stamp program was enacted by Public Law 88-525 in 1964 as a means of providing low-income families with an opportunity to purchase nutritionally adequate diets and as a means of expanding the market for domestically produced food. The program was not available in every county until July 1, 1974. The maximum allowable income standards, which vary by household size, were standardized at this time. The Food Stamp benefit is a payment "in-kind" in that the "benefit" is the dollar value difference between what the recipient must pay for the Food Stamps, and the actual value of the stamps. The dollar amount of the stamps which eligible households are permitted to buy are automatically adjusted semi-annually according to changes in food prices.

Low Rent Public Housing

The Low Rent Public Housing program was enacted in 1937 to provide decent, safe and sanitary low-rent housing for low-income families. The program provides loans and grants to local housing authorities and covers the difference between rents paid by tenants and rent payable to the owner (plus the local housing authority's operating expenses). A tenant family must consist of two or more related persons, or a single elderly (age 62 or over) disabled, handicapped or displaced person, or the remaining member of a tenant family. Families must be unable to afford acceptable housing as supplied by

private enterprise. Income limits are set by local housing authorities and vary according to housing costs in the area. Tenants benefit from the low rental charges made possible through Federal assistance to local housing authorities.

Rent Supplements

The Rent Supplement Program was enacted in 1965 in order to make rental housing available to lower-income families. Specified individuals or organizations are permitted to operate approved private housing projects. Eligible tenants include: persons age 62 or over; handicapped or displaced persons; occupants of substandard housing; or military personnel serving on active duty or their spouses. The income limits are generally the same as those set by the local housing authorities for public housing projects. The benefits to the tenants take the form of the difference between the fair market rental established for the rental unit and 25 percent of adjusted family income, with the provision that the supplement must be between 10 and 70 percent of the market rent.

Pensions For Veterans with Non-Service-Connected Disabilities

This program was established in 1933 (and was later revised in 1960) to assist wartime veterans who have insufficient income and resources and are age 65 or over, or have non-service-connected disabilities. Both laws remain in effect with the first covering veterans who were on the pension rolls prior to July 1, 1960 and electing to remain covered under that law and the second covering veterans who became eligible on or after that date. In order to qualify for eligibility, the veteran must: (1) have had 90 or more days of active wartime duty or if the service period was shorter than 90 days, the early discharge must have been due to a service-related disability; (2) be either permanently and totally disabled or have attained the age of 65.

Pensions For Widows and Children of Veterans

This program was enacted in 1933 and revised in 1960. It was designed to provide a partial means of support for low-income widows and children of veterans who died as a result of non-service related causes. As with the Pension for Non-Service-Connected Disabilities program, two laws are currently in existence. Only those needy, not-presently-married widows with low incomes who were receiving benefits prior to July 1, 1960 may continue receiving benefits under the first law. The current law permits payments to not-presently-married widow or child of a deceased veteran who (1) had 90 days or more of active wartime duty, or was discharged prior to 90 days due to a service-related death or (2) at the time of death was receiving compensation or military retirement pay for a service-connected disability.

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The Interrelationships of Benefit Programs for the Elderly

Appendix I

Handbook of Federal Programs Benefiting Older Americans

Federal Council on the Aging

The Interrelationships of Benefit Programs for the Elderly

Appendix I

Handbook of Federal Programs Benefiting Older Americans

Prepared for
The Federal Council on the Aging
by

The Human Resources and Income Security Project
The Urban Institute

December 29, 1975

FEDERAL COUNCIL ON THE AGING
WASHINGTON, D.C. 20201

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CONTENTS

INTRODUCTION

The Federal Council on Aging commissioned this handbook as part of a research effort designed to investigate the combined impact of various benefit programs on Older Americans. The first step in this research effort was the identification and description of Federal and Federally-supported benefit programs. While this handbook does not identify and describe all programs from which an elderly person or family might conceivably receive benefits, The Urban Institute and the Federal Council on Aging jointly determined that the thirty-four programs included herein comprise the set of benefit programs that are most relevant to the elderly population. Some of these thirty-four programs are designed to address the specific needs of elderly Americans, while others are available to both elderly and non-elderly alike with the premise that certain needs (e.g., adequate diets, housing and medical care) are common to all persons.

It was determined that the most logical subdivision of programs within the handbook would be according to functional form. These major subdivisions are identified in the Table of Contents. Each of the thirty-four programs are presented in a consistent framework based primarily upon common program elements, such as mode of financing, eligibility criteria, benefit formulas, magnitude of program cost and number of beneficiaries. Keying program descriptions on these common elements facilitates not only the description of each individual program but, more importantly, the identification of the interactions of these elements across programs. These interactions, which are the central focus of the larger research effort, are highlighted for each program. If there is any one finding which the handbook illustrates, it is that interactions across programs

occur on a large scale.

The information contained within these program descriptions was taken from various Federal agency publications, Congressional documents, Public Laws and the United States Code. Each program incudes a citation of the source of information used in developing the program description. In addition to these published documents, numerous persons within Federal agencies provided valuable information and insight into the interpretation of complex program rules, and each program description was reviewed by a representative of the relevant program's administration office.

The reader should note that there are a few inconsistencies in the form in which program data are presented, due largely to a lack of available data. Thus, while every effort has been made to present 1974 annual cost and caseload information, 1973 data is the most recent available for some programs. Similarly, most cost figures represent total program costs, but in some cases only total benefits are available. Where such inconsistencies are unavoidable, a clear explanation of what the figures represent will be given.

The myriad benefits in existence today comprise a massive set of complex and confusing program regulations and policy objectives. The author has attempted to transform these complex intertwined regulations into a readable form without sacrificing accuracy or detail.

RETIREMENT PROGRAMS

1. OLD AGE, SURVIVORS AND DISABILITY INSURANCE*

A. Legislative Objective: To partially replace income from work that is lost through retirement in old age.

B. Governing Regulations: Title II of Social Security Act of 1935 with subsequent amendments in 1939, 1946, 1950, 1951, 1954, 1956, 1960, 1965, 1967, 1969, 1971, 1972 and 1974.

C. Administering Agency: The Social Security Administration of the Department of Health, Education and Welfare.

D. Financing: Financed by a payroll tax paid half by the covered employee and half by his employer (for non self-employed persons) and a tax paid by self-employed persons on their earnings. The tax on employees and employers for OASDI is 4.95 percent of total wages; self-emloyed persons pay a tax equal to 7 percent of self-employment income. Effective as of January 1, 1975, social security taxes were levied on $14,100 of each earner's income. Effective on January 1, 1976 Social Security taxes will be levied on up to $15,300 of each earner's income.

E. Population Coverage: About 90 percent of the employed labor force are contributing to the OASDI program. Approximately 91 percent of the Nation's elderly 65 and over at the beginning of 1975 are receiving monthly benefits or will receive benefits when they or their spouses cease working. The ten percent of the employed labor force in non-covered employment is composed mainly of federal, state and local government employees, railroad workers and foreign migrant workers.

F. Types of Assistance: Direct cash payments.

G. Uses and Use Restrictions: Monthly cash benefits are paid to eligible retired workers with no restrictions on the use of benefits by the beneficiary.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements

A worker must have attained the age of 62 and have contributed for the required number of quarters of coverage to be fully

*Information for this program description was taken from U. S. Department of Health, Education and Welfare, Social Security Administration, Social Security Handbook, February 1974, U.S. G.P.O., Washington, D.C., 1974, and U.S. House of Representatives, Committee on Ways and Means, The Social Security Act as Amended Through January 4, 1975 and Related Laws, U.S. G.P.O., Washington, D.C., 1975.

insured. Fully insured status is computed according to the following: One quarter of coverage for each year between 1950 (or the year of attainment of age 21, if later) and the year of attainment of age 62 (age 63-65 for men born before 1913) is required for fully insured status. A quarter of coverage is a calendar quarter in which the individual receives non-farm wages in covered employment of $50 or more. A farmworker receives credit for cash pay if he is paid at least $150 per year from one employer or if he works 20 or more days for cash pay on a time basis for one employer per year. Self-employed persons are credited with four quarters of coverage in any year in which they have a net profit of $400.

Persons eligible for retirement and disability insurance include eligible workers and: a wife or dependent husband age 62 or over; an unmarried child under 18; an unmarried child age 18 to 22 who is a full-time student; unmarried disabled children if disabled before age 22; and a wife of any age caring for a child under 18 or a disabled child if the child is entitled to benefits based on the worker's record.

Persons eligible for survivors insurance include a widow or dependent widower age 60 or over; an unmarried child under age 18, an unmarried child age 18 to 22 if a full-time student, and an unmarried child age 18 or over if the child has been continuously disabled prior to age 22; a widow or widower caring for either a disabled child or any child under age 18 who is entitled to benefits; a widow or dependent widower age 50 to 60 who becomes disabled not later than 7 years after the worker's death, or whose entitlement based on having a child in her care ended; and a dependent parent age 62 or over.

(2) No limit on any income other than earnings from work.

(a) Treatment of Earned Income: An eligible person under age 72 may earn up to an annual exempt amount ($2,520 in 1975, $2,760 in 1976) and still receive full benefit payment; the exempt amount will be automatically adjusted from time to time based on increases in the general earnings levels. The first automatic increase occurred in 1975 when the annual exempt amount was increased from $2,400 to $2,520. If a beneficiary earns more than the exempt amount, $1 in benefits is withheld for each $2 of earnings above that amount. The test also includes a provision under which a beneficiary, regardless of his yearly earnings, receives full benefits for any month in which he neither earns wages in excess of $210 in 1975 ($230 in 1976) nor renders substantial services in self-employment.

(b) Treatment of Unearned Income: No reduction of benefits is made for unearned income.

(3) Asset Test: None.

(4) Other Eligibility Conditions

(a) Work Requirements: After acquiring benefit status, there are no requirements.

(b) Citizenship: None, however retirement benefits may not be paid to an alien (non-citizen, non-national) for any months over six months spent outside the United States. There are a number of exceptions to this nonpayment provision so that many aliens outside the United States for more than six months continue to receive benefits.

(c) Institutional Status: Institutionalized persons are not precluded from receiving benefits.

(d) Residence Requirement: Beneficiaries under age 72 lose all monthly benefits for any month in which they spend more than seven days working in noncovered jobs outside the United States.

I. Benefits: Benefits include cash payments and automatic eligibility for hospital insurance (Medicare).

(1) Determination of benefit amounts: The benefit is calculated as a percentage of the retired worker's average monthly earnings that were subject to the social security tax. The five years with the lowest earnings are excluded so that the computation period which results in the highest benefit is the one used. Persons who are entitled and elect to receive retirement benefits from age 62 to 64 receive permanently reduced benefits. Those benefits are actuarially reduced by 5/9 of one percent for each month of entitlement before age 65 (with a maximum reduction of 20 percent). Wife's and husband's insurance benefits are reduced by 25/36 of 1 percent for each month of entitlement before age 65. Widow's and widower's benefits are reduced by 19/40 of 1 percent for each month of entitlement between age 60 and 65, plus 43/240 of 1 percent for each month of entitlement before age 60. (Widow's and widower's benefits are payable before age 60 only if based on disability.)

The primary insurance amount (PIA) is the figure from which cash benefits are derived, including monthly benefits for the worker himself, his dependents and his survivors. (See attached tables.) The only cash benefits not based on the PIA are the fixed rate benefits payable to certain workers under a transitional insured status provision, and the special monthly payment made to uninsured persons age 72 or over. (These special monthly payments are described in the following program outline.) Under the usual formula, an individual's PIA is the amount in column IV of the table that appears on the same line

as his Average Monthly Earnings (AME) in column III. The Primary Insurance Benefit (PIB) shown in column I of the table is a computed amount which according to computation formulas in the law prior to 1950 had approximately the same definition as the PIA does now. This column is used only as a step in computing the PIA in those instances where earnings before 1951 are taken into account.

(2) Relationship of benefits to family size: Eligible dependents are entitled to an amount equal to 50 percent of the retired worker's basic monthly benefit; the amount actually paid to the dependent may be somewhat less due to the limitation on the amount that can be paid to the family.

(3) Relationship of benefit amount to place of residence: None.

(4) Relationship of benefit amount to cost of living changes: Beginning in June 1975 benefits were automatically increased annually whenever the consumer price index increases by three percent or more.

The cost of living adjustment is computed in the following manner. The Secretary shall effective of the month of June, increase the annual benefit amount of each individual entitled to a benefit, and the primary insurance amount of any other individual by the same percentage as the percentage by which the CPI exceeds the index for the most recent prior calendar quarter (A) ending on March 31, or (B) that was a cost-of-living computation quarter.

(5) Current Benefit Amounts: The minimum benefit payable upon retirement in 1975 at age 65 is $93.80. Effective as of June 1975, this minimum was increased to $101.40. The maximum benefit payable at retirement at age 65 in 1975 was $316.30 for men and $333.70 for women. These maximums were increased effective as of June 1975 to $341.70 for men and $360.40 for women. U.S. Department of Health, Education and Welfare, Social Security Administration, Social Security Bulletin, July 1975, Vol. 38, No. 7, Table 2, page 35. U.S. Government Printing Office, Washington, D.C.)

(6) Comparison to Poverty Level: Minimum benefits for a retired worker with no other benefits amount to approximately 50 percent of the poverty level for a single adult.

(7) Other Benefits/Related Programs: Aged beneficiaries are entitled to hospital insurance (see description of Medicare). See also Special Benefits for Persons Aged 72 and Over.

J. Cost and Caseload Information: Total monthly cash benefit payments in 1974 amounted to $58,194,100,000 to an average monthly 23,121,000 beneficiaries. (These figures include payments made to persons under the special benefit program for persons age 72 and over, since published cost and caseload amounts include these.) U.S. Department of Health, Education and Welfare, Social Security Bulletin, April 1975, Vol. 38, No. 4, Table M-3, page 47; and U.S. Department of Health, Education and Welfare, Social Security Bulletin, August 1975, Vol. 38, No. 8, Table M-1, page 40.

K. Interactions with Other Programs

(1) Program Eligibility: Receipt of social security benefits automatically confers upon recipients eligibility for Medicare benefits and entitlement to purchase insurance under the Supplementary Medical Insurance program.

(2) Program Income: Social Security taxes earnings in excess of the allowable disregard at a 50 percent rate. Therefore, any income derived from the Community Services Employment Program in excess of the disregard ($2,760) is taxed by the Social Security Program at a 50 percent rate. All unearned income is untaxed.

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING JUNE 1975

This Revised Table Was Made Pursuant to Section 215(i)(2)(D) of the Social Security Act, As Amended

I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount effective for June 1974)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is--		Or his primary insurance amount (as determined under subsec. (c)) is--	Or his average monthly wage (as determined under subsec. (b)) is--		The amount referred to in the preceding paragraphs of this subsection shall be--	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be--
At least--	But not more than--		At least--	But not more than--		
---	$16.20	$ 93.80	---	$ 76	$101.40	$152.10
$16.21	16.84	95.30	$ 77	78	103.00	154.50
16.85	17.60	97.50	79	80	105.30	158.10
17.61	18.40	99.30	81	81	107.30	161.00
18.41	19.24	101.10	82	83	109.20	163.90
19.25	20.00	103.20	84	85	111.50	167.30
20.01	20.64	105.10	86	87	113.60	170.40
20.65	21.28	106.80	88	89	115.40	173.10
21.29	21.88	108.90	90	90	117.70	176.60
21.89	22.28	110.80	91	92	119.70	179.60
22.29	22.68	112.60	93	94	121.70	182.60
22.69	23.08	114.40	95	96	123.60	185.40
23.09	23.44	116.50	97	97	125.90	188.90
23.45	23.76	118.50	98	99	128.00	192.10
23.77	24.20	120.80	100	101	130.50	195.80
24.21	24.60	122.50	102	102	132.30	198.60
24.61	25.00	124.50	103	104	134.50	201.80
25.01	25.48	126.80	105	106	137.00	205.50
25.49	25.92	128.80	107	107	139.20	208.80
25.93	26.40	130.90	108	109	141.40	212.20
26.41	26.94	132.90	110	113	143.60	215.40
26.95	27.46	134.80	114	118	145.60	218.40
27.47	28.00	136.90	119	122	147.90	221.90
28.01	28.68	138.90	123	127	150.10	225.20
28.69	29.25	141.10	128	132	152.40	228.70

*Federal Register, Vol. 40, No. 100, May 22, 1975, pages 22291-22296.

I		II	III		IV	V
$29.26	$29.68	$143.00	$133	$136	$154.50	$231.80
29.69	30.36	144.90	137	141	156.50	234.80
30.37	30.92	147.10	142	146	158.90	238.40
30.93	31.36	149.10	147	150	161.10	241.70
31.37	32.00	151.00	151	155	163.10	244.70
32.01	32.60	153.20	156	160	165.50	248.30
32.61	33.20	155.10	161	164	167.60	251.40
33.21	33.88	157.20	165	169	169.80	254.70
33.89	34.50	159.20	170	174	172.00	258.10
34.51	35.00	161.20	175	178	174.10	261.20
35.01	35.80	163.40	179	183	176.50	264.80
35.81	36.40	165.20	184	188	178.50	267.80
36.41	37.08	167.50	189	193	180.90	271.60
37.09	37.60	169.50	194	197	183.10	274.80
37.61	38.20	171.40	198	202	185.20	277.80
38.21	39.12	173.70	203	207	187.60	281.50
39.13	39.68	175.70	208	211	189.80	284.70
39.69	40.33	177.40	212	216	191.60	287.40
40.34	41.12	179.60	217	221	194.00	291.00
41.13	41.76	181.60	222	225	196.20	294.30
41.77	42.44	183.80	226	230	198.60	297.90
42.45	43.20	185.80	231	235	200.70	301.10
43.21	43.76	188.10	236	239	203.20	304.80
43.77	44.44	189.90	240	244	205.10	309.10
44.45	44.88	191.70	245	249	207.10	315.50
44.89	45.60	194.10	250	253	209.70	320.60
		196.10	254	258	211.80	326.90
		197.70	259	263	213.60	333.10
		200.10	264	267	216.20	338.20
		202.10	268	272	218.30	344.60
		204.20	273	277	220.60	350.80
		206.20	278	281	222.70	355.90
		208.20	282	286	224.90	362.30
		210.40	287	291	227.30	368.70
		212.20	292	295	229.20	373.60
		214.40	296	300	231.60	379.90
		216.40	301	305	233.80	386.30
		218.30	306	309	235.80	391.40
		220.50	310	314	238.20	397.70
		222.40	315	319	240.20	404.10
		224.30	320	323	242.30	409.20
		226.50	324	328	244.70	415.50
		228.50	329	333	246.80	421.80
		230.80	334	337	249.30	426.90

I	II	III	IV	V
	$232.50	$338	$342	$251.10	$433.10
	234.50	343	347	253.30	439.50
	236.80	348	351	255.80	444.50
	238.70	352	356	257.80	450.80
	240.90	357	361	260.20	457.20
	242.80	362	365	262.30	462.30
	244.70	366	370	264.30	468.60
	246.90	371	375	266.70	474.80
	248.90	376	379	268.90	480.10
	251.10	380	384	271.20	486.40
	252.90	385	389	273.20	492.60
	254.90	390	393	275.30	497.70
	257.10	394	398	277.70	504.10
	259.00	399	403	279.80	510.50
	261.30	404	407	282.30	515.40
	263.00	408	412	284.10	521.80
	264.90	413	417	286.10	528.10
	266.80	418	421	288.20	533.10
	268.90	422	426	290.50	539.40
	270.70	427	431	292.40	545.80
	272.40	432	436	294.20	552.10
	274.70	437	440	296.70	554.60
	276.30	441	445	298.50	557.90
	278.20	446	450	300.50	561.00
	280.30	451	454	302.80	563.50
	282.10	455	459	304.70	566.60
	284.00	460	464	306.80	569.70
	285.80	465	468	308.70	572.40
	288.00	469	473	311.10	575.50
	289.60	474	478	312.80	578.70
	291.50	479	482	314.90	581.30
	293.60	483	487	317.10	584.50
	295.40	488	492	319.10	587.70
	297.30	493	496	321.10	590.20
	299.40	497	501	323.40	593.30
	301.10	502	506	325.20	596.40
	303.00	507	510	327.30	599.00
	304.90	511	515	329.30	602.10
	306.90	516	520	331.50	605.40
	308.70	521	524	333.40	607.80
	310.60	525	529	335.50	611.00
	312.70	530	534	337.80	614.10
	314.40	535	538	339.60	616.70
	316.30	539	543	341.70	619.90
	318.40	544	548	343.90	623.00
	320.20	549	553	345.90	626.20

I	II	III	IV	V
	$322.10	$554	$556	$347.90	$628.10
	323.60	557	560	349.50	630.70
	325.40	561	563	351.50	632.60
	327.10	564	567	353.30	635.10
	328.80	568	570	355.20	637.00
	330.40	571	574	356.90	639.40
	332.20	575	577	358.80	641.50
	333.70	578	581	360.40	643.80
	335.50	582	584	362.40	645.80
	337.00	585	588	364.00	648.40
	338.90	589	591	366.10	650.20
	340.60	592	595	367.90	652.80
	342.30	596	598	369.70	654.60
	343.90	599	602	371.50	657.30
	345.60	603	605	373.30	659.20
	347.30	606	609	375.10	661.50
	349.00	610	612	377.00	663.60
	350.70	613	616	378.80	666.10
	352.40	617	620	380.60	668.70
	354.00	621	623	382.40	670.50
	355.70	624	627	384.20	673.10
	357.40	628	630	386.00	675.40
	359.00	631	634	387.80	678.70
	360.80	635	637	389.70	681.90
	362.60	638	641	391.70	685.20
	364.10	642	644	393.30	688.20
	365.90	645	648	395.20	691.60
	367.50	649	652	396.90	694.60
	368.60	653	656	398.10	696.60
	369.60	657	660	399.20	698.50
	370.90	661	665	400.60	701.10
	372.20	666	670	402.00	703.60
	373.60	671	675	403.50	706.00
	374.90	676	680	404.90	708.60
	376.20	681	685	406.30	711.10
	377.60	686	690	407.90	713.60
	378.90	691	695	409.30	716.20
	380.20	696	700	410.70	718.70
	381.60	701	705	412.20	721.20
	382.90	706	710	413.60	723.60
	384.20	711	715	415.00	726.20
	385.60	716	720	416.50	728.70
	386.90	721	725	417.90	731.20
	388.20	726	730	419.30	733.80

I	II	III	IV	V
	$389.50	$731	$735	$420.70	$736.30
	390.90	736	740	422.20	738.80
	392.20	741	745	423.60	741.40
	393.50	746	750	425.00	743.80
	394.70	751	755	426.30	746.00
	395.80	756	760	427.50	748.10
	396.90	761	765	428.70	750.20
	398.00	766	770	429.90	752.30
	399.10	771	775	431.10	754.40
	400.20	776	780	432.30	756.40
	401.30	781	785	433.50	758.50
	402.40	786	790	434.60	760.60
	403.50	791	795	435.80	762.70
	404.60	796	800	437.00	764.80
	405.80	801	805	438.30	767.00
	406.90	806	810	439.50	769.00
	408.00	811	815	440.70	771.20
	409.10	816	820	441.90	773.20
	410.20	821	825	443.10	775.40
	411.30	826	830	444.30	777.40
	412.40	831	835	445.40	779.60
	413.50	836	840	446.60	781.60
	414.60	841	845	447.80	783.80
	415.70	846	850	449.00	785.70
	416.90	851	855	450.30	787.90
	418.00	856	860	451.50	790.00
	419.10	861	865	452.70	792.10
	420.20	866	870	453.90	794.20
	421.30	871	875	455.10	796.30
	422.40	876	880	456.20	798.40
	423.50	881	885	457.40	800.50
	424.60	886	890	458.60	802.60
	425.70	891	895	459.80	804.80
	426.80	896	900	461.00	806.80
	428.00	901	905	462.30	809.00
	429.10	906	910	463.50	811.00
	430.20	911	915	464.70	813.20
	431.30	916	920	465.90	815.10
	432.40	921	925	467.00	817.30
	433.50	926	930	468.20	819.30
	434.60	931	935	469.40	821.50
	435.70	936	940	470.60	823.50
	436.80	941	945	471.80	825.70
	437.90	946	950	473.00	827.80

I	II	III	IV	V
	$439.10	$ 951	$ 955	$474.30	$829.90
	440.20	956	960	475.50	832.00
	441.30	961	965	476.70	834.10
	442.40	966	970	477.80	836.20
	443.50	971	975	479.00	838.30
	444.60	976	980	480.20	840.30
	445.70	981	985	481.40	842.40
	446.80	986	990	482.60	844.50
	447.90	991	995	483.80	846.70
	449.00	996	1000	485.00	848.70
	450.00	1001	1005	486.00	850.50
	451.00	1006	1010	487.10	852.50
	452.00	1011	1015	488.20	854.30
	453.00	1016	1020	489.30	856.30
	454.00	1021	1025	490.40	858.10
	455.00	1026	1030	491.40	860.10
	456.00	1031	1035	492.50	861.90
	457.00	1036	1040	493.60	863.80
	458.00	1041	1045	494.70	865.70
	459.00	1046	1050	495.80	867.60
	460.00	1051	1055	496.80	869.40
	461.00	1056	1060	497.90	871.40
	462.00	1061	1065	499.00	873.20
	463.00	1066	1070	500.10	875.20
	464.00	1071	1075	501.20	877.00
	465.00	1076	1080	502.20	879.00
	466.00	1081	1085	503.30	880.80
	467.00	1086	1090	504.40	882.70
	468.00	1091	1095	505.50	884.60
	469.00	1096	1100	506.60	886.50
	470.00	1101	1105	507.60	888.30
	471.00	1106	1110	508.70	890.30
	472.00	1111	1115	509.80	892.10
	473.00	1116	1120	510.90	894.10
	474.00	1121	1125	512.00	895.90
	475.00	1126	1130	513.00	897.90
	476.00	1131	1135	514.10	899.70
	477.00	1136	1140	515.20	901.60
	478.00	1141	1145	516.30	903.50
	479.00	1146	1150	517.40	905.40
	480.00	1151	1155	518.40	907.20
	481.00	1156	1160	519.50	909.20
	482.00	1161	1165	520.60	911.00
	483.00	1166	1170	521.70	913.00
	484.00	1171	1175	522.80	914.80

2. OLD AGE, SURVIVORS AND DISABILITY INSURANCE--SPECIAL PROVISIONS FOR PERSONS AGE 72 AND OVER*

A. Legislative Objective: To provide an assured income to those persons who had little or no opportunity to contribute to the social security program.

B. Governing Regulations: Tax Adjustment Act of 1966.

C. Administering Agency: Social Security Administration. Department of Health, Education and Welfare.

D. Financing: Financed from the general funds of the U.S. Treasury.

E. Population Coverage: National coverage.

F. Types of Assistance: Direct cash payments.

G. Uses and Use Restrictions: Monthly benefits with no restriction on use.

H. Eligibility Requirements:

(1) Categorical Requirements: Applicants must have reached age 72 before 1968 if they had less than three quarters of covered employment. Those persons attaining age 72 after 1967 and before 1971 were required to have three additional quarters of coverage for each year between 1966 and the year age 72 was reached.

(2) Income Tests

(a) Treatment of Earned Income: There is no restriction on the amount of wages or self-employment income an individual age 72 or over may receive and still be eligible for benefit payments.

(b) Treatment of Unearned Income: Special age 72 benefits will be suspended for any month the beneficiary received supplemental security income benefits, State supplemental SSI benefits, or if such individual's needs were taken into account in determining his (her) spouse's eligibility for such aid. Payments will be offset by the amount of any governmental pension that an individual receives or

*Joint Economic Committee, Congress of the United States, Subcommittee on Fiscal Policy, "Handbook of Public Income Transfer Programs: 1975," Studies in Public Welfare, December 31, 1974, U.S. Government Printing Office, Washington, D.C., pages 14-15.

would receive if he retired and filed for the pension. A governmental pension includes monthly Retirement Survivors Disability Insurance and Railroad benefits, but does not include workmen's compensation or veterans compensation for a service-connected death. The special age 72 payment is also offset by the amount of a governmental pension received or that could be received by the spouse if he (she) retired or applied for the pension.

(3) Asset Test: None.

(4) Other Eligibility Conditions:

(a) Work requirements: No requirements.

(b) Citizenship: Applicants must be residents of the United States (the 50 States and District of Columbia) and (A) citizens of the United States or (B) if an alien must have been lawfully admitted for permanent residence and must have resided in the United States for five continuous years immediately preceding application for eligibility.

(c) Institutional Status: Institutionalized persons are not precluded from receiving benefits.

(d) Residence Requirements: The benefits to which an individual is entitled shall not be paid for any month in which the individual resides outside the United States.

I. Benefits: Benefits are cash payments*

(1) Determination of benefit amounts: The maximum benefit amount to an individual is currently $69.60 per month; the maximum benefit amount to a couple with both husband and wife eligible, is currently $104.40 per month.

In the case of a husband and wife only one of whom is entitled to benefits, the benefit amount (after any reductions due to the eligible individual's receipt of government annuities or pensions) will be reduced by the total amount above $34.30 per month of any periodic payments from governmental pensions received by the spouse who is not eligible for benefits under this provision.

*U.S. House of Representatives, Committee on Ways and Means, The Social Security Act as Amended Through January 4, 1975 and Related Laws. February 12, 1975, U.S. Government Printing Office, Washington, D.C., pages 192-196.

In the case of a husband and wife both of whom are entitled to benefits:

(a) The remaining benefit amount of the wife after any reduction due to her receipt of government pensions or annuities, will be further reduced by the total amount of her husband's government pension benefits in excess of $69.60 per month; and

(b) The remaining benefit amount of the husband after any reduction for his receipt of government pension benefits will be further reduced by the total amount of hs wife's receipts from government pensions above $34.80.

In addition, benefits under this program are reduced to zero for any month in which the beneficiary receives payments under the AFDC or SSI programs.

(2) Relationship of benefits to family size: Benefits to an eligible couple amount to 150% of the benefit to an individual.

(3) Relationship of benefit amount to place of residence: Benefit reduced to zero for any month in which individual resides outside the United States.

(4) Relationship of benefit amount to cost of living changes: The July 1972 Amendments provided for automatic increases in the special age 72 payments to keep pace with increases in the cost of living reflected by an increase in the Consumer's Price Index totalling three percent or more.

(5) Current benefit amounts: See 10A.

(6) Comparison to poverty level: Average monthly benefits in 1974 of $63.55 amounted to 32 1/4% of the poverty threshold for a nonfarm unrelated individual over age 65.*

J. Cost and Caseload: In April 1975 monthly cash benefits of $16,197,000 were received by 254,840 persons. (U.S. Department of Health, Education and Welfare, Social Security Bulletin, August 1975, Vol. 38, No. 8, Tables M-10 and M-11, pages 48-49, U.S. Government Printing Office, Washington, D.C.)

K. Interactions with other programs:

(1) Program Eligibility: Receipt of program benefits does not entitle recipient to automatic eligibility in any other program.

*See August 1975 Social Security Bulletin, Table M-13, page 51, for the average monthly benefit and U.S. Department of Commerce Current Population Report, p-60, No. 99, issued July 1975, "Money Income and Poverty Status of Families and Persons in the United States: 1974," page 16 for 1974 poverty cutoffs.

(2) Program Income: This program taxes income received from Civil Service Retirement, Foreign Service Retirement, Railroad Retirement and Military Retirement programs at 100% . Receipt of any income from SSI or AFDC automatically reduces payment under this program to zero.

3. RAILROAD RETIREMENT BENEFIT PROGRAM*

A. Legislative Objective: To provide a continuing source of income to retired or disabled railroad workers or survivors of deceased workers.

B. Governing Regulations: Railroad Retirement Act of 1937 as amended in 1946, 1951 and 1966; Railroad Retirement Act of 1974.

C. Administering Agency: Federal Railroad Retirement Board.

D. Financing: Financed by a payroll tax, general revenue funds and transfers from social security funds. The upper limit of income which is taxed is the same as that for Social Security ($15,300 in January 1976) with the tax rate set at 5.85% for employees and 5.35% for employers. Supplemental annuities to retired workers 60 years and older with more than 30 years of service are "pay-as-you-go" financed by an employer tax on the number of hours the retiree worked. The tax rate for this provision was 7.5 cents per hour in fiscal year 1974. Beginning October 1975 the tax rate is set at 8.5 cents per hour.

E. Population Coverage: National coverage.

F. Types of Assistance: Direct cash payments.

G. Uses and Use Restrictions: No restrictions on use.

H. Eligibility Requirements:

(1) Categorical Requirements: Retired workers must have at least ten years of railroad employment. In order to receive disability benefits an individual must have been employed by the railroad industry for at least 12 of the 30 months preceding retirement. Retired workers may collect full benefits at age 65 or at age 60 if they have had 30 or more years of service. Reduced benefits are paid to those workers retiring between the ages of 62 and 64 with less than 30 years of service.

Supplemental retirement benefits are payable at age 65 for the following workers: (1) those awarded a regular retirement or disability annuity after June 1966 if he had 25 years of service and was employed by the railroad industry when the annuity began; and (2) age 60 with 30 years of service whose annuity begins after July 1, 1974 provided that the worker discontinues railroad employment by age 65.

*The information for this program description was taken from Joint Economic Committee of the Congress of the United States, Subcommittee on Fiscal Policy, Studies in Public Welfare, "Handbook of Public Income Transfer Programs: 1975," U.S. G.P.O., Washington, D.C., pages 42-49.

(a) Disability benefit eligibility criteria: Workers permanently disabled after at least ten years of railroad service who are unable to engage in any regular employment as a result of their disability are eligible for disability benefits at any age.

(b) Dependent's eligibility criteria: The wife of a retired beneficiary age 65 or over is eligible if she: (1) is 65 or over; or (2) has in her care a child of the beneficiary under 18 or disabled. Reduced benefits are payable at age 62-64. In those cases where the employee's benefits accrue on or after July 1, 1974, a spouse of an employee with 30 years of service is eligible for an unreduced annuity when both employee and spouse reach age 60. In cases where the employee's annuity accrues after January 1, 1975, a spouse of an employee with less than 30 years of service is eligible to receive either an unreduced annuity when the employee has attained 62 and the spouse has either attained age 65 or has a child or the employee in her care, or a reduced annuity when the employee and the spouse have each attained age 62.

(c) Survivor's eligibility criteria: The following persons are eligible for survivor's benefits: (1) widows or dependent widowers aged 60 or above; (2) widows or dependent widowers aged 50-59 disabled within 7 years of the worker's death; (3) widows caring for any child entitled to payments; (4) unmarried children less than 18 years of age or less than 22 years old if attending school full time; (5) unmarried disabled children if disabled before age 22; and (6) if there is no eligible widow, widower or child, a dependent parent age 60 or above.

(2) Income Test: There is a benefit reduction rate of 50% on all earned income (earned in nonrailroad employment) in excess of $2,760 per year (in 1976).

Disability benefits are not payable for any month in which the beneficiary is under age 65 and earns more than $200. Benefits are restored if annual earnings are below $2,500. If the beneficiary earns $2,500 or more in any year he loses 1 month's annuity for each $200 he earns over $2,400 (counting the last $100 or more as $200).

(3) Asset Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: Eligibility for a supplemental benefit is permanently lost if the beneficiary works for the railroad after his retirement date.

Workers, spouses or survivors are not entitled to a benefit for any month in which they are employed in the railroad industry. If the last employment was not in the railroad industry workers and spouses also lose their right to benefits for any month in which they worked in such employment.

(b) Citizenship Requirements: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits:

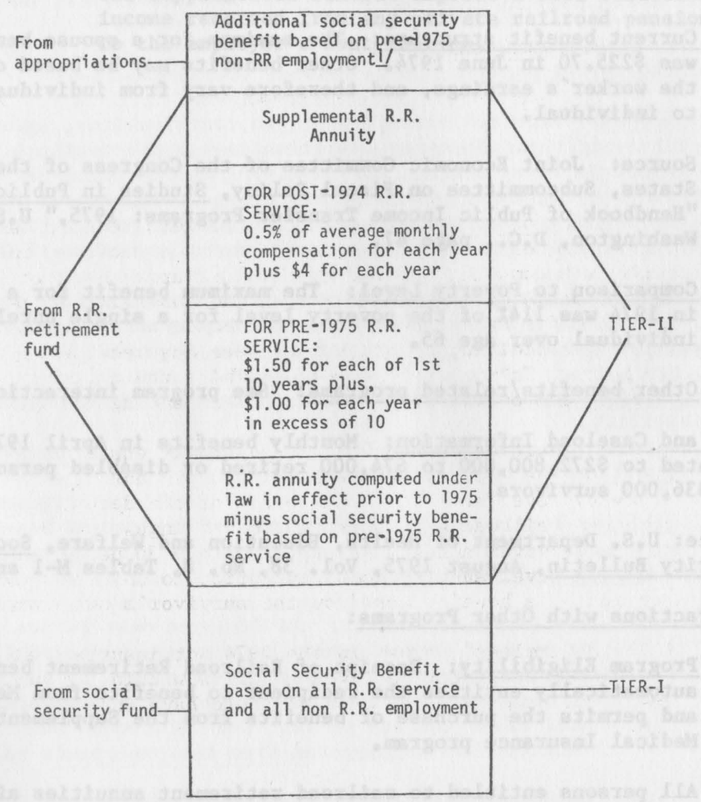
(1) Determination of benefit amounts: Workers receive benefits consisting of two components, the first a social security level component computed under the social security benefit formula on the basis of combined railroad and non-railroad earnings; the second a staff level component based on railroad service only. In addition eligible employees may receive supplemental benefits. The following table exhibits the components of the annuity and outlines the sources of financing for each component.

Spouse annuities components are generally equal to one-half of the employee's components. Survivors are entitled to a social security level benefit on the basis of the deceased employee's combined railroad and non-railroad earnings. The staff component of the survivor annuity is approximately 30 percent of the social security level annuity component prior to any reduction due to receipt of a benefit based on the survivor's own earnings.

A "hold-harmless" clause in the 1974 Act insures that no individual who first receives benefits within the next eight years will receive less than he would have under the previous law.

TABLE 1*

Components of an Annuity Computed under the Provisions of the Railroad Retirement Act of 1974



1/ The law provides that this portion of an individual's benefit shall not hereafter be subject to cost-of-living increases, although tier I and tier II will be.

*Joint Economic Committee of the Congress of the United States, Subcommittee on Fiscal Policy, Studies in Public Welfare, "Handbook of Public Income Transfer Programs: 1975," U.S. G.P.O., Washington, D.C., page 46.

(2) Relationship of benefit to family size: None.

(3) Relationship of benefit to place of residence: None.

(4) Relationship of benefit to cost of living changes: Cost of living changes are reflected in benefit amounts.

(5) Current benefit structure: The maximum for a spouse benefit was $225.70 in June 1974. Other benefits may be based on the worker's earnings, and therefore vary from individual to individual.

Source: Joint Economic Committee of the Congress of the United States, Subcommittee on Fiscal Policy, Studies in Public Welfare, "Handbook of Public Income Transfer Programs: 1975," U.S. G.P.O., Washington, D.C., page 47.

(6) Comparison to Poverty Level: The maximum benefit for a spouse in 1974 was 114% of the poverty level for a single unrelated individual over age 65.

(7) Other benefits/related programs: See program interactions.

J. Cost and Caseload Information: Monthly benefits in April 1975 amounted to $272,800,000 to 674,000 retired or disabled persons, and 336,000 survivors.

Source: U.S. Department of Health, Education and Welfare, Social Security Bulletin, August 1975, Vol. 38, No. 8, Tables M-1 and M-3.

K. Interactions with Other Programs:

(1) Program Eligibility: Receipt of Railroad Retirement benefits automatically entitles the recipient to benefits from Medicare and permits the purchase of benefits from the Supplementary Medical Insurance program.

All persons entitled to railroad retirement annuities after 1975 are automatically precluded from receiving social security benefits. For those persons entitled prior to 1975 who are receiving both social security and railroad retirement benefits, the social security level component of the railroad retirement benefit is reduced by the amount of any monthly social security benefit.

No person may receive survivor's benefits under both railroad retirement and social security based on the earnings record of the same person.

(2) Program Income: Income received from social security benefits is subject to a 100% benefit reduction rate. Income received from the Community Service Employment Program in excess of $2,760 per year (in 1976) is subject to a 50% benefit reduction rate.

The supplemental benefit imposes a 100% reduction rate on all income received from any private railroad pension attributable to the employer's contribution.

4. CIVIL SERVICE RETIREMENT*

A. Legislative Objective: To protect Federal civilian employees and their dependents against income loss resulting from the death of the employee or from retirement because of age or disability.

B. Governing Regulations: Civil Service Retirement Act, Amended 1969, P.L. 91-93. Title 5 of U.S.C., Secs. 8331-8348.

C. Administering Agency: Civil Service Commission.

D. Financing: Financed through employee contributions, agency or departmental contributions, congressional appropriations, and interest on investments. The employing agency shall deduct 7 percent of the basic pay of an employee, 7 1/2 percent of the basic pay of a Congressional, Law Enforcement or Firefighting employee, and 8 percent of the basic pay of a member of Congress.

E. Population Coverage: Includes employees as defined by section 8331 of Title 5 U.S.C. Congressional employees and members of Congress may elect to be covered by this program.

F. Types of Assistance: Cash payments upon retirement, death or disability.

G. Uses and Use Restrictions: None.

H. Eligibility Requirements: (Collection of Retirement Benefits)

(1) Categorical Requirements:

(a) Mandatory Retirement: An Employee must retire at age 70 or as soon thereafter as he/she has completed 15 years of service. However, by special exception by the President, an employee can continue working for the Federal government after the age of 70. The retirement benefit is received but substracted from the employee's salary.

(b) Voluntary Retirement: Employees may collect full annuity at age 62 or over with at least five years of service or at age 60 or over with at least 20 years of service or at age 55 or over with at least 30 years of service. Employees who have rendered at least 20 years of service as a law enforcement officer or firefighter or a combination of both may retire at age 50.

*The information for this program description was taken from U.S.C. Title 5 Subchapter 3, and U.S. Department of Health, Education and Welfare, Social Security Bulletin, February 1970, Vol. 33, No. 2, pages 15-25.

(c) Involuntary Separation: An employee involuntarily separated for reasons other than misconduct or delinquency is eligible for an immediate annuity provided he or she has had 25 years of service or has attained age 50 and has had 20 years of service. If the employee is under age 55, the basic annuity is reduced 1/6 of 1 percent for each full month under age 55.

(d) Disability: Disability retirement is permitted after at least 5 years of service upon a finding of disability by the Civil Service Commission.

(e) Deferred Retirement: Employees separated after 5 or more years of service have two alternatives. The employee's accumulated contributions may be refunded at any time between separation and attainment of age 62; or at age 62 entitlement to a full annuity is established computed on the basis of total service up to the date of separation. Before attaining age 62 the separated employee has no survivor protection except the lump sum refund; after age 62, death benefits for surviving children and spouse may be payable, depending upon the date of the individual's separation from the employ of the Federal government.

(2) Income Test: None.

(3) Asset Test: None.

(4) Other Eligibility Requirements: The employee must have been subject to the retirement system for at least one year of the last two years before separation.

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits

(1) Determination of Benefit Amounts: The basic annuity is determined by the highest average annual basic salary for any three consecutive years with total service including unused sick leave.

The annuity formula favors long-service employees with each year of service above 10 worth one and one-third times as much as each of the first 5 years (when average salary is at least $5,000). For the majority of employees (i.e., those with at least 10 years service and average salaries of at least $5,000) the formula can be expressed as the product of (1) the average

salary and (2) the years of service times 2 percent, minus 3 3/4 percent. The maximum annuity is equal to 80 percent of average salary plus annuity attributable to sick leave. The minimum annuity (only for disability retirement and death before retirement) is 40% of average salary or basic annuity computed using actual service plus assumed service to age 60, if the actual earned annuity is less than 40% of average salary. The law also provides that a retiree who is not receiving any other benefits (and is not entitled to receive any) from the Federal Government, will receive an annuity at least as great as the smallest primary insurance amount payable by the Social Security Administration.

(2) Relationship of Benefit Amount to Family Size: The retiring married employee will receive a reduced annuity during his or her lifetime to provide an annuity for his or her surviving spouse of 55 percent of his/her full annuity, unless this option is specifically waived or a smaller part of the basic annuity is chosen as the base for the surviving spouse.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: The percent change in the Consumer Price Index is determined each month. Increases are based on the highest rise in the price index for any 3 consecutive months in each of which such increase was at least 3 percent above the index of the base month last used to determine a cost of living increase. This amount is then increased by an additional 1 percent.

(5) Current Benefit Structure: Varies on an individual basis.

(6) Comparison to Poverty Level: Varies on an individual basis.

(7) Other Benefits/Related Programs: Retirees are entitled to carry health and life insurance coverage into retirement.

J. Cost and Caseload Information: Retirement benefits of over $8 billion will be paid to approximately 1.3 million annuitants and survivors in Fiscal Year 1976.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: No benefit reduction rate is applied to other income sources.

5. FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM*

A. Legislative Objective: To protect foreign service employees and their dependents against income loss resulting from the death of the employee or from his retirement because of age or disability.

B. Governing Regulations: Title 22 of U.S.C. Subchapter VIII.

C. Administering Agency: State Department.

D. Financing: Financed through employee and department contributions, congressional appropriations, and interest on investments.

Seven percent of the basic salary of each participant is deducted from his/her salary for contribution to the fund, with an additional seven percent contributed from the appropriations from which employee's salaries are paid. In addition, any participant may, at his option, make additional contributions not to exceed 10 percent of his basic salary.

E. Population Coverage: Covered employees include all foreign service officers, all other persons making contributions to the fund and any chief of mission who has served in that position for twenty years who has made contributions for each year of service.

F. Types of Assistance: Cash payments upon retirement, death or disability.

G. Uses and Use Restrictions: None.

H. Eligibility Requirements:

(1) Categorical Requirements: The following persons are entitled to the benefits of the Foreign Service Retirement system:

(a) All Foreign Service Officers;

(b) All other persons making contributions to the Fund;

(c) Any chief of mission not otherwise entitled who has served for an aggregate period of twenty years or more and has paid into the Fund a special contribution for each year of service;

(d) Any Foreign Service staff officer or employee appointed by the Secretary of State who has had at least ten years of continuous service in the Department's Foreign Service.

*Information for this program description was taken from U.S. Code Title 22 Sections 1061-1121, Subchapter 8.

(e) All Foreign Service Information Officers;

(f) Any Foreign Service Staff Officer or employee appointed by the Director of the United States Information Agency who has had at least ten years of continuous service in the Agency's Foreign Service.

(g) Any Foreign Service Reserve Officer with unlimited tenure appointed pursuant to Section 15 or 17 of Public Law 90-494.

(h) Any Foreign Service Reserve Officer, Foreign Service Staff Officer or employee of the agency of International Development serving under unlimited appointments in employment subject to Section 625 (d) (2) of the Foreign Assistance Act of 1961, as amended.

Mandatory Retirement: Mandatory retirement is set at age 60 for participants below the rank of Career Minister, age 65 for Career Minister and above. Participants occupying a position of Chief of Mission or any other position to which appointed by the President, by and with the consent of the Senate, is not subject to compulsory retirement while serving in that position.

If an employee of the Department of State or the United States Information Agency becomes a participant after the age of 60 they will be mandatorily retired at the end of the month in which they become a participant.

Participants who are employees of the Agency for International Development (as described in H. (1) h) will be mandatorily retired according to the following schedule:

AGE	RETIREMENT DATE
Attainment of age 70 01/01/74 - 12/31/76	End of month in which age 70 is attained
Age 64 or older on January 1, 1977	January 31, 1977
Attainment of age 64 between January 2, 1977 and December 31, 1977	End of month in which age 64 is attained
Age 63 or older on January 1, 1978	January 31, 1978
Attainment of age 63 between January 2, 1978 and December 31, 1978	End of month in which age 63 is attained

Age 62 or older on January 1, 1979	January 31, 1979
Attainment of age 62 between January 2, 1979 and December 31, 1979	End of month in which age 62 is attained
Age 61 or older on January 1, 1980	January 1, 1980
Attainment of age 61 between January 2, 1980 and December 31, 1980	End of month in which age 61 is attained
Age 60 or older on January 1, 1981	January 31, 1981
Attainment of age 60 on and after January 1, 1981	End of month in which age 60 is attained

Voluntary Retirement: Participants may retire at age 50 after 20 years of creditable service (or participants who are employees of the Agency for International Development age 57 or over on January 1, 1975, regardless of length of service) and receive benefits as explained in I (1).

Involuntary Separation: Foreign Service Officers, Foreign Service Information Officers, and Foreign Service Reserve Officers with unlimited tenure appointed pursuant to Section 15 or 17 of Public Law 90-494 of grade 1, 2 & 3 who are involuntarily separated will receive an immediate annuity as determined by I (1) regardless of the age of the officer.

Foreign Service Officers, Foreign Service Information Officers, and Foreign Service Reserve Officers with unlimited tenure appointed pursuant to Section 15 or 17 of Public Law 90-494 of grade 4, 5, 6 & 7 who are involuntarily separated may, if eligible for voluntary retirement, retire on an immediate annuity. If ineligible, they will receive a gratuity payment of one-twelfth of a year's salary at their then current salary rate for each year of creditable service, not to exceed one year's salary. They would also be eligible for the benefits listed under Voluntary Separations.

Voluntary Separation: Any employee voluntarily separating from the Service after obtaining at least five years of service credit may elect to receive a refund of his/her contribution, plus interest, or receive a deferred annuity at age 62 (if separated prior to October 1969) or age 60 (if separated after October 1969).

Disability: any person with five years of service credit who becomes totally disabled or incapacitated for useful service by reason of disease, illness or injury not due to vicious habits, intemperance or willful misconduct on his part, is eligible for a retirement annuity.

Death: (a) If an individual with at least 18 months of service credit dies before separation or retirement and is survived by a widow or a widower, the widow or widower is entitled to an annuity equal to 50% of the normal annuity. If the participant had less than three years of creditable service, the annuity is computed on the basis of the average salary for the entire period, except that the annuity of any widow shall not be less than $2,400. Surviving children are also eligible to receive an annuity under this provision.

(2) Income Test: None.

(3) Asset Test: None.

(4) Other Eligibility Requirements: None.

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits:

(1) Determination of Benefit Amounts: The annuity of a participant is equal to 2 percent of his average basic salary for the highest three consecutive years of service for which full contributions have been made to the Fund, multiplied by the number of years of service credit not to exceed thirty-five years, plus unused sick leave credit.

(2) Relationship of Benefit Amount to Family Size: At the time of retirement any married female participant may elect to receive a reduced annuity to provide an annuity for her husband upon her death. She may elect up to 50 percent of such annuity for her husband. The annuity of the participant electing such coverage is reduced by 2 1/2 percent of any amount up to $2,400 she specifies as the base for the survivor benefit, plus 10 percent of any amount in excess of $2,400 she so specifies.

At the time of retirement, the annuity of each married male participant shall be reduced by $300 to provide a minimum annuity of $2,400 for his surviving wife; if his annuity is more than $4,800 he may elect up to 50% of such annuity for his wife with his annuity further reduced by 10 percent of the difference between $4,800 and the base he specifies for the survivor benefit.

If an annuitant dies and is survived by a wife or husband and by a child or children, an annuity shall be paid to each child, that equals the lesser of: $900 or $2,700 divided by the number of children. This annuity is in addition to that paid to the surviving wife or husband.*

If an annuitant dies and is not survived by a husband or wife, but by a child or children, each surviving child will be paid an annuity equal to the smaller of: $1,080 or $3,240 divided by the number of children.*

Unmarried participants may elect to receive a reduced annuity in order to provide an annuity equal to 50% of the reduced annuity to a designated beneficiary upon the participant's death. The annuity payable to a participant electing such coverage shall be reduced by 10 percent of an annuity computed according to the basic annuity formula, see 10 (A), and an additional 5 percent of an annuity so computed for each full five years that the designated beneficiary is younger than the retiring participant except that the total reduction may not exceed 40 percent.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: The percent change in the Consumer Price Index is determined each month. Annuity increases are based on the highest rise in the price index for any 3 consecutive months in each of which such price index increase was at least 3 percent above the index of the base month last used to determine a cost of living increase. This amount is then increased by an additional one percent, and annuities are increased by this total amount.

(5) Current Benefit Structure: Varies on an individual basis.

(6) Comparison to Poverty Level: Varies on an individual basis.

(7) Other Benefits/Related Programs: Varies on an individual basis.

*The amounts payable to the child or children are increased by all cost-of-living increases, as described in I (4), subsequent to November 1, 1969.

J. Cost and Caseload Information: During Fiscal Year 1974, approximately $36 million was paid to 3,600 annuitants. This does not include refunds of contributions or gratuities.

Source: Information received from The United States Department of State, Retirement Division.

K. Interactions with Other Programs:

Program Eligibility: No automatic eligibility for any other program.

Program Income: Does not apply any benefit reduction rate.

6. MILITARY RETIREMENT*

A. Legislative Objective: The military retirement program provides protection against loss of income to members of the Armed Forces and their families due to the retirement of the Armed Forces member.

B. Governing Regulations: Major legislation includes: The Officer Personnel Act of 1947; Army and Air Force Vitalization and Retirement Equalization Act (1948); Career Compensation Act of 1949; Uniform Services Contingency Option Act of 1953; Servicemen's and Veteran's Survivors' Benefit Act of 1956; P.L. 85-422; P.L. 88-132; and P.L. 92-245.

C. Administering Agency: The Department of Defense administers the program for the Army, Navy, Air Force and Marine Corps. The Department of Transportation administers the retirement system for members of the Coast Guard. The Department of Commerce administers the program for members of the National Oceanic and Atmospheric Administration, and the Department of Health, Education and Welfare administers the program for members of the Public Health Service.

D. Financing: Financed through annual appropriations authorized by Congress. Retirees contribute to survivors benefits through reduced retirement benefits.

E. Population Coverage: Nationwide.

F. Types of Assistance: Cash benefits and services.

G. Uses and Use Restrictions: None.

H. Eligibility Requirements:

(1) Categorical Requirements: Eligibility for retirement benefits is possible under three criterion: (1) age or length of service; (2) disability incurred during active service; or (3) eligibility for annuity payments (survivors of retired servicemen).

(a) Nondisability Retirement Eligibility Requirements: Any Regular or Reserve commissioned officer or warrant officer may be retired after 20 years of active service at least 10 of which are commissioned service for commissioned officers. Enlisted members may retire after 20 years of service either active or inactive. Retirement for age varies according to rank, with 60 years of age generally being the minimum age at which servicemen may retire.

*Information for this program description was taken from the Joint Economic Committee, Subcommittee on Fiscal Policy, Studies in Public Welfare, Paper No. 20, "Handbook of Public Income Transfer Programs: 1975," U.S. G.P.O., Washington, D.C., December 31, 1974, pages 313-322.

Regular officers are also manditorily retired if they are passed over for promotion. This provision varies by amount of service and rank.

(b) Disability Retirement Eligibility Conditions: A member who has a service-incurred disability of at least 30 percent (as determined by the Veterans Administration rating) may be retired for permanent disability if he is physically incapable of performing the duties of his grade.

If disabilty is not permanent the member is placed on the temporary disability list. After five years, the member must be either retired for permanent disability or removed from the disability list. Any member found unfit for further service but ineligible for disability retired pay may receive disability severance pay.

(c) Annuities to Dependents Upon Death of Service Member in Retired Status: Members who retired before September 21, 1972 could elect to participate in the Retired Serviceman's Family Protection Plan (RSFPP) by voluntarily accepting a reduced monthly retirement benefit in order to provide for a continuation of a portion of retired pay for his/her survivors. Members already retired on September 21, 1972 who were participating in the RSFPP could elect to either: (1) Continue in the RSFPP and not join the new Survivor Benefit Plan (SBP); (2) Drop RSFPP and join SBP; (3) Continue in RSFPP and join SBP provided that combined coverage does not exceed 100 percent of retired pay.

Members who retired after September 20, 1972 may not participate in RSFPP. Those members with spouse or children will automatically be covered under SBP unless they choose to decline coverage prior to their retirement.

The cost to the service member of providing a survivor benefit is 2 1/2 percent of the first $300 of the base amount, plus 10 percent of the remaining base amount. (The base amount chosen by the member may range from $300 to total retirement pay.) This cost continues for the lifetime of the member. Cost for an annuity for children only is based on an actuarial charge dependent upon the age of the member and the youngest child.

Members may elect to provide annuities for surviving spouses, surviving children, surviving spouse and children, or under the new plan only, other natural persons with an insurable interest.

(2) Income Test: None, except that under SBP, survivors benefits are reduced by social security benefits attributable to military service.

(3) Asset Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: None.

(b) Citizenship Requirements: None, non-citizens are entitled to benefits except that any retiree who becomes a citizen of a country other than the U.S. after his retirement loses retirement benefits.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits: Benefits based on years of service.

(1) Determination of Benefit Amounts:

(a) Nondisability Benefits: The retired pay is equal to 2 1/2 percent of the basic pay multiplied by the number of years of service, with the maximum benefit equal to 75 percent of basic pay.

Credited service for enlisted men is active service only. Officers may be credited with active and inactive service depending upon branch of service and whether retirement was voluntary or mandatory.

The retired grade is generally the grade whether temporary or permanent in which the member is serving on the date of retirement.

(b) Disability Benefits: Benefits are determined by multiplying the basic pay of the members retired grade by the percentage of disability or 2 1/2 percent multiplied by years of active service whichever provides the larger benefit. Maximum benefits amount to 75% of basic pay; the minimum benefit is 30 percent of basic pay.

Members have the option of receiving disability compensation from the Veterans Administration rather than disability retired pay.

Disability severance pay is equal to 2 months basic pay for each year of service not to exceed two years of basic pay.

(c) Survivor Benefits: Under RSFPP a member could elect to receive actuarilly reduced benefits for his/her lifetime in order to provide benefits to the survivors upon the member's death. Payments to surviving spouse terminate upon the spouse's death or remmariage. Payments to an

eligible child stop upon attainment of age 18, or age 23 if the child is attending school. Election of this plan had to have been made prior to the member completing 19 years of service or if after 19 years of service, at least 2 years before receiving retirement pay.

Under the SBP, the benefit paid to the survivor is 55 percent of the base amount, where the base amount is that portion of the full amount of retired pay specified by the retiree at the time of retirement. This benefit is reduced by the social security survivor benefit attributable to military service after the spouse attains age 62. Payments to a surviving spouse cease upon death or upon remarriage prior to age 60. Payments to eligible children cease at age 18 or at age 22 if the child is attending school.

Under the new SBP, payment to a surviving spouse of a member who dies on active duty after 20 years of service, is equal to the difference between the Dependency and Indemnity Compensation paid to the spouse and 55 percent of the retired pay to which the member would have been entitled had he retired on the date of death.

(2) Relationship of Benefit Amount to Family Size: None, except survivor benefits. See above.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: Retirement and survivor annuities are automatically increased whenever the CPI rises at least 3 percent over the last adjustment period and remains above this for 3 consecutive months. The increase is equal to the percentage rise in the CPI plus an additional 1 percent.

(5) Current Benefit Structure: See I (1).

(6) Comparison to Poverty Level: Since benefits vary by length of service, pay grade of member, etc., no comparison can be made.

(7) Other Benefits/Related Programs: Most benefits available to active duty members, such as medical care, commissary and exchange privileges and space available for air travel, are available to retirees.

J. Cost and Caseload Information: Information not available.

K. Interactions with Other Programs:

Program Eligibility: Automatically entitled to Veterans Outpatient Care, Veterans Hospitalization, Prescription Service and Domiciliary Care.

Program Income: No taxation of income from any other program except that persons receiving benefits under the SBP program may not also receive Social Security benefits based on credits earned while in military service.

SUPPLEMENTAL SECURITY INCOME PROGRAMS

7. SUPPLEMENTAL SECURITY INCOME*

A. Legislative Objective: To establish a national program to provide a guaranteed annual income floor for persons who have attained the age of 65, or are blind or disabled.

B. Governing Regulations: Social Security Act Amendments of 1972, Public Law 92-603, October 1972. Effective as of January 1, 1974, PL 92-603, Section 301 replaced the Old Age Assistance, Aid to the Blind and Aid to the Permanently and Totally Disabled Programs in the 50 States and District of Columbia.

C. Administering Agency: The Bureau of Supplemental Security Income (BSSI), Office of Program Operations, Social Security Administration, Department of Health, Education and Welfare.

D. Financing: All benefits and administration costs of the Federal SSI program are funded through open-ended appropriations from the Federal general revenues.

E. Population Coverage: National Coverage.

F. Types of Assistance: Direct monthly cash payments.

G. Uses and Use Restrictions: No restrictions.

H. Eligibility Requirements:

(1) Categorical Requirements: Individual applicants must have either attained the age of 65 or be blind or disabled as defined by the Social Security Act.

(2) Income Tests: For purposes of this program, income is defined as all earned and unearned income except:

1. Earned income if such income does not exceed $30 per quarter.

2. Irregular infrequent unearned income if such income does not exceed $60 per quarter.

*Information for this program description was taken from U.S. House of Representatives, Committee on Ways and Means, The Social Security Act as Amended through January 4, 1975 and Related Laws, U.S. G.P.O., Washington, D.C., February 12, 1975; and U.S. Department of Health, Education and Welfare, Social Security Bulletin, July 1975, Vol. 38, No. 7, U.S. G.P.O., Washington, D.C., page 35.

3. The first $85 per month of earned income and one-half of the remainder, or $65 per month plus one-half the remainder of earned income and $20 per month of unearned income.

4. All income from a non-eligible child attending school.

5. Assistance based on need which is paid by a state or political subdivision to supplement SSI benefits.

6. Any grant, scholarship or fellowship.

7. The value of medical and social services.

8. Work related expenses of blind persons or income required by a blind or disabled person in order for him to establish a means of self-support.

9. The first $1,200 of quarterly earnings of a child beneficiary attending school, not to exceed $1,620 per year.

10. One-third of any payment for the support of a child beneficiary received from an absent parent.

(a) Treatment of Earned Income: There is a 50 percent benefit reduction rate on earned income above the disregard. This means that for every $1.00 earned over the allowable amount per month, $.50 is deducted from the monthly SSI benefit payment until the earnings cause benefits to cease.

(b) Treatment of Unearned Income: There is a 100 percent benefit reduction rate on unearned income above the disregard. An individual living in another person's household and receiving support and maintenance in kind from such person shall have their benefit payment reduced by 33 1/3 percent rather than including such maintenance and support in the unearned income of the individual. Similarly any individual or eligible spouse who resides in a non-profit institution or nursing home receives a benefit reduced by 33 1/3 percent.

(3) Asset Test: Individuals are eligible for SSI if the value of non-excluded assets do not exceed $1,500. An individual with an eligible or ineligible spouse living in the same household is eligible if total non-excluded assets do not exceed $2,250. In the case of a child under 21 living at home, the non-excluded assets of $1,500 (if one parent resides in the home) or $2,250 (if two parents, or a parent and a step-parent reside in the home) are considered the child's assets for purposes of determining eligibility.

Excluded assets are:

(a) The value of a home up to $25,000 ($35,000 in Alaska and Hawaii), where "value" is determined as the fair market value regardless of encumbrances, based on the assessed value for tax purposes taking into consideration the ratio between assessed value and the market value.

(b) Non-liquid income producing property if relied upon by the individual as a significant factor in producing income on which he can live.

(c) Assets of a blind or disabled person needed to establish a plan for his self-support.

(d) The value of household goods and personal effects up to $1,500.

(e) The retail value of an automobile up to $1,200. Automobiles are totally excluded if used for employment or if regularly used to obtain medical treatment.

(f) Property used in a trade or business if such property is used for self-support.

(g) Cash surrender value of life insurance if the total face value does not exceed $1,500.

(h) Cash reimbursement from indemnity insurance due to damage or loss of property if the reimbursement is used to replace or repair the property within three months of receipt if resource is personal property and six months if resource is real property.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: An individual must be a citizen of the United States or an alien lawfully admitted for permanent residence in the United States.

(c) Residence: Benefit payments are suspended for any month in which the beneficiary is outside the U.S. for the entire month. Payments may be reinstated after the individual has returned and resided in the U.S. for a period of 30 consecutive days.

(d) Institutional Status: Persons are ineligible for benefits in any month in which they are inmates of a public institution with the following exceptions: (1) persons residing in an educational or vocational institution may receive

benefit payments; and (2) persons residing in a public or private hospital, nursing home, extended care or intermediate care facility where the Medicaid program pays more than 50% of the cost of institutionalization may receive payments not to exceed $300 per year (in the case of an eligible individual without an eligible spouse, or an eligible individual with a spouse when only one of them resides in an above-mentioned facility) or payments not to exceed $600 per year (if both the eligible individual and spouse reside in any of the above-mentioned institutions).

I. Benefits:

(1) Determination of benefit amounts: Benefits July 1974-June 1975 to an eligible individual with no other income amount to $146 per month; benefits to an eligible couple with no other income amount to $219 per month. Benefits as of October 1975 to an eligible individual with no other income amount to $157.70; benefits to an eligible couple with no other income amount to $236.60 per month.

(2) Relationship of benefits to family size: The benefit level for an eligible couple is 3/2 times the benefit level for an eligible individual. No payments are made for dependent children.

(3) Relationship of benefit amount to place of residence: None, for the Federal portion of the SSI program.

(4) Relationship of benefit amount to cost of living increases: SSI benefit levels are automatically increased at the same time and by the same percentage of the cost-of-living increases described under the social security system.

(5) Current benefit amounts: See I(1).

(6) Comparison tp Poverty Level: The July 1974 benefit level is 74 percent of the July 1974 nonfarm poverty level for an individual, and 88 percent of the poverty level for a couple.

(7) Other Benefits/Related Programs: In 33 States all SSI beneficiaries are eligible for medical care services under the Medicaid program. All SSI beneficiaries are also eligible for food stamps, with the exception of California, Massachusetts, Nevada, New York, and Wisconsin, since these States cash out the food stamp benefit and include that amount in their supplementary payments.

J. Cost and Caseload Information: Federal SSI payments in April 1975 amounted to $343,000,000 for 4,163,014 persons, 2,339,128 of whom qualified due to age, 74,315 as a result of blindness and 1,747,571 due to disability. (U.S. Department of Health, Education and Welfare, Social Security Bulletin, August 1975, Vol. 38, No. 8, U.S. Government Printing Office, Washington, D.C., page 59.)

K. Interaction with Other Programs:

(1) Program Eligibility: Receipt of SSI benefits automatically entitles the recipient to benefits from the Food Stamp program (except in six States which cash out Food Stamp benefits to SSI recipients) and the Medicaid program (except in 16 States which limit coverage of SSI to those who would have been eligible under the medical assistance standards in effect on January 1, 1972), and benefits from the Title XX program. Aged SSI recipients are automatically eligible for benefits from the Senior Community Service Employment Program.

(2) Program Income: Taxes income received from the Community Services Employment Program at 50%. Taxes income from all other programs (except in-kind programs such as medical programs, Food Stamps and service programs) at 100%.

8. STATE SUPPLEMENTATION OF THE SUPPLEMENTAL SECURITY INCOME PROGRAM*

A. Legislative Objective: To prevent reduction of income to persons transferred from the old State adult assistance programs to SSI, and to maintain benefit levels for all recipients comparable to those paid under the old assistance programs.

B. Governing Regulations: PL 92-603 authorized optional state supplementation. PL 93-66 required States to make mandatory payments to all persons who were adult assistance recipients in December 1973 if their income would be reduced by transfer to the SSI program.

C. Administering Agency: Mandatory and optional benefit supplements may be administered by the State or by the Federal agency.

Mandatory Supplements: The Social Security Administration administers the mandatory State supplementation payments in 29 States and the District of Columbia. Twenty States administer their own payments. Texas, because of a State constitutional prohibition, has no mandatory supplementation.

Optional Supplements: The Social Security Administration administers optional State supplementation in 16 States and the District of Columbia; 21 States administer their own programs and 13 States pay no optional supplements.

D. Financing: States are responsible for the cost of State supplementary payments except that States who elect Federal administration of the optional supplement are "held harmless" against increased costs in excess of the State's share of assistance expenditures in the previous adult programs for calendar year 1972.

States administering their own mandatory and/or optional supplements are responsible for the total cost of administration. When the Federal government administers the mandatory supplement, the Federal agency pays all administrative costs, but the State pays all supplementation costs.

E. Population Coverage: Mandatory supplements are available nationwide. Optional supplementation is available in 37 States. Coverage within each State may vary by living arrangements, basis for categorical eligibility (i.e., age, disability or blindness) or whether or not the recipient was transferred from the State rolls.

*Information for this program description was taken from U.S. House of Representatives, Committee on Ways and Means, The Social Security Act as Amended Through January 4, 1975 and Related Laws, U.S. G.P.O., Washington, D.C., February 12, 1975.

F. Types of Assistance: Direct cash assistance.

G. Uses and Use Restrictions: None.

H. Eligibility Requirements - Mandatory Supplements.

(1) Categorical Requirements: Persons who correctly received assistance payments in December 1973 under the OAA, AB or APTD programs are categorically eligible for mandatory supplementation if they continue to meet the categorical eligibility requirements of the SSI program.

(2) Income Tests: In order to receive a mandatory supplement, the total income including Federal SSI payments at the time of application for benefits must be less than the individual's total income in December 1973.

(a) Treatment of Earned Income: All earned income is included.

(b) Treatment of Unearned Income: All unearned income is included.

(3) Asset Test: Persons transferred from the State assistance programs are deemed to meet the resource test.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None.

(c) Institutional Status: Varies according to circumstances.

(d) Residence Requirement: Must have continuously resided in the same State under whose plan he received assistance payments in December 1973.

Eligibility Requirements - Optional Supplements.

(1) Categorical Requirements:

Federal Administration: If the Federal government administers the optional supplement, the basic eligibility requirements are the same as for receipt of the Federal SSI benefit.

State Administration: States administering their own optional supplementation are free to set their own eligibility requirements.

(2) Income Tests:

Federal Administration: States are required to establish an adjusted payment level based on the average amount paid to an individual with no other income under the previous adult assistance programs. The selected benefit level determines the income limit for eligibility. States are required to supplement the income of all persons in a classification but are not required to give benefits to all possible classifications of eligibles.

State Administration: States administering their own program are not required to establish uniform payment levels. Therefore, income limits may vary within each such State.

Treatment of Earned Income:

Federal Administration: Same as under the Federal portion of SSI.

State Administration: States are not required to apply Federal SSI exclusions to income.

Treatment of Unearned Income:

Federal Administration: Same as under the Federal portion of SSI.

State Administration: States are not required to apply Federal SSI exclusions to income.

(3) Asset Test: Same as under Federal portion of SSI.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: Beneficiaries must be citizens of the U.S. or aliens admitted for permanent residence.

(c) Institutional Status: Eligibility status of institutionalized persons may vary between States under both the Federal and State administrations.

(d) Residence Requirement: Individuals must be residents of the State from which they receive their benefit.

I. Benefits: Mandatory Supplementation.

(1) Determination of benefit amounts: Benefit amounts are determined on an individual basis. The benefit amount is equal to the difference between the total current income including Federal SSI payments and the individual's total income in December 1973.

(2) Relationship of benefit amount to family size: None.

(3) Relationship of benefit amount to place of residence: In order to receive a non-zero benefit payment the individual must have continuously resided in the same State under whose plan he/she received assistance payments in December 1973.

(4) Relationship of benefit amount to cost-of-living increases: As the Federal SSI benefits increase through the general benefit increases and cost-of-living adjustments, the number of persons receiving mandatory supplementation benefits will decline.

(5) Current benefit amount: Determined on an individual basis.

(6) Comparison to the poverty level: Benefit levels for individuals vary from 80 to 120 percent of the July 1974 poverty level. Benefits for couples vary from approximately 90 to 130 percent of the poverty level.

(7) Other benefits/related programs: Same as under the Federal portion of SSI.

I. Benefits: Optional Supplementation

(1) Determination of benefit amounts:

Federal Administration: The supplement is the amount the State adds to the basic Federal SSI benefit when countable income equals or is less than the basic Federal SSI benefit. If countable income exceeds the SSI Federal benefit level, the supplemental benefit is reduced by the excess countable income. While the supplemental benefit level is set uniformly for all persons classified by living arrangement, etc., the levels across classification may vary.

State Administration: The determination of benefit levels varies from State to State. Some States set flat grant amounts and others determine the benefit on an individual case basis as determined by need.

(2) Relationship of benefit amount to family size:

Federal administration: Supplemental benefit levels for couples generally range from 1.4 to 1.9 times the benefit level for an individual.

State administration: Supplemental benefit levels for a couple generally range from 1.2 to 2.0 times the level for an individual.

(3) Relationship of benefit amount to place of residence:

Federal administration: Supplemental benefits vary by State of residence, and in some cases by geographic areas within a State.

State administration: Supplemental benefits vary between States and within individual States.

(4) Relationship of benefit amounts to cost of living changes: States are not required to adjust supplemental benefits to reflect cost-of-living increases.

(5) Current Benefit Amounts: See attached tables.

(6) Comparison to Poverty Level: Supplemental benefits for Federally administered supplements for aged persons living independently vary from approximately 80 percent to 140 percent of the July 1974 nonfarm poverty level. State administered supplements range from 80 to 120 percent of the July 1974 nonfarm poverty level for similar individuals.

(7) Other Benefits/Related Programs: Same as for basic Federal SSI.

J. Cost and Caseload Information: Federally administered State supplements amounted to $119,151,000 in April 1975. State administered supplementation amounted to 11,696,000 in February 1975 with an average supplement payment of $38.33.

Source: U.S. Department of Health, Education and Welfare, Social Security Bulletin, August 1975, Vol. 38, No. 8, U.S. Government Printing Office, Washington, D.C., pages 61-62.

K. Interaction with Other Programs: Federally administered supplementation is identical to the basic Federal SSI program in terms of its interaction with other programs. State administered supplementation programs may contain numerous types of program integration.

Table 1 : Supplemental security income for the aged, blind, and disabled: Number of persons receiving federally administered payments and total amount, 1974-75[1]

Period	Number of persons [2]				Benefits (in thousands)		
	Total	Aged	Blind	Disabled	Total	Federal SSI	State supplementation [2]
1974							
July	3,653,466	2,115,358	73,951	1,464,157	$439,244	$334,205	$105,040
August	3,734,349	2,156,523	74,132	1,503,694	449,110	341,189	107,921
September	3,782,298	2,174,530	74,150	1,533,618	453,829	335,348	118,481
October	3,899,484	2,236,242	74,832	1,588,410	456,991	345,929	111,062
November	3,963,292	2,270,394	74,918	1,617,980	454,476	344,225	110,251
December	3,996,064	2,285,909	74,616	1,635,539	450,856	340,853	110,003
1975							
January	4,046,599	2,308,068	74,524	1,664,007	458,186	346,841	111,345
February	4,081,574	2,315,613	74,456	1,691,505	457,015	345,731	111,283
March	4,124,703	2,326,928	74,399	1,723,376	469,410	350,797	118,613
April	4,163,014	2,339,128	74,315	1,749,571	462,222	343,071	119,151
May	4,200,631	2,341,463	74,324	1,784,844	478,360	359,742	118,618
June	4,188,542	2,326,330	73,849	1,788,323	457,053	342,896	114,158
July	4,204,830	2,312,031	74,042	1,818,757	483,955	375,174	108,782

[1] Excludes emergency advance payments made by the Social Security Administration district offices. Figures not adjusted for returned checks and refunds of overpayments.

[2] Excludes data for State supplementation under State-administered programs.

Table 2 : Supplemental security income for the aged, blind, and disabled: Combined Federal SSI payments and federally administered State supplementation, by reason for eligibility and State, July 1975

[In thousands]

State	Aged	Blind	Disabled
Total	$210,297	$10,788	$262,871
Alabama	8,179	248	4,851
Alaska	146	12	210
Arizona	1,243	58	1,716
Arkansas	4,702	199	2,850
California	42,275	2,680	59,118
Colorado	1,569	38	1,740
Connecticut	677	32	1,605
Delaware	245	31	378
District of Columbia	505	28	1,447
Florida	8,782	304	7,066
Georgia	7,863	378	7,426
Hawaii	590	19	617
Idaho	280	13	467
Illinois	3,653	196	10,972
Indiana	1,496	130	1,928
Iowa	1,252	109	1,108
Kansas	895	44	1,035
Kentucky	5,040	291	4,594
Louisiana	8,550	282	6,059
Maine	925	37	1,309
Maryland	1,523	69	3,800
Massachusetts	10,162	648	8,703
Michigan	4,661	233	9,089
Minnesota	1,372	89	1,948
Mississippi	6,720	247	4,811
Missouri	5,240	220	3,954
Montana	254	15	498
Nebraska	572	27	815
Nevada	311	24	206
New Hampshire	185	17	224
New Jersey	3,395	127	5,313
New Mexico	1,029	52	1,607
New York	17,227	725	37,207
North Carolina	5,885	472	7,333
North Dakota	359	9	328
Ohio	4,139	304	9,134
Oklahoma	4,317	142	3,487
Oregon	753	64	1,640
Pennsylvania	6,256	664	10,673
Rhode Island	527	27	1,123
South Carolina	3,602	245	3,559
South Dakota	405	16	328
Tennessee	6,170	229	6,356
Texas	14,761	479	8,376
Utah	287	20	607
Vermont	440	15	621
Virginia	3,075	174	3,408
Washington	1,920	77	4,673
West Virginia	1,694	86	2,723
Wisconsin	3,374	135	3,639
Wyoming	97	4	129
Unknown [1]	19	3	43

[1] Includes federally administered State supplementary payments that represent underpayments for months before October 1974 for Illinois and before July 1975 for South Carolina and Utah. State supplementation is currently State-administered in these States.

Table 3 : Supplemental security income for the aged, blind, and disabled: Number of persons receiving federally administered payments, by State, July 1975

State	Total	Aged	Blind	Disabled
Total [1]	4,204,830	2,312,031	74,042	1,818,757
Alabama [2]	145,113	102,293	2,040	40,780
Alaska [2]	3,032	1,490	74	1,468
Arizona [2]	27,470	14,178	439	12,853
Arkansas	88,265	60,043	1,688	26,534
California	638,845	327,195	12,941	298,709
Colorado [2]	35,586	20,690	341	14,555
Connecticut [2]	22,467	9,304	285	12,878
Delaware	6,661	3,383	270	3,008
District of Columbia	15,929	5,491	202	10,236
Florida	151,804	93,001	2,392	56,411
Georgia	162,324	95,478	3,107	63,739
Hawaii	9,081	5,295	115	3,671
Idaho [2]	8,871	4,205	108	4,558
Illinois [2]	135,666	48,298	1,623	85,745
Indiana	43,631	23,397	1,162	19,072
Iowa	28,161	17,523	890	9,748
Kansas	23,672	12,885	380	10,407
Kentucky [2]	99,287	60,417	2,069	36,801
Louisiana	148,613	96,243	2,142	50,228
Maine	23,652	13,224	288	10,140
Maryland	47,525	18,884	519	28,122
Massachusetts	128,800	81,150	3,065	44,585
Michigan	113,580	50,243	1,658	61,679
Minnesota	39,790	20,071	751	18,968
Mississippi	124,631	83,324	1,965	39,342
Missouri [2]	101,547	66,614	2,213	32,720
Montana	8,271	3,909	150	4,212
Nebraska [2]	16,324	8,909	232	7,183
Nevada	5,456	3,513	179	1,764
New Hampshire [2]	5,328	3,094	166	2,068
New Jersey	77,328	38,418	993	37,917
New Mexico [2]	25,804	12,636	415	12,753
New York	385,851	170,208	4,265	211,378
North Carolina [2]	147,003	81,262	3,847	61,894
North Dakota [2]	8,158	5,097	64	2,997
Ohio	129,170	54,908	2,483	71,779
Oklahoma [2]	84,534	52,914	1,105	30,515
Oregon [2]	25,597	11,099	595	13,903
Pennsylvania	144,257	66,021	5,031	73,205
Rhode Island	15,812	7,064	203	8,545
South Carolina [2]	79,003	46,941	1,966	30,096
South Dakota	8,988	5,759	121	3,108
Tennessee	137,219	81,033	1,784	54,402
Texas [2]	273,285	192,862	3,991	76,432
Utah [2]	9,257	3,691	176	5,390
Vermont	9,054	4,765	102	4,187
Virginia [2]	73,699	43,080	1,373	29,246
Washington	52,632	21,454	501	30,677
West Virginia [2]	42,416	20,797	639	20,980
Wisconsin	63,669	36,827	894	25,948
Wyoming	2,568	1,387	33	1,148
Unknown	144	64	7	73

[1] Includes persons with Federal SSI payments and/or federally administered State supplementation, unless otherwise indicated.
[2] Data for Federal SSI payments only. State has State-administered supplementation but data for such payments are not available.
[3] Data for Federal SSI payments only; State supplementary payments not made.

Table 4 : Supplemental security income for the aged, blind, and disabled: Total payments, Federal SSI payments, and federally administered State supplementary payments, by State, July 1975

[In thousands]

State	Total	Federal SSI	State supplementation [1]
Total	$483,955	$375,174	$108,782
Alabama	13,278	13,278	----------
Alaska	368	368	----------
Arizona	3,016	3,016	----------
Arkansas	7,751	7,581	170
California	104,072	44,216	59,856
Colorado	3,346	3,346	----------
Connecticut	2,314	2,314	----------
Delaware	654	589	65
South Carolina	1,980	1,906	74
Florida	16,172	15,996	177
Georgia	15,667	15,421	246
Hawaii	1,226	829	396
Idaho	760	760	----------
Illinois	14,821	14,821	----------
Indiana	3,554	3,480	73
Iowa	2,469	2,266	203
Kansas	1,974	1,914	61
Kentucky	9,925	9,925	----------
Louisiana	14,891	14,470	421
Maine	2,271	1,738	533
Maryland	5,392	5,256	136
Massachusetts	19,512	7,073	12,439
Michigan	13,983	10,329	3,654
Minnesota	3,409	3,155	254
Mississippi	11,778	11,696	82
Missouri	9,414	9,414	----------
Montana	767	738	29
Nebraska	1,414	1,414	----------
Nevada	541	410	131
New Hampshire	426	426	----------
New Jersey	8,835	7,105	-1,730
New Mexico	2,688	2,688	----------
New York	55,860	37,500	18,360
North Carolina	13,691	13,691	----------
North Dakota	696	696	----------
Ohio	13,577	13,338	238
Oklahoma	7,946	7,946	----------
Oregon	2,458	2,458	----------
Pennsylvania	17,593	14,398	3,195
Rhode Island	1,676	1,165	511
South Carolina	7,406	7,406	----------
South Dakota	749	725	24
Tennessee	12,755	12,672	84
Texas	23,616	23,616	----------
Utah	914	914	----------
Vermont	1,076	701	376
Virginia	6,658	6,658	----------
Washington	6,669	5,279	1,391
West Virginia	4,503	4,503	----------
Wisconsin	7,148	3,333	3,815
Wyoming	230	223	7
Unknown [2]	65	15	50

[1] Excludes payments for State supplementation under State-administered programs; data not available.
[2] Includes federally-administered State supplementary payments that represent underpayments for months before October 1974 for Illinois and before July 1975 for South Carolina and Utah. State supplementation is currently State-administered in these States.

Table 5: Supplemental security income for the aged, blind, and disabled: Average monthly amount of combined Federal and State payments in States with federally administered State supplementation, by State, July 1975

State	Average monthly amount			
	Total	Aged	Blind	Disabled
Arkansas	$87.82	$78.31	$117.81	$107.43
California	162.91	129.20	207.08	197.91
Delaware	98.18	72.28	116.83	125.69
District of Columbia	124.31	91.94	140.50	141.36
Florida	106.53	94.43	127.21	125.61
Georgia	96.52	82.36	121.70	116.51
Hawaii	134.98	111.51	163.64	167.94
Indiana	81.45	63.93	111.85	101.07
Iowa	87.67	71.44	122.44	113.65
Kansas	83.41	69.43	116.96	99.49
Louisiana	100.20	88.83	131.77	120.63
Maine	96.01	69.95	128.41	129.06
Maryland	113.46	80.63	132.88	135.14
Massachusetts	151.49	125.23	211.26	195.19
Michigan	123.11	92.77	140.79	147.36
Minnesota	85.67	68.34	118.11	102.72
Mississippi	94.50	80.65	125.87	122.28
Montana	92.76	64.87	102.66	118.30
Nevada	99.23	88.44	135.64	117.04
New Jersey	114.26	88.37	127.64	140.13
New York	144.77	105.33	169.95	176.02
Ohio	105.11	75.38	122.52	127.25
Pennsylvania	121.95	94.76	131.94	145.79
Rhode Island	106.02	74.62	131.61	131.38
South Dakota	83.30	70.28	134.87	105.41
Tennessee	92.96	76.15	128.20	116.84
Vermont	118.87	92.27	151.73	148.34
Washington	126.72	89.50	152.69	152.32
Wisconsin	112.27	91.62	150.74	140.34
Wyoming	89.67	69.92	125.82	112.51

Table 6: Supplemental security income for the aged, blind, and disabled: Number of persons receiving State-administered supplementary payments and total amount, 1974-75 [1]

Period	Number of persons				State supplementation [3] (in thousands)
	Total [2]	Aged	Blind	Disabled	
1974					
May	333,594	234,083	6,738	91,884	$12,223
June	329,050	231,670	6,552	89,976	12,089
July	281,724	194,097	5,986	80,908	10,209
August	277,930	191,739	5,742	80,449	9,858
September	275,648	190,063	5,699	79,886	9,705
October	300,045	193,680	6,049	100,316	10,659
November	299,644	192,445	5,970	100,757	11,109
December	299,893	192,251	5,867	101,775	11,312
1975					
January	305,336	194,826	5,842	104,668	11,716
February	305,169	194,112	5,762	105,295	11,696
March	305,064	193,690	5,744	105,630	12,319
April	313,012	196,651	5,626	110,735	14,579
May	316,263	196,581	5,578	114,104	14,657

[1] Data reported to the Social Security Administration by individual States. All data subject to revision. Excludes optional supplementation data for Maryland.
[2] May-July 1974 for North Dakota; November 1974 for Florida; data included in total but not distributed by reason for eligibility.
[3] Excludes payments for State supplementation under federally administered programs.

Table 7 : Supplemental security income for the aged, blind, and disabled: Number of persons receiving State-administered supplementation and total and average amount, by State, May 1975 [1]

State	Total	Aged	Blind	Disabled
	Number of persons			
Total	316,263	196,581	5,578	114,104
Alabama	28,811	25,448	361	3,002
Alaska	3,501	1,859	84	1,558
Arizona	1,886	1,629	23	234
Colorado	32,438	22,767	182	9,489
Connecticut	9,877	3,746	114	6,017
Florida	2,106	1,091	31	984
Idaho	2,930	1,290	24	1,616
Illinois	46,922	10,305	591	36,026
Kentucky	9,973	6,982	125	2,866
Minnesota	3,034	1,328	48	1,658
Missouri	57,597	47,891	1,628	8,078
Nebraska	6,354	2,532	150	3,672
New Hampshire	3,307	1,816	139	1,352
New York	31	4	1	26
North Carolina	10,233	5,716	506	4,011
North Dakota	572	316	5	251
Oklahoma	72,645	51,162	706	20,777
Oregon	20,128	8,656	709	10,763
South Carolina	809	497	32	280
Virginia	3,065	1,515	118	1,432
West Virginia	44	31	1	12
	Total amount (in thousands)			
Total	$14,657	$7,933	$317	$6,406
Alabama	1,136	940	15	180
Alaska	178	83	5	90
Arizona	138	133	(2)	5
Colorado	1,338	862	11	466
Connecticut	754	279	8	467
Florida	99	43	1	54
Idaho	105	39	1	65
Illinois	3,660	884	39	2,736
Kentucky	770	535	6	228
Minnesota	186	85	2	99
Missouri	2,093	1,641	114	339
Nebraska	248	81	7	160
New Hampshire	148	58	7	83
New Mexico [3]				
North Carolina	1,158	646	42	471
North Dakota	14	7	(2)	7
Oklahoma	1,885	1,304	19	562
Oregon	569	209	35	324
South Carolina	64	40	2	23
Virginia	113	62	4	47
West Virginia	1	1	(2)	(2)
	Average payment			
Total	$46.34	$40.36	$56.87	$56.14
Alabama	39.41	36.95	42.40	59.96
Alaska	50.86	44.65	59.17	57.81
Arizona	73.19	81.59	(2)	20.11
Colorado	41.24	37.84	57.79	49.07
Connecticut	76.34	74.48	67.27	77.67
Florida	46.85	39.80	37.68	54.96
Idaho	35.92	30.35	29.88	40.45
Illinois	77.99	85.80	65.99	75.96
Kentucky	77.19	76.69	48.40	79.65
Minnesota	61.30	54.00	49.44	59.48
Missouri	36.34	34.25	69.87	41.98
Nebraska	38.98	31.99	44.45	43.58
New Hampshire	44.68	32.15	47.53	61.23
New Mexico [3]				
North Carolina	113.18	112.97	82.73	117.31
North Dakota	24.65	23.39	(2)	26.37
Oklahoma	25.95	25.49	27.25	27.04
Oregon	28.26	24.19	49.31	30.15
South Carolina	79.62	79.75	66.72	80.87
Virginia	36.91	41.08	30.91	32.99
West Virginia	27.48	27.00	(2)	(2)

[1] Data reported to the Social Security Administration by individual States. All data subject to revision. Excludes optional supplementation data for Maryland.
[2] Less than $500.
[3] Not computed on base of less than $500.

Table 8:

Supplemental security income for the aged, blind, and disabled: Number of persons receiving federally administered payments and total amount, by reason for eligibility, July 1975

Reason for eligibility	All persons	Payments (in thousands)		
		Total	Federal SSI	State supplementation [1]
Total	4,204,830	$483,955	$375,174	$108,782
Aged	2,312,031	210,297	158,729	51,568
Blind	74,042	10,788	8,023	2,765
Disabled	1,818,757	262,871	208,422	54,449

[1] Excludes payments for State supplementation under State-administered programs.

Table 9:

Supplemental security income for the aged, blind, and disabled: Number of persons awarded federally administered payments, by reason for eligibility, 1974-75

Period	Total	Aged	Blind	Disabled
1974				
May	185,577	98,596	297	86,684
June	164,737	95,755	1,436	67,546
July	85,981	48,780	668	36,533
August	73,575	41,872	433	31,270
September-October [1]	230,375	130,053	1,426	98,896
November	86,153	51,686	497	33,970
December	47,902	34,498	150	13,254
1975				
May [2]	81,164	28,844	671	51,649
June	52,203	16,972	429	34,802

[1] Data not available separately for each month.
[2] Data not available for January-April 1975.

* The preceding tables were taken from, U.S. Department of Health, Education and Welfare, Social Security Administration, Social Security Bulletin, November 1975. Vol. 38 No. 11. U.S.G.P.O. Washington, D.C.

Table 10 :

SUMMARY OF STATE SSI SUPPLEMENTATION FOR THE AGED, EFFECTIVE JULY 1, 1974

Monthly State supplemental payments to aged recipients with no countable income and no special needs are shown below in column, "State payment amounts." State payment amounts may actually vary for individual recipients because of special needs payments made by the State under former or current State programs. The supplement is shown as "none" when Federal base payment equals or exceeds State minimum required or optional payment levels for recipients without special needs]

State	Administration of State supplements: Mandatory	Administration of State supplements: Optional	State payment categories	State payment amounts[1]: Recipients transferred from State rolls: Individuals	Recipients transferred from State rolls: Couples	Newly eligible recipients: Individuals	Newly eligible recipients: Couples
Alabama	State	State	Living independently	None	$11	None	$11
Alaska	State	State	In nursing or foster care home	[2] $4	[2] 81	[2] $4	[2] 81
			Living independently and actual cost of shelter is:				
			Less than $35	39	66	39	66
			$35 or more	104	131	104	131
			Room and board (individual)	104	(3)	104	(3)
Arizona	State	State	Living independently	None	None	None	None
Arkansas	Federal	None	Living independently	None	10	None	None
California	Federal	Federal	Living independently	89	221	89	221
			Out-of-home care	137	347	137	347
			In household of another	94	229	94	229
			Living independently without cooking facilities.	114	271	114	271
Colorado	State	State	Living independently	19	111	19	111
Connecticut	State	State	Living independently	92	67	92	67
Delaware	Federal	Federal	Living independently	4	29	None	None
			Adult foster care	63	199	63	199
District of Columbia	Federal	Federal	Living independently	None	None	None	None
			Living in foster care home	24	121	24	121
Florida	Federal	None	Living independently	None	None	None	None
Georgia	Federal	None	Living independently	None	None	None	None
Hawaii	Federal	Federal	Living independently	27	41	27	41
			In household of another	2	3	2	3
			In public housing	6	9	6	9
			With ineligible spouse in household of another.	43	(3)	43	(3)
			With ineligible spouse in own household.	87	(3)	87	(3)
			In domiciliary care I	102	277	102	277
			In domiciliary care II	152	377	152	377
			In domiciliary care III	214	501	214	501
Idaho	State	State	Living independently	54	30	54	30
Illinois	Federal	State	Living independently	29	None	29	None
Indiana	Federal	None	Living independently	None	None	None	None
Iowa	Federal	Federal	Living independently	None	None	None	None
			Living with dependent person	73	(3)	73	(3)
			In licensed adult foster or boarding home.	44	181	44	181
			Custodial care (licensed private facility).	104	301	104	301
			In family life home (approved by State).	34	161	34	161
Kansas	Federal	None	Living independently	57	23	None	None
Kentucky	State	State	Living independently	None	None	None	None
			In personal care facility (nontitle XIX):				
			Class I	91	255	91	255
			Class II	76	225	76	225
			Class III	61	195	61	195
			In licensed mini-home (serving 3 or fewer).	23	119	23	119
			Caretaker required in home	23	53	23	53
			And with ineligible spouse	88	(3)	88	(3)
Louisiana	Federal	None	Living independently	None	None	None	None
Maine	Federal	Federal	Living independently	10	15	10	15
			Living with others	8	12	8	12
			In household of another	8	12	8	12
			Foster or licensed boarding home: I	64	201	64	201
			Licensed boarding home: II	79	231	79	231
Maryland	Federal	None	Living independently	None	None	None	None
Massachusetts	Federal	Federal	Living independently	123	191	123	191
			Shared living expenses	59	191	59	191
			In household of another	95	185	95	185
			Boarding	71	191	71	191
			Domiciliary care	196	465	196	465

* The following tables are taken from, Congress of the United States, Joint Economic Committee, Subcommittee on Fiscal Policy, Studies in Public Welfare, "Handbook of Public Income Transfer Programs: 1975", U.S.G.P.O., Washington, D.C. pages 135-139.

Table 10 Cont.:

SUMMARY OF STATE SSI SUPPLEMENTATION FOR THE AGED, EFFECTIVE JULY 1, 1974—Continued

State	Administration of State supplements: Mandatory	Administration of State supplements: Optional	State payment categories	State payment amounts[1]: Recipients transferred from State rolls: Individuals	Recipients transferred from State rolls: Couples	Newly eligible recipients: Individuals	Newly eligible recipients: Couples
Michigan	Federal	Federal	Living independently	$14	$21	$14	$21
			In household of another	9	14	9	14
			Domiciliary care	72	217	72	217
			Personal care	132	337	132	337
			In home for aged	(3)	(3)	(3)	(3)
Minnesota	Federal	State	Living independently	32	39	32	39
Mississippi	Federal	None	Living independently	None	None	None	None
Missouri	State	State	Living independently	None	None	None	None
			In licensed domiciliary nursing home.	[2] 150	[2] 300	[2] 150	[2] 300
			In licensed practical or professional nursing home.	[2] 200	[2] 400	[2] 200	[2] 400
Montana	Federal	Federal	Living independently	None	None	None	None
			Adult foster care home or home for disabled.	49	171	49	171
			Licensed rest home with boarding care.	4	81	4	81
Nebraska	State	State	Living independently	67	70	67	70
			Individual and essential person	140	(3)	140	(3)
			Room and board	[2] 54	[2] 179	[2] 54	[2] 179
			Adult foster home	[2] 69	[2] 209	[2] 69	[2] 209
Nevada	Federal	Federal	Living independently	39	79	39	79
			In household of another	26	53	26	53
			Domiciliary care	110	293	110	293
New Hampshire	State	State	Living independently	27	9	24	16
			Individual and essential person	89	(3)	89	(3)
			Individual in supervised living arrangement.	47	(3)	47	(3)
New Jersey	Federal	Federal	Living independently	36	31	36	31
			Licensed boarding home	44	161	44	161
			With ineligible spouse	104	(3)	104	(3)
			With others (1 of 2)	26	75	26	75
			With others (3 or more)	1	35	1	35
New Mexico	State	None	Living independently	None	None	None	None
New York	Federal	Federal	Living independently	61	76	61	76
			Living with others	8	27	8	27
			In household of another	14	35	14	35
			Congregate care:				
			Level I:				
			Area A	134	341	134	341
			Area B	79	231	79	231
			Area C	79	231	79	231
			Level II	229	531	229	531
			Level III:				
			Area A	493	1,059	493	1,059
			Area B	469	1,011	469	1,011
			Area C	154	381	154	381
North Carolina	State	State	Living independently	None	None	None	None
			With ineligible spouse or essential person.	4	(3)	4	(3)
			Domiciliary group care (nontitle XIX).	[2] 113	[2] 299	[2] 113	[2] 299
			Attendant care at home	[2] 79	[2] 41	[2] 79	[2] 41
North Dakota	State	State	Living independently	None	None	None	None
Ohio	Federal	None	Living independently	None	None	None	None
Oklahoma	State	State	Living independently	15	30	15	30
			In household of another	15	30	15	30
			In health facility recognizing medicaid payments.	40	80	40	80
			Meals at restaurant	30	60	30	60
Oregon	State	State	Living independently	17	17	17	17
			With ineligible spouse or essential person.	90	(3)	90	(3)
Pennsylvania	Federal	Federal	Living independently	20	30	20	30
			In household of another	20	30	20	30
			With 1 essential person	30	45	None	None
			With 1 essential person in household of another.	30	45	None	None
Rhode Island	Federal	Federal	Living independently	37	68	37	68
			In household of another	43	76	43	76
South Carolina	Federal	State	Living independently	None	None	None	None
South Dakota	Federal	None	Living independently	44	11	None	None
Tennessee	Federal	None	Living independently	None	None	None	None
Texas	None	None	Living independently	None	None	None	None
Utah	Federal	None	Living independently	None	None	None	None

Table 10 Cont.: SUMMARY OF STATE SSI SUPPLEMENTATION FOR THE AGED, EFFECTIVE JULY 1, 1974—Continued

State	Administration of State supplements		State payment amounts [1]				
				Recipients transferred from State rolls		Newly eligible recipients	
	Mandatory	Optional	State payment categories	Individuals	Couples	Individuals	Couples
Vermont	Federal	Federal	Living independently:				
			Area 1	$29	$41	$29	$41
			Area 2	49	61	49	61
			Living independently with essential person:				
			Area 1	114	126	114	126
			Area 2	134	146	134	146
			In household of another	23	29	23	29
			In household of another with essential person.	78	114	78	114
			In custodial care facility:				
			Licensed	84	241	84	241
			Unlicensed	59	191	59	191
Virginia	State	None	Living independently	6	None	None	None
Washington	Federal	Federal	Living independently:				
			Area 1	30	33	30	33
			Area 2	16	6	16	6
			In household of another: Areas 1 and 2.	12	14	12	14
			With ineligible spouse or essential person:				
			Area 1	106	(2)	106	(2)
			Area 2	79	(2)	79	(2)
			With ineligible spouse or essential person in household of another: Areas 1 and 2.	14	(2)	(2)	(2)
			Board and room: Areas 1 and 2	3	71	3	71
			Adult family home: Areas 1 and 2	56	186	56	186
West Virginia	State	None	Living independently	None	None	None	None
Wisconsin	Federal	Federal	Living independently	70	110	70	110
			In household of another	75	118	75	118
Wyoming	Federal	None	Living independently	None	None	None	None

[1] For total payment to recipients, add Federal SSI payment of $146 for individuals and $219 for couples, except if living "in household of another" add reduced (because of income in kind—room and board) Federal SSI payment of $97 for individuals and $146 for couples. In the case of transferred recipients with essential persons, an additional Federal payment of $73 (reduced to $49 if living "in household of another") will be made which may reduce the State supplement. (All payment amounts are rounded off; e.g., 51 cents or more is raised to $1.) The amounts specified in this table are basic amounts and may be further supplemented on a special needs basis in some States, or may be based on specific shelter allowances, or subject to special exceptions or to special provisions for "essential persons." In North Dakota and North Carolina, supplementation of aged persons living independently is optional by counties. Texas has no mandatory or optional supplementation; it was excepted from the mandatory provision because of State constitutional barrier. Rate schedules are subject to change over time. For further details see source or inquire with State agencies.

[2] Up to.

[3] Not applicable.

Source: U.S. Department of Health, Education, and Welfare, Social Security Administration, Bureau of Supplemental Security Income for the Aged, Blind and Disabled, "Summary of State Supplementation and Medicaid Decisions," June 26, 1974.

Table 11 : SUMMARY OF STATE SSI SUPPLEMENTATION FOR THE BLIND AND DISABLED, EFFECTIVE JULY 1, 1974 [1]

[Monthly State supplemental payments to blind and disabled recipients with no countable income and no special needs are shown below in columns, "State payment amounts to blind (disabled)." State payment amounts may actually vary for individual recipients because of special needs payments made by the State under former or current State programs. The supplement is shown as "none" when Federal base payment equals or exceeds State minimum required or optional payment levels for recipients without special needs. Payments to couples may also vary when the category (aged, blind, or disabled) of eligibility of the spouses differ.]

State	Administration of State supplements		State payment amounts to blind [2]					State payment amounts to disabled [2]			
				Recipients transferred from State rolls		Newly eligible recipients		Recipients transferred from State rolls		Newly eligible recipients	
	Mandatory	Optional	State payment categories	Individuals	Couples	Individuals	Couples	Individuals	Couples	Individuals	Couples
Alabama	State	State	Living independently	None	$31	None	$31	None	None	None	None
			In Nursing or foster care home	[3] $4	[3] 81	[3] $4	[3] 81	[3] $4	[3] $81	[3] $4	[3] $81
California	Federal	Federal	Living independently	119	311	119	311	89	221	89	221
			And without cooking facilities	119	311	119	311	114	271	114	271
			Out-of-home care	137	347	137	347	137	347	137	347
			In household of another	124	319	124	319	94	229	94	229
			Disabled minor in house of parent/relative	(4)	(4)	(4)	(4)	(4)	(4)	67	(4)
Colorado	State	State	Living independently	9	91	9	91	9	91	9	91
			Individual with essential person	[3] 74	(4)	[3] 74	(4)	[3] 74	(4)	[3] 74	(4)
			Home care	[3] 225	[3] 307	[3] 225	[3] 307	[3] 225	[3] 307	[3] 225	[3] 307
Delaware	Federal	Federal	Living independently	(5)	(5)	(5)	(5)	None	4	None	None
			Adult foster care	(5)	(5)	(5)	(5)	63	199	63	199
Indiana	Federal	None	Living independently	None	69	None	None	None	None	None	None
Iowa	Federal	Federal	Living independently	18	36	18	36	None	None	None	None
			In household of another	18	36	18	36	None	None	None	None
			Living with dependent person	91	(4)	91	(4)	73	(4)	73	(4)
			In licensed adult foster or boarding home	44	181	44	181	44	181	44	181
			Custodial care (licensed private facility)	104	301	104	301	104	301	104	301
			In family life home (approved by State)	34	161	34	161	34	161	34	161
Massachusetts	Federal	Federal	Living independently	146	365	146	365	113	175	113	175
			Shared living expenses	146	365	146	365	51	175	51	175
			Living in household of another	195	438	195	438	83	170	83	170
			Boarding	146	365	146	365	59	175	59	175
			Domiciliary care	146	365	146	365	202	477	202	477
Missouri	State	State	Living independently	None	10	None	10	None	None	None	None
			In licensed domiciliary nursing home	[3] 150	[3] 300	[3] 150	[3] 300	[3] 150	[3] 300	[3] 150	[3] 300
			In licensed practical of professional nursing home.	[3] 200	[3] 400	[3] 200	[3] 400	[3] 200	[3] 400	[3] 200	[3] 400
Nevada	Federal	Federal	Living independently	69	211	69	211	(4)	(4)	(4)	(4)
			In household of another	118	284	118	284	(4)	(4)	(4)	(4)
			Domiciliary care	109	291	109	291	(4)	(4)	(4)	(4)
North Carolina	State	State	Living independently	None	None	None	None	None	None	None	None
			With ineligible spouse or essential person	10	(4)	10	(4)	4	(4)	4	(4)
			Domiciliary group care (non-title XIX)	[3] 113	[3] 299	[3] 113	[3] 299	[3] 113	[3] 299	[3] 113	[3] 299
			Attendant care at home	[3] 94	[3] 11	[3] 94	[3] 11	[3] 79	[3] 6	[3] 79	[3] 6
Oregon	State	State	Living independently	37	29	37	29	17	17	17	17
			With ineligible spouse or essential person	102	(4)	102	(4)	90	(4)	90	(4)
South Carolina	Federal	State	Living independently	None	1	None	None	None	None	None	None
Utah	Federal	None	Living independently	None	43	None	None	None	None	None	None

[1] For States not listed, the blind and disabled supplement is the same level as for the aged in table 9. [2] Table 10 displays the supplementation levels for the blind and disabled in only those States where the State supplemental payment levels to these recipients differ from the supplements to the aged. For source and footnotes, see table 9.

[3] Up to.

[4] Not applicable.

[5] Same as for aged.

[6] Nevada has had no APTD program.

HEALTH CARE PROGRAMS

9. MEDICARE--HOSPITAL INSURANCE*

A. Legislative Objective: To provide basic protection against costs of inpatient hospital and certain post-hospital services for eligible individuals.

B. Governing Regulations: Title XVIII of the Social Security Act.

C. Administering Agency: The Social Security Administration of the Department of Health, Education and Welfare, with the assistance of other Federal agencies, state health agencies and private insurance companies.

D. Financing: The hospital insurance part of the Medicare program is financed by payroll taxes paid half by employer and half by the employee. The tax rate of 0.9% (1.8% combined rate for employee and employer) is applied to all earnings up to $15,300 effective as of January 1, 1976. Self-employed persons pay 0.9% on the same amount.

E. Population Coverage: National coverage.

F. Types of Assistance: Insurance.

G. Uses and Use Restrictions: Hospital insurance benefits are paid to participating hospitals and other medical facilities to cover the cost of medical services provided to eligible individuals.

H. Eligibility Requirements:

(1) Categorical Requirements: The following individuals are eligible to receive benefits: (1) persons aged 65 or over and receiving or entitled to receive social security or railroad retirement benefits, either as an insured worker or eligible survivor or dependent of an insured worker; and beginning July 1, 1973, (2) persons who are not yet 65 years old but have been entitled to social security or railroad disability benefits for at least 24 consecutive months; and (3) persons under age 65 suffering from permanent kidney failure.

*Information for this program description was taken from U.S. Department of Health, Education and Welfare, Social Security Administration, Social Security Handbook, February 1974, U.S. G.P.O., Washington, D.C., 1974, and U.S. House of Representatives, Committee on Ways and Means, The Social Security Act as Amended Through January 4, 1975 and Related Laws, U.S. G.P.O., Washington, D.C., 1975.

In addition, persons reaching age 65 before 1968 who had insufficient coverage for receipt of cash social security or railroad retirement benefits, are eligible for medicare benefits. Persons reaching age 65 after 1967 and having three quarters of covered employment (whenever acquired) for each year after 1967 (until 1975 for men and 1974 for women) are also eligible. Persons 65 and over not eligible under any other provisions may buy hospital insurance coverage by paying $45 per month (in 1976). Premium payments are redetermined annually according to the following formula: $33 x (the inpatient hospital deductible for the next year divided by $76).

(2) Income Tests: None.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Asset Test: None.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None for individuals with insured status. For premium hospital insurance, the individual must be a resident of the United States and either a citizen or an alien admitted for permanent residence who has resided in the United States for at least five years prior to application.

(c) Residence Requirement: None.

(d) Institutional Status: No limitation. Persons residing in institutions may qualify if they meet all other eligibility criteria.

I. Benefits:

(1) Determination of benefit amounts: Benefits are paid for most of the reasonable costs of inpatient hospital care and post-hospital skilled nursing facility care and post-hospital home health care for a benefit period. Inpatient hospital benefits are provided up to 90 days in each benefit period. In addition, a 60-day lifetime reserve of hospital days may be utilized whenever an individual needs more than 90 hospital days in any benefit period. A "benefit period" begins when an individual receives hospital or skilled nursing facility services and ends when such services have been terminated for 60 consecutive days. In 1976, the beneficiary is responsible for a $104 inpatient hospital deductible, a $26 per day coinsurance amount for the 61st-90th day of inpatient hospital care, $52 per day for lifetime reserve days, and a $13 per day coinsurance amount after 20 days of skilled

nursing facility services. The deductible amount is recomputed each year based on the following formula: $40 multiplied by (the average per diem rate for inpatient hospital services for the preceding calendar year divided by $37.92, the average per diem rate for such services in 1966).

(2) Relationship of benefit amounts to family size: None. Benefits are determined on an individual basis.

(3) Relationship of benefit amount to place of residence: None.

(4) Relationship of benefit amount to cost of living changes: No automatic increase. Benefit amounts are based on the cost of medical services, thus as these costs increase benefits also increase.

(5) Current benefit amounts: Benefit amounts vary according to medical service performed.

(6) Comparison to Poverty level: Not applicable.

(7) Other Benefits/Related Programs: Hospital insurance deductibles, coinsurances and monthly premiums for uninsured individuals may be paid by States under the Title XIX (Medicaid) program.

J. Cost and Caseload Information: An estimated $10.3 billion in benefit payments is expected to be made for approximately 24.2 million persons in fiscal year 1975 (U.S. Department of Health, Education and Welfare, Social Security Bulletin, August 1975, Vol. 38, No. 8, U.S. G.P.O., Washington, D.C., page 4).

K. Interactions with Other Programs:

Program Eligibility: Medicare beneficiaries are automatically eligible for enrollment in the Supplementary Medical Insurance program.

Program Income: Since there is no income test, income from other programs is untaxed.

10. MEDICARE--SUPPLEMENTARY MEDICAL INSURANCE*

A. Legislative Objective: To establish a voluntary insurance program to cover physician's services and services provided by other suppliers of medical services for those aged or disabled individuals or individuals suffering from permanent kidney failure who elect to enroll.

B. Governing Regulations: Title XVIII of the Social Security Act.

C. Administering Agency: The Social Security Administration of the Department of Health, Education and Welfare, with the assistance of other Federal agencies, State health agencies and private insurance companies.

D. Financing: SMI is financed from premium payments from enrollees and from Federal general revenues. The amount of the enrollee's premium may be deducted automatically from his/her Social Security or Railroad Retirement benefits. The premium amount is redetermined annually by the Secretary of HEW. The enrollee premium amount in effect as of July 1975 was $6.70 per month.

E. Population Coverage: Approximately 96 percent of the population aged 65 and over were enrolled in the program in 1973. Ninety-three percent of the eligible social security beneficiaries were enrolled in the same year.

F. Types of Assistance: Insurance.

G. Uses and Use Restrictions: Benefits paid are for covered services provided to eligible persons by physicians and other suppliers of medical services.

H. Eligibility Requirements:

(1) Every individual who: (1) is eligible for hospital insurance under Medicare; or (2) has attained age 65, is eligible to enroll in the Supplemental Medical Insurance program.

(2) Income Tests: None.

(3) Assets Test: None.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

*Information for this program description was taken from U.S. Department of Health, Education and Welfare, Social Security Administration, Social Security Handbook, February 1974, U.S. G.P.O., Washington, D.C., 1974, and U.S. House of Representatives, Committee on Ways and Means, The Social Security Act as Amended Through January 4, 1975 and Related Laws, U.S. G.P.O., Washington, D.C., 1975.

(b) Citizenship: None, if individual is entitled to hospital insurance; otherwise, individual must be a resident of the United States and either a citizen or an alien admitted for permanent residence.

(c) Residence Requirement: See citizenship requirement.

(d) Institutional Status: Institutionalized persons are not precluded from enrollment.

I. Benefits:

(1) Determination of benefit amounts: Beneficiaries receive health services covered by the insurance. Excluded from coverage are services:

(a) which are not reasonable and necessary for the treatment or diagnosis of illness or injury or to improve the functioning of a malformed body member;

(b) for which neither the individual nor any other person has any legal obligation to pay;

(c) which are paid directly or indirectly by a governmental entity;

(d) which are not provided within the United States (except for certain exceptions with respect to Canadian or Mexican hospitals);

(e) which are required as a result of war;

(f) which constitute personal comfort items;

(g) where such expenses are for routine physical check-ups, eyeglasses or eye examinations for the purpose of fitting or prescribing eyeglasses, immunizations, hearing aids or examinations therefore;

(h) payments for orthopedic shoes;

(i) for the provision of custodial care;

(j) for expenses of cosmetic surgery;

(k) where such services constitute charges imposed by immediate relatives of such individual or members of his household;

(l) for the care, treatment, filling, removal or replacement of teeth;

(m) routine foot care;

(n) paid for workmen's compensation;

(o) paid for by Federal employee's health benefits program;

(p) performed for or by an individual who has submitted false statements or requests for payment substantially in excess of customary charges; or

(q) which are determined to be substantially in excess of the needs of the individual, harmful to the individual or of a grossly inferior quality.

Payment is made directly to the provider of the service or by reimbursement to the individual for 80 percent of the reasonable charges for services, after the first $60 of covered expenses in each calendar year for which the beneficiary is responsible.

(2) Relationship of benefit amounts to family size: None. Benefits determined on an individual basis.

(3) Relationship of benefit amount to place of residence: None.

(4) Relationship of benefit amount to cost of living changes: Benefits can be expected to increase as the "reasonable charges" for services increase.

(5) Current benefit amounts: Varies according to service performed.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: The monthly premium, deductible and coinsurance amounts under the Supplementary Medical Insurance program may be paid under Title XIX (Medicaid) for individuals eligible under that program.

J. Cost and Caseload Information: Approximately 23.4 million aged or disabled persons will receive benefits estimated at $3.8 billion for fiscal year 1975 (U.S. Department of Health, Education and Welfare, Social Security Bulletin, August 1975, Vol. 38, No. 8, U.S. G.P.O., Washington, D.C., page 4).

K. Interactions with Other Programs:

Program Eligibility: No automatic eligibility.

Program Income: Does not tax away income from any source.

11. MEDICAL ASSISTANCE PROGRAM (MEDICAID)*

A. Legislative Objective: To permit States to provide medical assistance to needy families with dependent children, aged, blind and disabled, and to assist such families in achieving independence or self-care through rehabilitation and other services.

B. Governing Regulations: Title XIX of Social Security Act as amended; Public Law 89-97; P.L. 90-248; P.L. 91-56; 42 U.S.C. 1396, P.L. 92-223; P.L. 92-603; P.L. 93-233; P.L. 93-66, 45 CFR.

C. Administering Agencies: The Social and Rehabilitation Service of DHEW administers grants to States. In 42 States and the District of Columbia, the administering State agency is the same agency which supervises public assistance. In seven States the responsible agency is the Department of Health, and in one State a separate Medicaid commission administers the program.

D. Financing: Federal matching funds are expended on an open-ended basis from the general revenues with the Federal share ranging from 50 to 83 percent according to a formula relating state per capita income to national per capita income.

In addition the Federal government pays 75 percent of the costs of compensating and training skilled professional medical personnel and the staff supporting such personnel of public agencies; 100 percent of the costs of compensating and training long-term care facility inspectors; 90 percent of the costs of development and 75 percent of the costs of operation of management information systems; 90 percent of the costs of family planning services; and 50 percent of other administrative costs.

In 33 States and the District of Columbia the total non-Federal costs of medical assistance payments are met from State funds, and in the 20 remaining States, State and local funds are used to defray payment and administration expenses.

E. Population Coverage: All States cover recipients of Aid to Families with Dependent Children (AFDC); all but fourteen cover all aged, blind and disabled recipients of Supplemental Security Income (SSI); the other fourteen States limit coverage of SSI eligibles to persons who can meet restrictive medical assistance standards. In addition,

*Information for this program description was taken from U.S. Department of Health, Education and Welfare, Social Security Administration, Social Security Handbook, February 1974, U.S. G.P.O., Washington, D.C., 1974, and U.S. House of Representatives, Committee on Ways and Means, The Social Security Act as Amended Through January 4, 1975 and Related Laws, U.S. G.P.O., Washington, D.C., 1975. Information on State financing and State coverage were received on November 17, 1975 from the Medical Services Administration of the Department of Health, Education and Welfare.

32 States cover the medically needy persons who are aged, blind, disabled or members of families with dependent children who are ineligible for cash assistance but can not afford medical services.

F. Types of Assistance: Formula grants to States.

G. Uses and Use Restrictions: States must provide for the cash assistance eligibles: in- and out-patient hospital services; laboratory and X-ray services; skilled nursing home services; home health services for persons over 21; family planning services; physician's services; and early screening, diagnosis and treatment for persons under 21. States are required to provide any seven of the services for which Federal financial participation is available to the medically needy.

H. Eligibility Requirements:

(1) Categorical Eligibility:

Applicant Eligibility: All States choosing to provide Medicaid programs must offer medical assistance to all AFDC recipients. States may choose to limit coverage of SSI recipients to those persons who can meet more restrictive standards than those of SSI, if these standards are no more restrictive than the medical assistance standards of the State which were in force on January 1, 1972. Those 14 States limiting coverage in this manner must offer medical assistance to aged, blind and disabled persons who spend that amount of their income in excess of the standard on medical expenses. All aged, blind, disabled persons and essential spouses who were eligible for Medicaid in December 1973 retain this eligibility status as long as they continue to meet the December 1973 criteria.

In addition, States are required to cover all persons who would be eligible for benefits except for an eligibility condition or requirement specifically prohibited under title XIX.

States are required to submit State plans which Social and Rehabilitation Services Regional Commissioners have the authority to approve or disapprove. Once a State plan has been approved, funds are awarded quarterly based on the State's estimate of funds needed to provide medical assistance.

Beneficiary Eligibility: In addition to the persons described above for whom the States are required to give medical assistance, certain States have chosen to include the following categorically needy groups:

(a) Persons in a medical facility who are not receiving financial assistance but who would be eligible if they did not reside in such a facility. (30 States)

(b) Persons eligible for but not receiving financial assistance under AFDC or SSI. (12 States)

(c) Essential spouses grandfathered in as being categorically needy in December 1973.

(d) Children under 21 residing in a foster home or institution and for whom a public agency is assuming some financial responsibility. (32 States)

(e) All financially eligible children under 21. (18 States)

(f) Those persons who are members of groups otherwise covered for cash assistance whose income exceeds the cash assistance standards but are below a separate "medically needy" eligibility level. (32 States)

(2) Income Tests:

Categorically needy: Income limits are the same as those set by the State or Federal government in the cash assistance program for which the applicant is categorically eligible (SSI or AFDC) except in those States which use more restrictive medical assistance standards. In these States, persons with incomes above the January 1972 medical assistance standard are eligible for Medicaid payments if they spend the excess income on medical expenses. Also, any SSI or State assistance they receive is disregarded.

Medically needy: Federal payments are not available to any family whose income exceeds 133 1/3 percent of the highest amount normally paid in each State to an AFDC family of the same size with no income or resources. Single individuals with incomes in excess of 133 1/3 percent of the highest amount paid (or which would be paid if the State covered such a family) to an AFDC family of one, are ineligible for Federal matching funds. Thus, the State-set "medically needy" income eligibility levels must be within the Federal limit.

The income level for the medically needy must be as high as the most liberal payment standard since January 1966 or the level at which Federal payments become available. A lower income level, related to costs of clothing and personal needs, is set for persons in institutions.

(a) Treatment of Earned Income: See below.

(b) Treatment of Unearned Income: See below.

Categorically needy: Income is treated as it is under the SSI or AFDC program, whichever is applicable. Income is reduced by medical expenses in those States which utilize their January 1972 medical assistance standards.

Medically needy: Total gross earned and unearned income must receive all the disregards aplied by the States under cash assistance programs, and medical expenses incurred by the individual or family are deducted for purposes of determining eligibility for Medicaid benefits.

The income above the amount allowed as the "medically needy" level must be spent on medical expenses before benefits are received; this feature of the program is known as the "spend-down."

(3) Asset Test:

Categorically needy: Excludable resources and resource limits are the same as for determination of eligibility for assistance under the applicability assistance category, with the exception of those States returning to their January 1, 1972 medical assistance standards.

Medically needy: Retainable resources must be at least as high as the highest level used in SSI or AFDC, whichever is greater. The allowable level of liquid resources must increase as family size increases. The 32 States which offer assistance to the medically needy have adopted resource tests which are generally more liberal than those applicable under the cash assistance programs.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None. However, recipients may be permanent residents of, or legally admitted aliens to, the United States, and most States also require recipients to be permanent residents of the State, even though no "waiting period" is imposed.

(c) Residence Requirement: None.

(d) Institutional Status: Inmates of public nonmedical institutions and individuals under 65 who are patients of institutions for tuberculosis or mental diseases (with the exception that persons under 21 years of age may receive in-patient mental hospital care) are not eligible for medical benefits.

I. Benefits: Payments are made to providers of medical services according to reimbursement schedules established by the States within Federal regulations.

(1) Determination of benefit amounts: Benefits are medical care services which are enumerated in the State's plan for which payment is made on behalf of eligible beneficiaries.

(2) Relationship of benefit amount to family size: Not applicable. No recipients ever receive direct payments.

(3) Relationship of benefit amount to place of residence: Benefit amounts vary by State because of differences in services provided, costs of medical services, and types of persons covered.

(4) Relationship of benefit amount to cost of living changes: Some, but not all, reimbursement payment levels tend to automatically reflect cost of living increases; this is also only partially true of eligibility levels. Generally, though, increases in either reimbursement rates or eligibility levels require positive action by the State.

(5) Current Benefit Amounts: Average monthly payments (in 1973) for all persons age 65 or over was $154, with money payment recipients receiving $71 and non-recipients receiving $278.

Source: Joint Economic Committee of the United States Congress, Subcommittee on Fiscal Policy, "Handbook of Public Income Transfer Programs: 1975," Studies in Public Welfare, Paper No. 20, December 31, 1974, U.S. G.P.O., Washington, D.C., page 275.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Medicare.

J. Cost and Caseload Information: Medicaid expenditures in 1974 were $11.7 billion (Department of Health, Education and Welfare, Social and Rehabilitation Service, Medical Services Administration, November 17, 1975).

K. Interaction with Other Programs:

Program Eligibility: No automatic eligibility for any other program.

Program Income: For the "categorically needy" segment of the population, income is taxed under the same procedures as SSI or AFDC , whichever is applicable.

HOUSING PROGRAMS

12. LOWER INCOME HOUSING ASSISTANCE PROGRAM*

A. Legislative Objective: To aid low-income families in obtaining decent, safe and sanitary housing in private accommodations and to promote economically mixed housing through participating owners, developers and Public Housing Agencies.

B. Governing Regulations: Housing Act of 1937, Section 8, as amended by the Housing and Community Development Act of 1974, Public Law 93-383; 88 Stat. 662, 42 U.S.C. 1437f.

C. Administering Agency: Housing Production and Mortgage Credit/Federal Housing Administration, U.S. Department of Housing and Urban Development.

D. Financing: Annual Federal appropriation.

E. Population Coverage: Nationwide.

F. Types of Assistance: Project Grants.

G. Uses and Use Restrictions: At least 30% of the families assisted at initial rent-up must be "very low-income families" defined as those with less than 50% of the median income for the area. Project grants are made through contracts with owners of existing housing or prospective owners who agree to construct or substantially rehabilitate housing in which some or all of the units will be occupied by low-income families.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: Initial occupancy is restricted to "lower income" and "very low income" families. The term "families" includes single persons in such cases where: (1) the individual is at least 62 years of age or a disabled person (as defined by the Social Security Act) or a handicapped person; (2) where the individual is a displaced person; or (3) the individual is the remaining member of a tenant family. The term "handicapped person" is defined as a person with an impairment that: (1) is expected to be of long-continued and indefinite duration; (2) substantially impedes his ability to live independently; and (3) is of such

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*Information for this program description was taken from Housing Assistance Council Inc., "The Housing and Community Development Act of 1974: Implications for Rural America," October 25, 1974, Washington, D.C., and U.S. Department of Housing and Urban Development, Housing Production and Mortgage Credit, Federal Housing Administration, Notice HPMC-FHA 74-44, "Income Limits, Sections 8-235-236," December 24, 1974, internal memo to all Regional Administrators, Area Office Directors, Insuring Office Directors.

a nature that such ability could be improved by more suitable housing conditions. The term "displaced person" means a person displaced by governmental action or natural disaster.

The Department of Housing and Urban Development will provide subsidy funds under one of several possible contracts arrangements. The Secretary may contract directly with an owner or prospective owner, or the Secretary may contract with a Local Housing Authority which may in turn make a contract with the owner or prospective owner. Owners of new or substantially rehabilitated units are defined as any private person or entity, or public housing agency having the legal right to lease or sublease the unit.

For new construction or substantial rehabilitation HUD can contract directly with the owner or prospective owner or with the Local Housing Authority (LHA). The contract for assistance payments to the owner must be for at least one month, but no more than 20 years (except for projects financed, guaranteed or owned by a State agency, in which case the contract can be for up to 40 years). The contract with the owner shall indicate that ownership, management and maintenance responsibilities shall be assumed by the owner, except that it may be subcontracted to a public housing agency or other entity acceptable to HUD.

For existing units the contract for assistance payments is restricted to 15 years. The sole right to give notice to vacate is assumed by the public housing agency with the owner having the right to make recommendations to the Local Housing Authority.

Up to 100% of the units in a structure may be assisted under Section 8. Housing assistance payments can be made only on occupied units. However, payments may be made for unoccupied units for a period up to 60 days when a tenant vacates a unit before expiration of the lease or where a good faith effort is being made to fill the unit.

(2) Income Tests: For lower income families under Section 8 (those whose income does not exceed 80% of the median income for the area), the income ceilings for various size families in each area have been calculated as the following percentages of the 1974 estimated median family income:

Persons per Family	1	2	3	4	5	6	7	8+
Percentage of Median Family Income	50	64	72	80	85	90	95	100

For "very low income families" (those whose incomes do not exceed 50 percent of the median income for the area) the following income ceilings have been calculated as a percentage of the 1974 estimated median family income:

Persons per Family	1	2	3	4	5	6	7	8+
Percentage of Median Family Income	30	40	45	50	54	58	62	66

Recalculations of the median incomes for each area are to be prepared annually as soon as appropriate data are available.

(a) Treatment of Earned Income: Income is defined as income from all sources of each family member residing in the household without deductions or adjustments.

(b) Treatment of Unearned Income: See (2a) above.

(3) Assets Test: None.

(4) Other Eligibility Condtions:

(a) Work Requirement: None.

(b) Citizenship: None.

(c) Institutional Status: Not applicable.

(d) Residence Requirement: Must reside in a housing unit covered by the Section 8 housing program.

I. Benefits: Benefits take the form of subsidies to cover the difference between the family contribution for rent and the unit rental.

(1) Determination of benefit amounts: The rent to the owner cannot exceed the fair market rent by more than 10% (20% in certain special circumstances). Fair market rent levels are determined annually. The family must pay at least 15%-25% of gross income as their contribution to the total rent. Large very low-income families and those with exceptional medical expenses will pay 15%; other families pay 15% to 25% as determined by HUD. The Secretary must take into consideration the number of children, level of income, and extent of medical and other unusual expenses.

(2) Relationship of benefits to family size: In determining the percentage of gross income which the family must contribute to rent, the size of the family is taken into consideration.

(3) Relationship of benefit amount to place of residence: Must reside in an approved public housing unit in order to receive a benefit.

(4) Relationship of benefit amount to cost of living changes: Adjustments to the rent to the owner are authorized on an annual basis or more frequently to reflect changes in the fair market rents. Additionally special adjustments can be made to take into account increases in operating expenses due to increased property taxes, utility rates, and similar costs.

(5) Current benefit amounts: Vary from family to family.

(6) Comparison to poverty level: Not applicable.

(7) Other Benefits/Related Programs: Section 202 funds may be used to finance the construction phase of such housing projects that are sponsored by non-profit organizations and assisted under the Section 8 Housing Assistance Payments Program. Section 8 allows financing by any of the programs authorized under the National Housing Act, which includes Section 236.

J. Cost and Caseload Information: Grants in fiscal year 1975 amounted to $900 million. Estimated fiscal year 1976 obligations total $662,300,000.

Source: Department of Housing and Urban Development, November 13, 1975. It is estimated that a maximum of 400,000 housing units could be made available to eligible families.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for other programs.

(2) Program Income: Income from all other programs (with the exception of the Food Stamp program) in excess of the allowable income limits results in loss of initial benefits under the Lower Income Housing Assistance Program.

13. CONSTRUCTION LOANS FOR HOUSING FOR THE ELDERLY AND HANDICAPPED*

A. Legislative Objective: To provide direct Federal construction loans for housing projects to serve elderly and handicapped families and individuals.

B. Governing Regulations: Section 202 of the Housing Act of 1959, 12 U.S.C. 1701q as amended by the Housing and Community Development Act of 1974. At the time that Section 202 funds are approved, Section 8 funds will be set aside. The Section 8 Housing Assistance Payment Program was authorized by the U.S. Housing Act of 1937 as amended by Section 201 of the Housing and Community Development Act of 1974. Participation in the Section 8 program is required and approval of the Section 202 loan is subject to feasibility of a proposal under the Section 8 program.

C. Administering Agency: Department of Housing and Urban Development, Housing Production and Mortgage Credit.

D. Financing: Annual appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Provision of direct Federal construction loans to a non-profit corporation or non-profit consumer cooperative.

G. Uses and Use Restrictions: Loans can be used only to finance the construction or substantial rehabilitation of projects for the elderly and handicapped. The housing projects must be designed to provide a range of the following services: health; continuing education; welfare; informational; recreational; homemaker; counselling and referral services; as well as transportation where necessary to facilitate access to services and facilities made available.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: Applicants must be non-profit corporations or non-profit consumer cooperatives approved by the Assistant Secretary for Housing Production and Mortgage Credit as to administrative and financial capacity and responsibility.

Tenants include elderly or handicapped families or individuals, defined as: (a) families of two or more persons the head of which (or his spouse) is 62 years of age or over, or is handicapped, or (b) a single person who is 62 years of age or over or who is

*Information for this program description was taken from the Federal Register, Wednesday, August 20, 1975, Vol. 40, No. 162, pages 36536-36543. In addition, numerous unpublished HUD internal memorandums and reports were utilized.

handicapped. A "handicapped person" is any person having an impairment which is expected to be of long-continued and indefinite duration, is a substantial impediment to his (or her) ability to live independently, and is of a nature that such ability could be improved by more suitable housing conditions. A person shall also be considered handicapped if he (or she) has a disability attributable to mental retardation, cerebral palsy, epilepsy, or another neurological condition closely related to mental retardation, or to require treatment similar to that required for mentally retarded individuals.

(2) Income Tests: Applicants must submit financial balance sheets and statements of income and expenses for each of the past five years. A minimum capital investment by the borrower of one-half of one percent of the total HUD Section 202 loan up to a maximum of $10,000 is required, in cash or in-kind.

Tenant families' incomes at the time of initial occupancy may not exceed 80 percent of median income for the locality as determined by the Secretary with adjustments for smaller and larger families.

Income ceilings for various size families in each area have been calculated as the following percentages of the estimated median family income:

Persons per Family	1	2	3	4	5	6	7	8+
Percentage of Median Family Income	50	64	72	80	85	90	95	100

"Very low income families" are defined as those whose incomes do not exceed 50 percent of the local median income. These ceilings are adjusted for family size according to the following:

Persons per Family	1	2	3	4	5	6	7	8+
Percentage of Median Family Income	30	40	45	50	54	58	62	66

(a) Treatment of Earned Income: All earnings except the earnings of eligible minors are included in countable income. In addition to the exclusion of minor's earnings, a deduction of $300 for each eligible minor is allowed. Eligible minors are persons under 21 years of age related to the head of the family by blood, marriage or operation of law excluding spouse of head.

(b) Treatment of Unearned Income: Unearned income includes all income, including that received by minors, (other than earnings) from social security, disability, unemployment, welfare or other sources. Unusual expenses for child care or care of physically or mentally impaired dependents not compensated for by insurance may be deducted.

(3) Asset Test: Assets include combined assets of all members of the household, related or unrelated, who will live in the unit. Personal property such as furniture, clothing and an automobile are excluded. Estimated value of real estate based on original acquisition price minus any indebtedness is included. Outstanding debts for food or medical expenses may be deducted. Cash on hand, deposits in checking and savings accounts and stocks and bonds are included. Assets may not exceed $2,000 in the case of non-elderly applicants and $5,000 in the case of elderly applicants.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None.

(c) Institutional Status: Not applicable.

(d) Residence Requirement: Must reside in a Section 202 and Section 8 approved dwelling.

I. Benefits: Benefits to the builder include direct loans for construction or rehabilitation of housing units at an interest rate equal to the average Treasury borrowing rate on debts with comparable maturities plus an allowance to cover administrative costs and anticipated losses.

Tenants benefit from the housing assistance payments provided under Section 8. These payments make up the difference between the approved rent for the unit and the amount the family will be required to pay, which is not less than 15 percent or more than 25 percent of the family's adjusted income.

(1) Determination of benefit amounts: Benefits determined on an individual basis.

(2) Relationship of benefits to family size: In determining the percentage of gross income which the family must contribute to rent, the size of the family is taken into consideration.

(3) Relationship of benefit amount to place of residence: Must reside in a Section 202 and Section 8 approved dwelling.

(4) Relationship of benefit amount to cost of living changes: Contract rents to the owner will be adjusted annually by the HUD established Automatic Annual Adjustment Factor.

(5) Current benefit amounts: Not available. Program did not become effective until September 1975.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Lower Income Housing Assistance Program (Section 8).

J. Cost and Caseload Information: Congress authorized HUD to provide $375,000,000 in loans during fiscal year 1976.

K. Interactions with Other Programs:

(1) Program Eligibility: Eligibility for Section 202 benefits is dependent upon eligibility for Section 8 benefits.

(2) Program Income: Includes income from all other sources excluding food stamps and housing assistance payments.

14. RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES*

A. Legislative Objective: To provide private enterprise with an additional means of developing good quality rental and cooperative housing for low and moderate income persons by lowering their housing costs through interest reduction payments.

B. Governing Regulations: National Housing Act, as amended in 1968, Section 236, Public Law 90-448; 12 U.S.C. 1715.

C. Administering Agency: Housing Production and Mortgage Credit/Federal Housing Administration, Department of Housing and Urban Development.

D. Financing: Loan insurance is provided through the special risk insurance fund. Interest reduction payments are met through appropriations from general revenues. Rents collected in excess of basic rental costs are deposited in a fund for additional rent supplement assistance.

E. Population Coverage: National coverage.

F. Types of Assistance: The program consists of a combination of mortgage insurance and mortgage interest subsidy for housing lower income families. The interest subsidy is paid directly to private lenders to reduce interest to 1% to permit lower rents.

G. Uses and Use Restrictions: Mortgages must be used to finance construction or rehabilitation of rental or cooperative structures. Projects must consist of five or more units of detached or semi-detached row, walk-up or elevator-type structures which are primarily residential. Housing site must be approved by the Department of Housing and Urban Development. At least 20 percent of the units must be allocated to projects for the elderly or handicapped and at least 10 percent of all funds must be used for rehabilitation projects.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: To be eligible to apply for and receive commitments for HUD-FHA-insured loans under Section 236, a lender must be a HUD-FHA-approved mortgagee and must be willing to receive monthly interest reduction payments on behalf of the project mortgagors. HUD-FHA mortgage approval

*Information for this program description was taken from U.S. Department of Housing and Urban Development, Housing Management, "Management of HUD-Insured Multifamily Projects Under Section 221 (d) (3) and Section 236," October 15, 1974; U.S. Department of Housing and Urban Development, "Income Limits, Sections 8-235-236," Notice to All Regional Administrators, Area Office Directors and Insuring Office Directors, December 24, 1974; and several unpublished, untitled internal HUD memos.

is not required in the case of State or local assisted projects not involving HUD-FHA mortgage insurance.

Sponsors may include non-profit, limited dividend and cooperative groups.

Eligible tenants include families or households defined as: (1) two or more persons related by blood, marriage or operation of law; or (2) a handicapped or elderly (age 62 or over) single person.

(2) Income Test: On admission, adjusted family income generally cannot exceed 80% of the area median income adjusted according to the following table:

Persons per Family	1	2	3	4	5	6	7	8+
Percentage of Median Family Income	50	64	72	80	85	90	95	100

Tenants with incomes above the allowable amount are permitted occupancy if they pay the full market rent.

Adjusted family income is gross annual income, less 5% (to account for social security and other payroll deductions) minus earnings of eligible minors (where a "minor" is a member of the family other than the spouse of the head, living in the household) minus a $300 deduction for each minor.

(a) Treatment of Earned Income: All earnings except those of minors are included in countable income.

(b) Treatment of Unearned Income: Unearned income includes Social Security, disability, unemployment compensation, welfare, and other unearned income (except Food Stamp bonus coupons), including that paid to minors.

(3) Assets Test: None.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None.

(c) Institutional Status: Not applicable.

(d) Residence Requirement: Tenant must reside in a Section 236 approved dwelling.

I. Benefits: The benefit to the owner-mortgagor is a reduced interest payment on an insured loan.

The tenant receives benefits in the form of increased availability of housing at a reduced rent.

(1) Determination of benefit amounts: The total amount of assistance to the owner-mortgagor is based upon the difference between the monthly payments for principal, interest and mortgage insurance premium and the monthly payments for principal, interest and mortgage insurance premium which the project owner would be obligated to pay if the mortgage were to bear interest at a rate of 1% per annum.

The maximum mortgage is set at $12,500,000 with limited dividend mortgagors eligible for 90% mortgages, non-profit organizations and cooperatives eligible for 100% mortgage assistance.

A "basic monthly rental charge" is established for each unit based upon the payment of principal and interest due under a mortgage bearing interest at the rate of one percent per annum. The eligible tenant pays this "basic monthly rental charge" or 25% of adjusted income, whichever is greater. The rent paid may never exceed the market rent for the unit (where the market rent equals the cost of operating project plus payment of principal, interest and mortgage insurance premium). In addition to the interest subsidy, rent supplements may be used for low income families with up to 40% of all units eligible for rent supplements. This number has been administratively limited to 10% of all eligible units. The rent supplement payment amounts to the difference between the basic rent and either 25% of tenant's income or 30% of basic rent, whichever is greater.

(2) Relationship of benefits to family size: None.

(3) Relationship of benefit to place of residence: Must live in a Section 236 approved dwelling in order to receive interest subsidy assistance.

(4) Relationship of benefit amount to cost of living changes: None.

(5) Current benefit amounts: Vary on an individual basis.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Rent Supplement Programs, as described above.

J. Cost and Caseload Information: Through June 1974, 3,860 insured loans for 416,954 units totalling mortgage commitments of $6,905,296,006 have been made. It should be noted that this program has been under moratorium since January 5, 1973 and as such, no new applications are being considered.

K. Interactions with Other Programs:

(1) Program Eligibility: Tenants are automatically eligible for rent supplement payments.

(2) Program Income: Includes income from all sources (with the exception of Food Stamp bonus amounts) in determining eligibility for benefits.

15. RENT SUPPLEMENT PROGRAM*

A. Legislative Objective: To make good quality rental housing available to low-income families at a cost they can afford.

B. Governing Regulations: Housing and Urban Development Act of 1965 under Section 101 of Title I--Special Provisions for Disadvantaged Persons.

C. Administering Agency: Housing Production and Mortgage Credit/Federal Housing Administration, Department of Housing and Urban Development.

D. Financing: Annual appropriations from the Federal budget.

E. Population Coverage: Nationwide.

F. Types of Assistance: Monthly Federal payment to owner of housing in behalf of low-income tenants.

G. Uses and Use Restrictions: Housing units must be located in new or substantially rehabilitated low-income housing owned by non-profit, cooperative or limited-dividend organizations.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: Eligible tenants include low-income families and individuals who are eligible for public housing and who are either displaced by governmental action, 62 years of age or older, physically handicapped, living in substandard housing, or whose unit was damaged or destroyed by natural disaster.

(2) Income Tests: Income may not exceed the maximum public housing limit for the area. Authorized deductions include a $300 deduction per minor.

(a) Treatment of Earned Income: Includes all earned income except that of minors (persons under age 21 related to the head by blood, marriage or operation of law, excluding the head of the household and his spouse).

(b) Treatment of Unearned Income: Includes unearned income of all family members from all sources (with the exception of Food Stamp bonus coupon amounts).

(3) Assets Test: Effective as of May 20, 1975, asset limits for tenant eligibility for the non-elderly are set equal to the dollar amount of the applicable income limit for the particular

*Information for this program description was taken from unpublished memos from the Department of Housing and Urban Development and from The Federal Register, Vol. 40, No. 93, Tuesday, May 20, 1975, Washington, D.C.

locality; asset limits for the elderly are set at three times the dollar amount of the applicable income limit for the particular area.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None.

(c) Institutional Status: Not applicable.

(d) Residence Requirement: Must reside in HUD approved housing unit.

I. Benefits:

(1) Determination of benefit amounts: Eligible tenants must pay at least 25 percent of their adjusted income for rent. The rent supplement payment is the difference between the economic rent of the unit and the tenant's contribution. In no instance can the supplement be greater than 70 percent of the economic rent of the unit. As the tenant's income rises, the supplement is decreased to the point where the tenant's income is sufficient to pay the economic rent.

(2) Relationship of benefits to family size: None.

(3) Relationship of benefits to place of residence: Must reside in HUD approved housing unit.

(4) Relationship of benefit amount to cost of living changes: None.

(5) Current benefit amounts: Varies on an individual basis.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Section 236, Rental and Cooperative Housing for Lower Income Families.

J. Cost and Caseload Information: Estimated cumulative expenditures through fiscal year 1974 amount to $400 million for a total of 200,629 units. It should be noted that this project has been under a moratorium since January 5, 1973 and as such no new applications are accepted.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: Includes income from all other sources (except the Food Stamp program) in determining eligibility.

FOOD PROGRAMS

16. FOOD STAMP PROGRAM*

A. Legislative Objective: To permit low-income households to purchase a nutritionally adequate diet and expand the market for domestically produced food.

B. Governing Regulations: Public Law 88-525; Public Law 93-86; Public Law 93-335; Public Law 93-347.

C. Administering Agency: Food and Nutrition Service of the United States Department of Agriculture.

D. Financing: Benefits financed through open-ended Federal appropriations; States and the Federal Government each pay 50 percent of total administrative costs.

E. Population Coverage: Universal coverage, except for a few Indian Reservations that have chosen to retain the commodity distribution program.

F. Types of Assistance: Participants buy food coupons worth more than the purchase price.

G. Uses and Use Restrictions: The food coupons can be used only for purchase of food except alcoholic beverages and tobacco. Food coupons may also be used to purchase plants and seeds for use in home gardens to produce food for personal consumption. Persons over 60 who are members of an eligible household or who live alone or only with their spouses and are disabled to the extent that they cannot prepare their own meals may use the stamps to purchase prepared meals as part of the "meals on wheels" program. They may also use their food coupons when participating in the Title VII, Older Americans Act, Nutrition Program.

H. Eligibility Requirements:

(1) Categorical Requirements: Nonpublic assistance households must meet the uniform national income and resource eligibility requirements (see pages 86 to 90 for income standards). Households are eligible for benefits without regard to income and resource requirements, provided that all household members are included in the Federally-aided public assistance grant, general assistance grant or Supplemental Security Income benefit. "Households" are defined as all persons living as one economic unit, sharing common cooking facilities and purchasing food in common. Students aged 18 or over who are claimed as tax dependents by an ineligible household are not eligible for Food Stamps. Residents of a boarding house are generally ineligible except that elderly persons in congregate housing and drug addicts and alcoholics in private nonprofit residential treatment centers are not precluded from participation.

*Information for this program description was taken from numerous publications of the U.S. Department of Agriculture, Food and Nutrition Service.

(2) Income Tests: Separate maximum allowable monthly income standards by household size are established for: (1) 48 States and the District of Columbia; (2) Alaska; (3) Hawaii; (4) Puerto Rico; (5) Virgin Islands; and (6) Guam, to reflect differences in food prices. Income limits for nonpublic assistance participants are the higher of: (1) maximum allowable monthly income standards in effect in the State prior to July 29, 1971; or (2) the uniform maximum allowable monthly income standards.

Treatment of Earned and Unearned Income: Income is defined as any money received by any of the household members except students under 18 years old. The following items are not considered income: (1) irregular income not in excess of $30 in a three month period; (2) in-kind income (except for an exclusion for $25 per month in payments for housing); (3) loans, except deferred payment student loans; (4) certain relocation payments; (5) nonrecurring lump sum benefits; (6) medical vendor payments; and (7) payments received by volunteers for services performed in programs stipulated in the Domestic Volunteer Service Act of 1973 (these include Foster Grandparents, Older Americans Community Service Programs, Retired Senior Volunteer Program, and Service Corps of Retired Executives, among others).

Deductions from income include: (1) ten percent of wage and salary income not to exceed $30 per month; (2) mandatory deductions from income such as income and social security taxes and union dues; (3) shelter costs in excess of 30 percent of household income after all other deductions; (4) medical expenses in excess of $10 per month; (5) child care payments when necessary for the employment of a household member; (6) tuition and mandatory educational fees; (7) payor's court-ordered alimony and child-support payments; and (8) unusual and unanticipated expenses due to disaster or casualty loss.

(3) Assets Test: Nonexcluded resources may not exceed $1,500 for a household, or $3,000 for households consisting of two or more persons, one of whom is aged 60 or over. Resources include: cash, savings, checking accounts, U.S. savings bonds, stocks and bonds, more than one licensed automobile, inheritances, prizes, gifts, retroactive social security benefits, non-recurring lump sum payments from insurance settlements, and any other resources not specifically excluded. Excludable resources include: the home and lot, one licensed automobile, any unlicensed automobile, cash value of life insurance policies, income producing property, personal effects and household goods.

(4) Other Eligibility Requirements:

(a) Work Requirements: Each abled bodied person between the ages of 18-65 must register for work (except mothers or other household members caring for dependent children under 18 or incapacitated adults; students enrolled at least half time; and persons working at least 30 hours per week) and accept

an offer of suitable employment. Any narcotics addict or alcoholic who regularly participates as a resident or non-resident in a drug or alcoholic treatment and rehabilitation program does not have to register for employment.

(b) Citizenship: Must be a U.S. citizen or an alien admitted for permanent residence.

(c) Institutional Status: Except for those exceptions noted above, institutionalized persons are precluded from participation.

(d) Residence Requirements: Beneficiaries must be certified in the Food Stamp project area in which they live.

I. Benefits:

(1) Determination of benefit amounts: The benefit amount (bonus value) is equal to the difference between the cash value of the Food Stamp and the purchase price of the stamp. (See pages 86 to 90.)

(2) Relationship of benefits to family size: Within a set net income range the bonus value varies by household size with an increase in value as family size increases (see pages 86 to 90).

(3) Relationship of benefit amount to place of residence: Benefit amounts vary between (1) the 48 States and District of Columbia; (2) Alaska; (3) Hawaii; (4) Puerto Rico; (5) the Virgin Islands; and (6) Guam, to reflect differences in the cost of living in these areas.

(4) Relationship of benefit amounts to changes in the cost-of-living: Benefits are updated every January and July to reflect changes in the price of food as determined by the Bureau of Labor Statistics.

(5) Current Benefit Structure: See attached tables (pages 86 to 90).

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: None.

J. Cost and Caseload Information: In Fiscal Year 1975 the estimated participation was 205,200,000 persons and the value of coupons issued was $4,381,939,872. Estimates provided by the U.S. Department of Agriculture, Food and Nutrition Service, Food Stamp Division, October 14, 1975.

K. Interactions with Other Programs:

Program Eligibility: No automatic eligibility for any other program.

Program Income: Taxes all cash income (except that received from the Senior Community Service Employment Program) above the allowable income limit, at 100 percent.

Maximum Monthly Allowable Income Standards and Basis of Coupon Issuance: 48 States and District of Columbia

Household size:	*Maximum allowable monthly income standards—48 States and District of Columbia*
One	[1] $215
Two	300
Three	427
Four	540
Five	640
Six	740
Seven	833
Eight	926
Each additional member	+73

[1] Poverty guideline.

MONTHLY COUPON ALLOTMENTS AND PURCHASE REQUIREMENTS—48 STATES AND DISTRICT OF COLUMBIA

Monthly net income	For a household of—							
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
	The monthly coupon allotment is—							
	$48	$90	$128	$162	$192	$222	$250	$278
	And the monthly purchase requirement is—							
$0 to $19.99	0	0	0	0	0	0	0	0
$20 to $29.99	1	1	0	0	0	0	0	0
$30 to $39.99	4	4	4	4	5	5	5	5
$40 to $49.99	6	7	7	7	8	8	8	8
$50 to $59.99	8	10	10	10	11	11	12	12
$60 to $69.99	10	12	13	13	14	14	15	16
$70 to $79.99	12	15	16	16	17	17	18	19
$80 to $89.99	14	18	19	19	20	21	21	22
$90 to $99.99	16	21	21	22	23	24	25	26
$100 to $109.99	18	23	24	25	26	27	28	29
$110 to $119.99	21	26	27	28	29	31	32	33
$120 to $129.99	24	29	30	31	33	34	35	36
$130 to $139.99	27	32	33	34	36	37	38	39
$140 to $149.99	30	35	36	37	39	40	41	42
$150 to $169.99	33	38	40	41	42	43	44	45
$170 to $189.99	36	44	46	47	48	49	50	51
$190 to $209.99	36	50	52	53	54	55	56	57
$210 to $229.99	38	56	58	59	60	61	62	63
$230 to $249.99		62	64	65	66	67	68	69
$250 to $269.99		68	70	71	72	73	74	75
$270 to $289.99		70	76	77	78	79	80	81
$290 to $309.99		70	82	83	84	85	86	87
$310 to $329.99			88	89	90	91	92	93
$330 to $359.99			94	95	96	97	98	99
$360 to $389.99			100	104	105	106	107	108
$390 to $419.99			109	113	114	115	116	117
$420 to $449.99			110	122	123	124	125	126
$450 to $479.99				131	132	133	134	135
$480 to $509.99				138	141	142	143	144
$510 to $539.99				138	150	151	152	153
$540 to $569.99				138	159	160	161	162
$570 to $599.99					164	169	170	171
$600 to $629.99					164	178	179	180
$630 to $659.99					164	187	188	189
$660 to $689.99						190	197	198
$690 to $719.99						190	206	207
$720 to $749.99						190	214	216
$750 to $779.99							214	225
$780 to $809.99							214	234
$810 to $839.99							214	238
$840 to $869.99								238
$870 to $899.99								238
$900 to $929.99								238

Source: Federal Register, Vol. 40, No. 89, Wednesday, May 7, 1975.

Maximum Monthly Allowable Income Standards and Basis of Coupon Issuance: Alaska

Household size:	*Maximum allowable monthly income standards—Alaska*
One	[1] $ 254
Two	393
Three	567
Four	720
Five	853
Six	980
Seven	1,107
Eight	1,233
Each additional member	+107

[1] Poverty Guideline.

Monthly coupon allotments and purchase requirements—Alaska

Monthly net income	For a household of—							
	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
	The monthly coupon allotment is—							
	$64	$118	$170	$216	$256	$294	$332	$370
	And the monthly purchase requirement is—							
$0 to $19.99	0	0	0	0	0	0	0	0
$20 to $29.99	1	1	0	0	0	0	0	0
$30 to $39.99	4	4	4	4	5	5	5	5
$40 to $49.99	6	7	7	7	8	8	8	8
$50 to $59.99	8	10	10	10	11	11	12	12
$60 to $69.99	10	12	13	13	14	14	15	16
$70 to $79.99	12	15	16	16	17	17	18	19
$80 to $89.99	14	18	19	19	20	21	21	22
$90 to $99.99	16	21	21	22	23	24	25	26
$100 to $109.99	18	23	24	25	26	27	28	29
$110 to $119.99	21	26	27	28	29	31	32	33
$120 to $129.99	24	29	30	31	33	34	35	36
$130 to $139.99	27	32	33	34	36	37	38	39
$140 to $149.99	30	35	36	37	39	40	41	42
$150 to $169.99	33	38	40	41	42	43	44	45
$170 to $189.99	39	44	46	47	48	49	50	51
$190 to $209.99	45	50	52	53	54	55	56	57
$210 to $229.99	50	56	58	59	60	61	62	63
$230 to $249.99	50	62	64	65	66	67	68	69
$250 to $269.99	50	68	70	71	72	73	74	75
$270 to $289.99		74	76	77	78	79	80	81
$290 to $309.99		80	82	83	84	85	86	87
$310 to $329.99		86	88	89	90	91	92	93
$330 to $359.99		92	94	95	96	97	98	99
$360 to $389.99		92	103	104	105	106	107	108
$390 to $419.99		92	112	113	114	115	116	117
$420 to $449.99			121	122	123	124	125	126
$450 to $479.99			130	131	132	133	134	135
$480 to $509.99			139	140	141	142	143	144
$510 to $539.99			148	149	150	151	152	153
$540 to $569.99			148	158	159	160	161	162
$570 to $599.99				167	168	169	170	171
$600 to $629.99				176	177	178	179	180
$630 to $659.99				185	186	187	188	189
$660 to $689.99				188	195	196	197	198
$690 to $719.99				188	204	205	206	207
$720 to $749.99					213	214	215	216
$750 to $779.99					222	223	224	225
$780 to $809.99					224	232	233	234
$810 to $839.99					224	241	242	243
$840 to $869.99					224	249	251	252
$870 to $899.99						256	260	261
$900 to $929.99						256	269	270
$930 to $959.99						256	278	279
$960 to $989.99						256	287	288
$990 to $1,019.99							292	297
$1,020 to $1,049.99							292	306
$1,050 to $1,079.99							292	315
$1,080 to $1,109.99							292	324
$1,110 to $1,139.99								326
$1,140 to $1,169.99								326
$1,170 to $1,199.99								326
$1,200 to $1,229.99								326
$1,230 to $1,259.99								326

Source: Federal Register, Vol. 40, No. 93, Tuesday, May 13, 1975.

Maximum Allowable Monthly Income Standards and Basis of Coupon Inssuance: Hawaii

Household size:	*Maximum allowable monthly income standards—Hawaii*
One	[1] $240
Two	386
Three	560
Four	707
Five	840
Six	967
Seven	1,087
Eight	1,207
Each additional member	+100

[1] Poverty Guideline.

Monthly coupon allotments and purchase requirements—Hawaii

Monthly net income	For a household of— 1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
	The monthly coupon allotment is—							
	$64	$116	$168	$212	$252	$290	$326	$362
	And the monthly purchase requirement is—							
$0 to $19.99	0	0	0	0	0	0	0	0
$20 to $29.99	1	1	0	0	0	0	0	0
$30 to $39.99	4	4	4	4	5	5	5	5
$40 to $49.99	6	7	7	7	8	8	8	8
$50 to $59.99	8	10	10	10	11	11	12	12
$60 to $69.99	10	12	13	13	14	14	15	16
$70 to $79.99	12	15	16	16	17	17	18	19
$80 to $89.99	14	18	19	19	20	21	21	22
$90 to $99.99	16	21	21	22	23	24	25	26
$100 to $109.99	18	23	24	25	26	27	28	29
$110 to $119.99	21	26	27	28	29	31	32	33
$120 to $129.99	24	29	30	31	33	34	35	36
$130 to $139.99	27	32	33	34	36	37	38	39
$140 to $149.99	30	35	36	37	39	40	41	42
$150 to $160.99	33	38	40	41	42	43	44	45
$170 to $189.99	39	44	46	47	48	49	50	51
$190 to $209.99	45	50	52	53	54	55	56	57
$210 to $229.99	50	56	58	59	60	61	62	63
$230 to $249.99	50	62	64	65	66	67	68	69
$250 to $269.99		68	70	71	72	73	74	75
$270 to $289.99		74	76	77	78	79	80	81
$290 to $309.99		80	82	83	84	85	86	87
$310 to $329.99		86	88	89	90	91	92	93
$330 to $359.99		88	94	95	96	97	98	99
$360 to $389.99		88	103	104	105	106	107	108
$390 to $419.99			112	113	114	115	116	117
$420 to $449.99			121	122	123	124	125	126
$450 to $479.99			130	131	132	133	134	135
$480 to $509.99			139	140	141	142	143	144
$510 to $539.99			146	149	150	151	152	153
$540 to $569.99			146	158	159	160	161	162
$570 to $599.99				167	168	169	170	171
$600 to $629.99				176	177	178	179	180
$630 to $659.99				184	186	187	188	189
$660 to $689.99				184	195	196	197	198
$690 to $719.99				184	204	205	206	207
$720 to $749.99					213	214	215	216
$750 to $779.99					220	223	224	225
$780 to $809.99					220	232	233	234
$810 to $839.99					220	241	242	243
$840 to $869.99					220	250	251	252
$870 to $899.99						254	260	261
$900 to $929.99						254	269	270
$930 to $959.99						254	278	279
$960 to $989.99						254	286	288
$990 to $1,019.99							286	297
$1,020 to $1,049.99							286	306
$1,050 to $1,079.99							286	315
$1,080 to $1,109.99							286	318
$1,110 to $1,139.99								318
$1,140 to $1,169.99								318
$1,170 to $1,199.99								318
$1,200 to $1,229.99								318

Source: Federal Register, Vol. 40, No. 93, Tuesday, May 13, 1975.

Maximum Allowble Monthly Income Standards and Basis of Coupon Issuance: Puerto Rico

Household size:	*Maximum allowable monthly income standards—Puerto Rico*
One	[1] $215
Two	267
Three	413
Four	527
Five	627
Six	720
Seven	813
Eight	907
Each additional member	+73

[1] Poverty Guideline.

"Income" as the term is used in the notice is as defined in paragraph (c) of § 271.3 of the Food Stamp Program Regulations.

Pursuant to section 7 (a) and (b) of the Food Stamp Act, as amended (7 U.S.C. 2016, Pub. L. 91-671), the face value of the monthly coupon allotment which the State agency is authorized to issue to any household certified as eligible to participate in the Program and the amount charged for the monthly coupon allotment in Puerto Rico are as follows:

Monthly coupon allotments and purchase requirements—Puerto Rico

Monthly net income	For a household of— 1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
	The monthly coupon allotment is—							
	$48	$86	$124	$158	$188	$216	$244	$272
	And the monthly purchase requirement is—							
$0 to $19.99	0	0	0	0	0	0	0	0
$20 to $29.99	1	1	0	0	0	0	0	0
$30 to $39.99	4	4	4	4	5	5	5	5
$40 to $49.99	6	7	7	7	8	8	8	8
$50 to $59.99	8	10	10	10	11	11	12	12
$60 to $69.99	10	12	13	13	14	14	15	16
$70 to $79.99	12	15	16	16	17	17	18	19
$80 to $89.99	14	18	19	19	20	21	21	22
$90 to $99.99	16	21	21	22	23	24	25	26
$100 to $109.99	18	23	24	25	26	27	28	29
$110 to $119.99	21	26	27	28	29	31	32	33
$120 to $129.99	24	29	30	31	33	34	35	36
$130 to $139.99	27	32	33	34	36	37	38	39
$140 to $149.99	30	35	36	37	39	40	41	42
$150 to $169.99	33	38	40	41	42	43	44	45
$170 to $189.99	36	44	46	47	48	49	50	51
$190 to $209.99	36	50	52	53	54	55	56	57
$210 to $229.99	38	56	58	59	60	61	62	63
$230 to $249.99		62	64	65	66	67	68	69
$250 to $269.99		68	70	71	72	73	74	75
$270 to $289.99		68	76	77	78	79	80	81
$290 to $309.99			82	83	84	85	86	87
$310 to $329.99			88	89	90	91	92	93
$330 to $359.99			94	95	96	97	98	99
$360 to $389.99			100	104	105	106	107	108
$390 to $419.99			109	113	114	115	116	117
$420 to $449.99				122	123	124	125	126
$450 to $479.99				131	132	133	134	135
$480 to $509.99				138	141	142	143	144
$510 to $539.99				138	150	151	152	153
$540 to $569.99					159	160	161	162
$570 to $599.99					164	169	170	171
$600 to $629.99					164	178	179	180
$630 to $659.99						187	188	189
$660 to $689.99						190	197	198
$690 to $719.99						190	206	207
$720 to $749.99						190	214	216
$750 to $779.99							214	225
$780 to $809.99							214	234
$810 to $839.99							214	238
$840 to $869.99								238
$870 to $899.99								238
$900 to $929.99								238

Source: Federal Register, Vol. 40, page 20840, May 13, 1975.

Maximum Allowable Monthly Income Standards and Basis of Coupon Issuance: Guam

Household size:	*Maximum allowable monthly income standards—Guam*
One	[1] $240
Two	393
Three	567
Four	720
Five	853
Six	980
Seven	1,107
Eight	1,233
Each additional member	+107

[1] Poverty Guideline.

Monthly coupon allotments and purchase requirements—Guam

Monthly net income	For a household of—							
	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
	The monthly coupon allotment is—							
	$64	$118	$170	$216	$256	$294	$332	$370
	And the monthly purchase requirement is—							
$0 so $19.99	0	0	0	0	0	0	0	0
$20 to $29.99	1	1	0	0	0	0	0	0
$30 to $39.99	4	4	4	4	5	5	5	5
$40 to $49.99	6	7	7	7	8	8	8	8
$50 to $59.99	8	10	10	10	11	11	12	12
$60 to $69.99	10	12	13	13	14	14	15	16
$70 to $79.99	12	15	16	16	17	17	18	19
$80 to $89.99	14	18	19	19	20	21	21	22
$90 to $99.99	16	21	21	22	23	24	25	26
$100 to $109.99	18	23	24	25	26	27	28	29
$110 to $119.99	21	26	27	28	29	31	32	33
$120 to $129.99	24	29	30	31	33	34	35	36
$130 to $139.99	27	32	33	34	36	37	38	39
$140 to $149.99	30	35	36	37	39	40	41	42
$150 to $169.99	33	38	40	41	42	43	44	45
$170 to $189.99	39	44	46	47	48	49	50	51
$190 to $209.99	45	50	52	53	54	55	56	57
$210 to $229.99	50	56	58	59	60	61	62	63
$230 to $249.99	50	62	64	65	66	67	68	69
$250 to $269.99		68	70	71	72	73	74	75
$270 to $289.99		74	76	77	78	79	80	81
$290 to $309.99		80	82	83	84	85	86	87
$310 to $329.99		86	88	89	90	91	92	93
$330 to $359.99		92	94	95	96	97	98	99
$360 to $389.99		92	103	104	105	106	107	108
$390 to $419.99		92	112	113	114	115	116	117
$420 to $449.99			121	122	123	124	125	126
$450 to $479.99			130	131	132	133	134	135
$480 to $509.99			139	140	141	142	143	144
$510 to $539.99			148	149	150	151	152	153
$540 to $569.99			148	158	159	160	161	162
$570 to $599.99				167	168	169	170	171
$600 to $629.99				176	177	178	179	180
$630 to $659.99				185	186	187	188	189
$660 to $689.99				188	195	196	197	198
$690 to $719.99				188	204	205	206	207
$720 to $749.99				188	213	214	215	216
$750 to $779.99					222	223	224	225
$780 to $809.99					224	232	233	234
$810 to $839.99					224	241	242	243
$840 to $869.99					224	250	251	252
$870 to $899.99						258	260	261
$900 to $929.99						258	269	270
$930 to $959.99						258	278	279
$960 to $989.99						258	287	288
$990 to $1,019.99							292	297
$1,020 to $1,049.99							292	306
$1,050 to $1,079.99							292	315
$1,080 to $1,109.99							292	324
$1,110 to $1,139.99								326
$1,140 to $1,169.99								326
$1,170 to $1,199.99								326
$1,200 to $1,229.99								326
$1,230 to $1,259.99								326

Source: Federal Register, Vol. 40, page 20841, May 13, 1975.

Maximum Allowable Monthly Income Standards and Basis of Coupon Issuance: Virgin Islands

Household size:	*Maximum allowable monthly income standards—Virgin Islands*
One	[1] $215
Two	373
Three	533
Four	680
Five	807
Six	927
Seven	1,047
Eight	1,167
Each additional member	+100

[1] Poverty Guideline.

Monthly coupon allotments and purchase requirements—Virgin Islands

Monthly net income	For a household of—							
	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
	The monthly coupon allotment is—							
	$62	$112	$160	$204	$242	$278	$314	$350
	And the monthly purchase requirement is—							
$0 to $19.99	0	0	0	0	0	0	0	0
$20 to $29.99	1	1	0	0	0	0	0	0
$30 to $39.99	4	4	4	4	5	5	5	5
$40 to $49.99	6	7	7	7	8	8	8	8
$50 to $59.99	8	10	10	10	11	11	12	12
$60 to $69.99	10	12	13	13	14	14	15	16
$70 to $79.99	12	15	16	16	17	17	18	19
$80 to $89.99	14	18	19	19	20	21	21	22
$90 to $99.99	16	21	21	22	23	24	25	26
$100 to $109.99	18	23	24	25	26	27	28	29
$110 to $119.99	21	26	27	28	29	31	32	33
$120 to $129.99	24	29	30	31	33	34	35	36
$130 to $139.99	27	32	33	34	36	37	38	39
$140 to $149.99	30	35	36	37	39	40	41	42
$150 to $169.99	33	38	40	41	42	43	44	45
$170 to $189.99	39	44	46	47	48	49	50	51
$190 to $209.99	45	50	52	53	54	55	56	57
$210 to $229.99	48	56	58	59	60	61	62	63
$230 to $249.99		62	64	65	66	67	68	69
$250 to $269.99		68	70	71	72	73	74	75
$270 to $289.99		74	76	77	78	79	80	81
$290 to $309.99		80	82	83	84	85	86	87
$310 to $329.99		86	88	89	90	91	92	93
$330 to $359.99		86	94	95	96	97	98	99
$360 to $389.99		86	106	104	105	106	107	108
$390 to $419.99			112	113	114	115	116	117
$420 to $449.99			121	122	123	124	125	126
$450 to $479.99			130	131	132	133	134	135
$480 to $509.99			138	140	141	142	143	144
$510 to $539.99			148	149	150	151	152	153
$540 to $569.99				158	159	160	161	162
$570 to $599.99				167	168	169	170	171
$600 to $629.99				176	177	178	179	180
$630 to $659.99				176	186	187	188	189
$660 to $689.99					185	196	197	198
$690 to $719.99					204	205	206	207
$720 to $749.99					210	214	215	216
$750 to $779.99					210	223	224	225
$780 to $809.99					210	232	233	234
$810 to $839.99						241	242	243
$840 to $869.99						242	251	252
$870 to $899.99						242	260	261
$900 to $929.99						242	269	270
$930 to $959.99							274	279
$960 to $989.99							274	288
$990 to $1,019.99							274	297
$1,020 to $1,049.99							274	306
$1,050 to $1,079.99								306
$1,080 to $1,109.99								306
$1,110 to $1,139.99								306
$1,140 to $1,169.99								306

Source: Federal Register, Vol. 40, page 20838, May 13, 1975.

VETERANS PROGRAMS

17. PENSIONS FOR VETERANS WITH NON-SERVICE-CONNECTED DISABILITIES*

A. Legislative Objective: To assist wartime veterans who suffer from insufficient income and resources and permanent and total non-service-connected disabilities.

B. Governing Regulations: 38 U.S. Code Secs. 501-507, 521-523.

C. Administering Agency: The Veterans Administration, Department of Veterans Benefits.

D. Financing: Open-ended Federal appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Cash benefits.

G. Uses and Use Restrictions: None.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: Recipient must be a wartime veteran discharged under other than dishonorable conditions after at least 90 days of service (or separated from the service earlier because of a service-related disability) and permanently and totally disabled from causes not traceable to the service. Veterans age 65 years or older are considered to be permanently and totally disabled. Active wartime duty includes the Mexican border period, World Wars I and II, Korean conflict and the Vietnam era. The persons included in the filing unit are: eligible veterans and their spouses, dependents including children under 18, children over age 18 who became disabled before age 18, and children under age 23 attending school. A spouse is defined as a wife or a dependent husband of a female veteran. A dependent husband is one who is incapable of self-maintenance and self-support due to physical or mental disability. Wives of eligible veterans need not be incapable of self-support.

(2) Income Tests: Two sets of income criteria currently exist--that in effect under the old law which covers those receiving pensions prior to July 1, 1960 and electing to remain under that law, and

*The information for this program description was taken from: Congress of the United States, Joint Economic Committee, Studies in Public Welfare, "Handbook of Public Income Transfer Programs: 1975," U.S. G.P.O., Washington, D.C., December 31, 1974, pages 171-178; United States Code, Title 38, Secs. 510-512, 521; Office of the Federal Register, Code of Federal Regulations, Title 38, Revised as of July 1, 1974, U.S. G.P.O., Washington, D.C., 1974; Federal Register, Thursday, September 26, 1974, Vol. 39, No. 188, U.S. G.P.O., Washington, D.C., page 34529; and Veterans Administration, Federal Benefits for Veterans and Dependents, U.S. G.P.O., Washington, D.C., January 1, 1975, page 5.

that in effect under the new law covering those receiving benefits on or after July 1, 1960. The old law imposes a $2,600 income limit on unmarried veterans with no children and a $3,900 limit on married veterans with dependents. The new law imposes a $3,000 limit on veterans without dependents and a $4,200 limit on veterans with dependents.

(a) Treatment of Earned Income: See table below.

(b) Treatment of Unearned Income: See table below.

The following table shows the income included in the program definition of countable income under both the old and new laws.

Source: Congress of the United States, Joint Economic Committee, Studies in Public Welfare, "Handbook of Public Income Transfer Programs: 1975," U.S. G.P.O., Washington, D.C., December 31, 1974, pages 172-173.

	Old law	New law
(1) Income of spouse	Excluded	Excludes all income up to $1,200, or the spouse's total earnings, whichever is greater.
(2) Income of children	Earned income included	Earned income excluded.
(3) Income of veteran:		
(a) Earnings	Included	Included.
(b) Investments	Included, except for insurance dividends.	Included, except for insurance dividends.
(c) Gifts and inheritances	Included	Included, except for gift or inheritance of property.
(d) Welfare:		
(i) Public assistance	Included	Excluded.
(ii) VA pensions	Excluded	Do.
(iii) Private contributions for maintenance.	Excluded, except for serviceman's family allowance.	Excluded, except for serviceman's family allowance.
v) Other public or private relief	Included	Excluded.
(e) Retirement, disability, and survivors benefits:		
(i) Railroad retirement	Excluded	(See ii.)
(ii) Social security, public and private employee retirement systems.	Benefits completely excluded until employee's prior contributions exceeded, 10 percent of benefits excluded thereafter; military retirement pay and other limited types waived are also excluded; excludes RSFPP[2] annuities but not refunds.	Same as old law for persons entitled to such income on December 31, 1964; 10 percent exclusion applies to all such income for other pensioners, including waived retirement pay except for waived military retirement.[3]
(iii) VA compensation	Excluded[4]	Excluded,[4] except for W.W.I. adjusted compensation.
(iv) Life insurance proceeds	Federal life insurance excluded; 10 percent of proceeds from commercial policies excluded.	Federal life insurance excluded; 10 percent of proceeds from all other life insurance excluded.
(v) Burial allowances, death gratuities.	Excluded, except for social security lump sum death payment which is subject to only 10 percent exclusion.	Excluded, except for death gratuity under Public Law 89-214.
(3) Income of veteran—Continued		
(f) Unemployment benefits	Included	Included.
(g) Stipends and allowances	Educational assistance allowance in excess of amounts expended for training included; subsistence allowance included.	Educational assistance allowance in excess of amounts expended for training included; subsistence allowance included.
(h) Income in kind[5]	Included	Included.
(i) Other income	Excludes mustering out pay, State veterans bonuses, government overtime pay, fire insurance proceeds, relocation payments.	Excludes State veterans bonuses, fire insurance proceeds, pay for obligatory civic duties, relocation payments.
(j) Income spent for:		
(i) Unusual medical expenses	Included	Excluded.
(ii) Final expenses	Included	Excludes expenses of last illness and burial of deceased spouse of child.

[1] The program's treatment of the income of a veteran's spouse permits the same pension payment to families of vastly different income. Under the law, the program disregards all of a wife's earnings no matter how large (and, if her earnings are small, it also disregards her unearned income so long as her total income is below $1,200 per year). This means that a veteran with no income of his own whose wife earns $10,000 or $15,000 or more is eligible for the same pension—$2,064 per year if they have no child—as one who together with his wife has no outside income at all. This preferential treatment of the working wife contrasts with the pension program's treatment of the widow. (See "Pensions for Widows and Children of Veterans.")

[2] Retired Servicemen's Family Protection Plan (U.S.C. ch. 73).

[3] Veteran may not receive both military retirement and pension unless he has waived an amount of military pay equal to the amount of the pension.

[4] A veteran cannot receive compensation and pension concurrently based on his own service record. Exclusion could only apply in an instance when the beneficiary or another member of the family is also entitled to compensation on another veteran's record.

[5] Rarely applied and does not include food stamps, medicaid or housing subsidies that are excluded under item (d).

(3) Assets Test: The old law did not impose any asset test. The new law requires that the veteran's asset holdings be small enough that the veteran could reasonably be expected to deplete his/her holdings during the remainder of his/her lifetime. This conversion is determined by the Veteran's Administration on the basis of: (1) income; (2) liquidity of assets; (3) constraints imposed by community property laws; (4) veteran's life expectancy; (5) number of dependents; and (6) potential rate of depletion of the assets. The veteran's home, lot and personal effects are the only excluded items.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None.

(c) Institutional Status: Where the veteran is undergoing treatment in an institution for an illness other than Hansen's disease, his/her benefits will be reduced to $50 per month on: (1) the day immediately following the first two full calendar months of care or treatment after the month of admission or October 1, 1960, whichever is later; (2) the day of admission or readmission within six months following two full calendar months of care or treatment after July 1, 1960; or (3) the day of readmission after return from trial visit where a previous reduction has been made. In addition, payments for aid and attendance will be discontinued. Apportionments may be made to the veteran's wife and children effective as of the date that the veteran's payment was reduced. This apportionment generally amounts to the difference between $50 and the rate payable during the first two calendar months of care. The rate payable to a veteran will be reduced to $30 per month or 50% of the amount otherwise payable whichever is greater on the first day of the seventh calendar month following admission.

Payments to veterans confined in penal institutions are discontinued on the 61st day of their incarceration but payment may be made instead to the veteran's wife and children.

(d) Residence Requirement: None.

I. Benefits: Benefits take the form of cash payments.

(1) Determination of Benefit Amounts:

Benefits under the old law depend upon age, physical condition, tenure as a veteran and presence or absence of dependents, and whether or not the veteran is housebound or in need of regular aid and attendance.

Under the new law benefits depend on physical condition, number of dependents and countable income. Benefits are reduced by a formula that imposes increasing marginal benefit-loss rates as countable income rises. If a veteran is in need of regular aid and attendance he/she may receive an additional $123 in benefits, if the veteran: (1) has a disability (in addition to the disability which causes him/her to be permanently and totally disabled) which is independently rated at 60 percent or more; or (2) is housebound, he/she may receive extra cash benefits of $49 per month.

(2) Relationship of Benefits to Family Size: Under the old law, benefits do not increase with family size. Under the new law, benefits are increased by $5 per month each for the second and third dependents but zero beyond that.

(3) Relationship of Benefits to Place of Residence: None.

(4) Relationship of Benefit Amounts to Cost of Living Changes: No automatic adjustments are made. Congress periodically increases benefits.

(5) Current Benefit Amounts: Current benefit amounts for the new law are summarized in the following table.

Source: Veterans Administration, Federal Benefits for Veterans and Dependents, U.S. G.P.O., Washington, D.C., January 1, 1975, page 5.

MONTHLY PENSION RATES FOR VETERANS

Yearly Income not more than	Veteran Alone	Veteran 1 Dep.	Veteran 2 Dep.	Veteran 3 Dep. or more
$300	$160	$172	$177	$182
400	157	172	177	182
500	154	172	177	182
600	150	170	175	180
700	146	168	173	178
800	142	165	170	175
900	138	162	167	172
1,000	133	159	164	169
1,100	128	156	161	166
1,200	123	153	158	163
1,300	118	150	155	160
1,400	113	147	152	157
1,500	108	144	149	154
1,600	102	141	146	151
1,700	96	138	143	148
1,800	90	135	140	145
1,900	84	131	136	141
2,000	77	127	132	137
2,100	70	123	128	133
2,200	63	119	124	129
2,300	56	115	120	125
2,400	48	111	116	121
2,500	40	107	112	117
2,600	32	103	108	113
2,700	24	99	104	109
2,800	16	95	100	105
2,900	8	91	96	101
3,000	5	87	92	97
3,100		82	87	92
3,200		77	82	87
3,300		72	77	82
3,400		67	72	77
3,500		62	67	72
3,600		56	61	66
3,700		50	55	60
3,800		44	49	54
3,900		37	42	47
4,000		30	35	40
4,100		22	27	32
4,200		14	19	24

An applicable formula will reduce pension for every dollar of income above that shown in the $100 increment levels.

Under the old law, basic benefits are set at $66.15 per month, but are increased to $78.75 per month after continuous receipt of the pension for 10 years or attainment of age 65. Veterans who are blind or in need of regular aid and attendance may receive a total payment of $135.45. Housebound veterans may receive a total of $100 per month.

(6) Comparison to Poverty Level: The maximum new law benefit payment for a veteran with no dependents ($160 per month) amounts to about 78 percent of the July 1975 poverty level for a single individual age 65 or over. The $182 maximum benefit for a veteran with three dependents amounts to approximately 41 percent of the July 1975 poverty level for a non-farm male-headed family of four.

The basic monthly payment under the old law ($66.15) amounts to approximately 29.5 percent of the July 1975 poverty level of a single nonfarm individual under age 65. The increased benefit level of $78.75 per month amounts to approximately 38.0 percent of the July 1975 poverty level for an aged nonfarm individual.

(7) Other Benefits/Related Programs: Veterans may receive V.A. administered health services.

J. Cost and Caseload Information: In fiscal year 1974, payments amounted to $1,475,547,381.

K. Interactions with Other Programs:

(1) Program Eligibility: Receipt of benefits under this program confers upon recipients automatic eligibility for Veterans Hospitalization, Outpatient Care, Domiciliary Care, and Prescription Service. Recipients are not eligible for military retirement benefits or compensation payments.

(2) Program Income: The new law taxes benefits received from military retirement at 100% in that the veteran may not receive both military retirement and pension unless he has waived an amount of military pay equal to the amount of the pension.

18. COMPENSATION TO VETERANS WITH A SERVICE-CONNECTED DISABILITY*

A. Legislative Objective: To compensate veterans for disabilities incurred because of military service.

B. Governing Regulations: Title 38, U.S. Code, Chapter II.

C. Administering Agency: The Veterans Administration, Department of Veterans Benefits.

D. Financing: Open-ended Federal appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Cash benefits and services.

G. Uses and Use Restrictions: None.

H. Eligibility Requirements:

(1) Categorical Requirements: The individual must be a veteran who has contracted a disease, suffered a nonmisconduct injury or aggravated an existing injury in the line of active duty. Discharge must be other than dishonorable. Persons included are: eligible veterans and dependents where dependents are defined as a wife, children under age 18, children over age 18 who were incapable of self-support before age 18, children from age 18 to 23 pursuing an education at an accredited institution, and dependent parents.

(2) Income Tests: None for a veteran, his wife/her husband, and children. The income of parents is considered in determining their eligibility as dependents.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Assets Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

*Information for this program description was taken from: Title 38, U.S. Code; Congress of the United States, Joint Economic Committee, Studies in Public Welfare, "Handbook of Public Income Transfer Programs: 1975," U.S. G.P.O., Washington, D.C., December 31, 1974; and Veterans Administration, Federal Benefits for Veterans and Dependents, U.S. G.P.O., Washington, D.C., January 1, 1975.

(c) Institutional Status: After six months in an institution the benefits to a veteran are reduced to $30 per month or 50 percent of the benefit amount otherwise payable whichever is greater. If the veteran has a wife or children or if he is hospitalized for Hansen's disease or imprisoned in a penal institution, his benefits continue without reduction.

I. Benefits:

(1) Determination of Benefit Amounts: The benefit amount is determined by: (1) percentage of disability based on the average impairment that such disability would cause in a civilian occupation; (2) marital status; (3) number of entitled children; (4) presence or absence of dependent parents; (5) necessity of special care or attendance; (6) loss of limbs or bodily functions.

(2) Relationship of Benefit Amount to Family Size: Benefits are extended to dependents only if the veteran is entitled to compensation for a disability rated 50 percent or more. When a dependent is lost due to death, marriage or divorce the benefit reduction does not occur until the end of the calendar year.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: The governing legislation does not provide for automatic cost of living adjustments; such adjustments must be authorized by Congress.

(5) Current Benefit Structure: Benefits range from $35 for a 10 percent disability to $655 for a total disability. The loss of a limb, vision, hearing or creative organ is compensated for at $52 per month, per loss not to exceed $814 per month, in combination with basic compensation unless the veteran suffers from specifically legislated combinations of losses in which case the maximum benefit is $1,628 per month.

For dependents of veterans with a 100 percent disability, veterans' benefits are increased thusly: (1) wife only, $40; (2) wife and one child, $67; wife and two children, $85; wife and three children, $105; with each additional child receiving an additonal $19; (3) children but no wife--$26 for one child, $45 for two children, $67 for three, with each additional child receiving an additional $19; (4) $32 for each dependent parent; (5) $61 for each child age 18-23 attending school.

For dependents of veterans with a partial disability of at least 50%, the dependents allowances are decreased to reflect the degree of disability.

(6) Comparison to Poverty Level: Varies according to degree of disability and presence or absence of dependents.

(7) Other Benefits/Related Programs: See Program Interactions (K).

J. Cost and Caseload Information: In June 1974, benefits were paid to 2,210,756 disabled veterans and 731,407 dependents of disabled veterans. Total benefits in 1974 were estimated at $3,172,909,000.

K. Interactions with Other Programs:

Program Eligibility: Automatically eligible for Veteran's Hospitalization Care, Veteran's Domiciliary Care, Veteran's Nursing Home Care, Veteran's Outpatient Care, and Veteran's Prescription Service.

Program Income: Income received from other programs is not taxed.

19. DEATH COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION TO SURVIVORS OF VETERANS FOR SERVICE-CONNECTED DEATHS*

A. Legislative Objective: To compensate surviving spouses, children and dependent parents for the death of a veteran from service-connected causes.

B. Governing Regulations: Title 38, U.S. Code, Chapters 11 and 13. Two programs of compensation currently exist: Death Compensation, enacted in 1917; and Dependency and Indemnity Compensation (DIC) enacted in 1956. Dependents eligible for death compensation for deaths prior to 1957 may elect to receive benefits under DIC program. The death compensation program is only available to the eligible surviving dependents of veterans whose service-connected deaths were prior to January 1, 1957 and pays a flat rate compensation without regard for the pay grade of the deceased veteran. Eligible survivors of veterans whose service-connected deaths were after December 31, 1956, are entitled only under the DIC program which pays compensation based on the pay grade of the deceased.

C. Administering Agency: The Veterans Administration, Department of Veterans Benefits.

D. Financing: Financed through open-ended Federal appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Cash benefits and services.

G. Uses and Use Restrictions: None.

H. Eligibility Requirements:

(1) Categorical Eligibility: Beneficiaries must be a widow or a widower, a child or dependent parent of a veteran whose death was service-connected. Children are defined as all children under 18 years of age, children 18-23 years of age attending school, and children over 18 who were incapable of self-support before attaining age 18. The dependency of parents is determined by an income test.

(2) Income Tests: None for widows or children. Applies only to parents. For death compensation countable income may not exceed $205 per month for a mother and father living separately; $345 per month for a mother and father or remarried parent and spouse

*Information for this program description was taken from Title 38 U.S. Code; Congress of the United States, Joint Economic Committee, Studies in Public Welfare, "Handbook of Public Income Transfer Programs: 1975," U.S. G.P.O., Washington, D.C., December 31, 1974, pages 98-106; Veterans Administration, Department of Veterans Benefits.

living together; and $95 per month for each additional dependent of the parent. Parents with income in excess of these limits, may be judged eligible for payments only if they are determined to have inadequate income for "reasonable maintenance."

Treatment of Earned Income: See following tables.

Treatment of Unearned Income: See following tables.

	Death compensation	Death and indemnity compensation
Income of dependent parents:		
(a) Earnings	Included	Included.
(b) Investments	Included except for insurance dividends.	Included except for insurance dividends and capital gains on property sale.
(c) Gifts and inheritances	Included	Included.
(d) Welfare:		
(i) Public assistance	Excluded	Excluded.
(ii) VA pensions	do	Do.
(iii) Private contributions and maintenance.	Excluded, except for serviceman's family allowance.	Excluded, except for serviceman's family allowance.
(iv) Other public or private relief.	Excluded	Excluded.
(e) Retirement, disability and survivors' benefits:		
(i) Railroad retirement, social security, public and private employee retirement systems.	Benefits completely excluded until employee's prior contributions exceeded, 10 percent of benefits excluded thereafter; retirement pay waived also excluded: excludes RSFPP[1] annuities.	Same as death compensation for persons entitled to such income prior to Dec. 3, 1964; 10 percent exclusion applies to all such income for other pensioners; all waived retirement pay excluded.
(ii) VA compensation	Excluded	Excluded, except for World War I adjusted compensation.
(iii) Life insurance proceeds.	Federal life insurance excluded; 10 percent of proceeds from commercial policies excluded.	Federal life insurance excluded; 10 percent of proceeds from all other life insurance excluded.
(iv) Burial allowances and death gratuities.	Not applicable	Excluded, except for death gratuity under Public Law 89-214.
(f) Unemployment benefits	Included	Included.
(g) Other income	Excludes mustering out pay, State veterans' bonuses, fire insurance proceeds, relocation payments.	Excludes State Veterans' bonuses, fire insurance proceeds, pay for obligatory civic duties, relocation payments.
(h) Income spent for:		
(i) Unusual medical expenses.	Included	Excluded.
(ii) Final expenses—parents, spouse.	do	Excludes costs of final illness, burial, and just debts of parents deceased spouse.

[1] Retired Servicemen's Family Protection Plan (10 U.S.C. ch. 73).

Source: Joint Economic Committee of the United States Congress, Subcommittee on Fiscal Policy, "Handbook of Public Income Transfer Programs: 1975," Studies in Public Welfare, Paper No. 20, December 31, 1974, U.S. G.P.O., Washington, D.C., page 100.

Since January 1972, benefits for DIC parents have been adjusted according to a sliding scale formula which imposes increasing marginal benefit-loss rates as income rises but provides a minimum payment when the maximum limit is reached. Consequently, the first dollar gained above the maximum countable income limit causes a net loss of $3 in monthly income.

The maximum benefits for dependent parents are reduced by the following percentages of countable income effective as of January 1, 1975:

Status of dependent parent and annual countable income	Annual[1] benefit-loss rate within income bracket (percent)	Annual benefits lost when income exceeds eligibility limits[2]
Single parent:		
0 to $800	0	
$801 to $1,000	36	
$1,001 to $1,300	48	
$1,301 to $1,500	60	
$1,601 to $1,800	72	
$1,801 to $2,000	84	
$2,001 to $3,000	96	
$3,001 plus	(3)	$48
Two parents, living separately (each parent):		
0 to $800	0	
$801 to $1,100	24	
$1,101 to $2,100	48	
$2,101 to $2,500	60	
$2,501 to $3,000	72	
$3,001 plus	(3)	$48
Two parents living together (joint):		
0 to $1,000	0	
$1,001 to $1,100	12	
$1,101 to $2,500	24	
$2,501 to $3,500	36	
$3,501 to $4,200	48	
$4,201 plus	(3)	$48

[1] These annual rates may be divided by 12 to yield benefit-loss rates applied each month to annual income.
[2] When income rises $1 or more above the eligibility limits shown the annual residual benefits shown are lost. If beneficiaries also qualified for the $64 monthly aid and attendance allowance, $768 annually would be lost as well.
[3] Ineligible.

Source: Joint Economic Committee, "Handbook of Public Income Transfer Programs: 1975," page 101.

DIC counts parents' income in the calendar year in which it is received. Accounting of income is based on an annual income questionnaire. When conditions of entitlement change due to changes in marital status, living arrangements or parents' income, benefits are continued at the same rate until the end of calendar year, unless an upward adjustment in benefits is required.

(3) Asset Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits:

(1) Determination of Benefit Amounts: Benefit payments are determined according to: (1) number of eligible children; (2) sex and health status of the surviving spouse; (3) number, marital status, health,

living arrangements and income of dependent parents; and (4) under the DIC program, the pay grade of the deceased veteran.

(2) Relationship of Benefit Amount to Family Size: Benefits vary according to family size. See following tables, (page 106).

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: The legislation does not provide for automatic cost of living adjustments; increases must be authorized by Congress.

(5) Current Benefit Structure: Monthly maximum benefits as of January 1975, for persons with no countable income, were as follows:

(a) Death Compensation Program:

1. Widow with no child, $87;

2. Widow with one child, $121, with $29 per month additional for each additional child;

3. Children without entitled widow, $67 for one child, $94 for two children, $122 for three children with $23 per month for each additional child;

4. Dependent parents, $75 for a dependent mother or father, $40 each for a dependent mother and father; and if the widow or dependent parent is in a nursing home or requires regular aid and attendance, an additional $64.

(b) Dependency and Indemnity Compensation:

1. Widow, from $241 to $615 per month depending upon the deceased's pay grade, with an additional $29 for each child;

2. Children without entitled widow, $121 for one child, $175 for two children, $225 for three children, plus $45 for each additional child. For an adult child incapable of self-support before age 18, an additional $72 per month is payable if there is no widow[er] entitled to benefits. If a widow[er] is entitled, an adult child who is incapable of self-support before age 18 is entitled to $121 per month.

3. Dependent parents' benefits vary according to their income with maximums of $123 for one parent, $86 for each of two parents living separately, $83 for each of two parents living together, and if the dependent parent is in a nursing home or requires regular aid and attendance, $64 per month additional. See following tables, (page 106).

(6) Comparison to Poverty Level: Varies according to family size, marital status, and in the case of dependent parents, income, marital status and living arrangements.

(7) Other Benefits/Related Programs: Widows and children entitled to cash benefits are also entitled to educational assistance.

Dependency and Indemnity Compensation
Monthly Benefits, Effective August 1, 1975

A. Widow, but no child -- based on pay grade of deceased veteran as set forth below:

Pay Grade	Monthly Rate	Pay Grade	Monthly Rate
E-1	$241	W-4	$344
E-2	248	O-1	304
E-3	255	O-2	315
E-4	270	O-3	337
E-5	278	O-4	356
E-6	284	O-5	392
E-7	298	O-6	441
E-8	315	O-7	478
E-9	[a]329	O-8	523
W-1	304	O-9	562
W-2	316	O-10	[b]615
W-3	326		

[a]Where veteran served as sergeant major of the Army or Marine Corps, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, the widow's monthly rate is $316.

[b]Where veteran served as chairman of the Joint Chiefs of Staff or Chief of Army, Air Force, or Marine Corps, the widow's monthly rate is $660.

Additions:
Widow with one or more children under 18 years of age: $29 for each child.
Widow in nursing home or helpless or blind (or so nearly so as to require regular aid and attendance): $72

B. Where there is no widow, but there are entitled children:

	Monthly Rate
One child	$121
Two children	175
Three children	225
More than three children	225 (plus $45 per month for each child in excess of three)

Supplements to Children:
Child rendered incapable of self-support before age 18 : $72
Widow and child rendered incapable before age 18: $121
Widow and child between ages of 18 and 23 attending school: $62

Source: Veterans Administration, Department of Veterans Benefits, November 5, 1975.

Unmarried surviving spouses of veterans of World War II, the Korean Conflict or post-Korean period (including the Vietnam Era) who died as a result of service-connected disabilities are eligible for GI home loans.

J. Cost and Caseload Information: It is projected that in fiscal year 1975 an average 374,672 veterans' survivors will be aided monthly with benefits totalling $760,400,000.

Source: JEC Handbook of Public Income Transfer Programs, Paper No. 20, page 99.

K. Interactions with Other Programs:

Program Eligibility: Automatic eligibility for Veterans Hospitalization, Veterans Outpatient Care, Veterans Domiciliary Care, Veterans Prescription Service, and Veterans Nursing Home Care.

Program Income: Does not tax income received from other programs.

20. PENSIONS FOR WIDOWS AND CHILDREN OF VETERANS*

A. Legislative Objective: To provide a partial means of support for widows, widowers and children of deceased veterans whose deaths were not caused as a result of active service.

B. Governing Regulations: U.S. Code Title 38.

C. Administering Agency: Veterans Administration, Department of Veterans Benefits.

D. Financing: Financed through open-ended Federal appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Direct cash payments.

G. Uses and Use Restrictions: None.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: To be eligible under the old law, a beneficiary must be a needy not presently married widow or child on the pension rolls prior to July 1, 1960, who elected to remain under the old law.

Under the new law, beneficiaries must be either a needy not presently married widow or child of a deceased veteran who: (1) had 90 or more days of active wartime duty or was discharged prior to 90 days because of a service-related injury; or (2) at the time of death was receiving compensation or military retirement pay (or was entitled to receive such) for a service-connected disability. "Widows" include widowers of deceased veterans. Children are defined as persons under 18 years of age or persons over 18 years of age who became permanently incapable of self-support prior to age 18 or persons under age 23 attending an accredited educational institution.

(2) Income Tests: The old law imposes annual eligibility limits of $2,600 for a childless widow, and $3,900 for a widow with one or more child. The new law imposes annual income limits of $3,000 for a widow without children and $4,200 for a widow with one or more child. If there is no widow, or if the widow is presently married, a child is eligible for benefits if the child's own unearned income does not exceed $2,400 annually.

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*Information for this program description was taken from: Congress of the United States, Joint Economic Committee, Studies in Public Welfare, "Handbook of Public Income Transfer Programs: 1975," U.S. G.P.O., Washington, D.C., December 31, 1975, pages 179-186; and Veterans Administration, Federal Benefits for Veterans and Dependents, U.S. G.P.O., Washington, D.C., January 1, 1975, pages 35-37.

(a) Treatment of Earned Income: See table below.

(b) Treatment of Unearned Income: See table below.

	Old law	New law
(1) Income of children	Earned income excluded	Earned income excluded.
(2) Income of widow:		
(a) Earnings	Included	Included.
(b) Investments	Included, except for insurance dividends	Included, except for insurance dividends.
(c) Gifts and inheritances	Included	Included, except for gift or inheritance of property.
(d) Welfare:		
(i) Public assistance	do	Excluded.
(ii) Private contributions for maintenance.	Excluded, except for serviceman's family allowance.	Excluded, except for serviceman's family allowance.
(iii) Other public or private relief.	Included	Excluded.
(e) Retirement, disability, and survivors' benefits:		
(i) Railroad retirement, social security, public and private employee retirement systems.	Benefits completely excluded until employee's prior contributions exceeded, 10 percent of benefits excluded thereafter; retirement pay waived also excluded; excludes RSFFP[1] annuities.	Same as old law for persons entitled to such income on Dec. 31, 1964; 10 percent exclusion applies to all such income for other pensioners; waived retirement pay included except for military retirement.
(ii) VA compensation	Excluded	Excluded, except for World War I adjusted compensation.
(iii) Life insurance proceeds	Federal life insurance excluded; 10 percent of proceeds from commercial policies excluded.	Federal life insurance excluded; 10 percent of proceeds from all other life insurance excluded.
(iv) Burial allowances, death gratuities.	Not applicable	Excluded, except for death gratuity under Public Law 89-214.
(f) Unemployment benefits	Included	Included.
(g) Other income	Excludes mustering out pay, State veterans' bonuses, fire insurance proceeds, relocation payments.	Excludes State veterans' bonuses, fire insurance proceeds, pay for obligatory civic duties, relocation payments.
(h) Income spent for:		
(i) Unusual medical expenses	Included	Excluded.
(ii) Final expenses	do	Excludes expenses of last illness, burial, and just debts of deceased veterans in excess of other VA reimbursements.

[1] Retired Servicemen's Family Protection Plan (10 U.S.C. ch. 73).

(3) Asset Test: Under the new law, a pension is not payable to those persons whose estates are so large that it is reasonable they look to the estate for maintenance. The "estate" is defined as all real and personal property except for the dwelling, a reasonable lot and personal effects. A pension is generally allowed if the person can be expected to deplete his/her assets in his/her remaining lifetime. This conversion is determined by the Veterans Administration according to: (1) income; (2) cost of selling assets; (3) liquidity of assets; (4) life expectancy of the widow or child; and (5) potential rate of depletion of the estate. There is no assets test under the old law.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: No requirement.

(c) Institutional Status: Program benefits are discontinued to widows or children imprisoned in penal institutions on the 61st day of imprisonment. Payments continue to a widow if the child is incarcerated or to a child if a widow is incarcerated.

(d) Residence Requirement: None.

I. Benefits:

(1) Determination of Benefit Amounts: Benefits are primarily related to family size and income.

(2) Relationship of Benefit Amount to Family Size: The old law provides more for the first than for subsequent children. Under the new law, the allowance for the first child ranges from $20 to $72 per month, but subsequent children receive $20 each.

(3) Relationship of Benefit to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Under the old law benefits are $50.40 per month for an unremarried widow with no child; $63 for a widow with one child; and $7.56 more for each additional child. Widows in medically determined need of regular aid and attendance may receive $50 more per month. In families where no widow is entitled to a pension, one eligible child receives $27.30 per month; two eligible children $40.95 (divided equally), and three eligible children $54.60 (divided equally). For each additional eligible child, another $7.56 is paid.

If the widow is disqualified because of excess income, or if there is no widow, eligible children receive $49 monthly for the first child, plus $20 for each additional child, with the total divided equally among the children.

Benefits under the new law are displayed in the following table.

REGULAR PENSION (NEW LAW)

Income not more than	Widow Alone	Widow and 1 Child
$300	$108	$128
400	107	128
500	106	128
600	105	128
700	102	128
800	99	127
900	96	126
1,000	92	125
1,100	88	124
1,200	84	122
1,300	80	120
1,400	76	118
1,500	72	116
1,600	68	114
1,700	64	112
1,800	60	110
1,900	56	108
2,000	52	106
2,100	48	104
2,200	43	101
2,300	38	98
2,400	33	95
2,500	28	92
2,600	23	89
2,700	18	86
2,800	13	83
2,900	8	80
3,000	5	77
3,100		73
3,200		69
3,300		65
3,400		61
3,500		57
3,600		53
3,700		49
3,800		49
3,900		49
4,000		49
4,100		49
4,200		49

An applicable formula will reduce pension for every dollar of income above that shown in the $100 increment levels.

Source: Veterans Administration, Federal Benefits for Veterans and Dependents, Washington, D.C., U.S. G.P.O., January 1, 1975, page 36.

(6) Comparison to Poverty Level: Benefits range from 29 percent to 45 percent of the relevant poverty level dependent upon family size and income.

(7) Other Benefits/Related Programs: None.

J. Cost and Caseload Information: In fiscal year 1975, 955,797 widows or widowers and 879,380 children will receive payments totalling approximately $1,131,732,000.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: Taxes benefits received from social security, railroad retirement, public and private employee retirement systems at 90 percent when beneficiaries' contributions are exceeded.

21. VETERANS HOSPITALIZATION*

A. Legislative Objective: To provide inpatient, medical, surgical and neuropsychiatric care and related medical and dental services to veterans.

B. Governing Regulations: 38 U.S.C., Chapter 17.

C. Administering Agency: Veterans Administration, Department of Medicine and Surgery.

D. Financing: Annual appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Provision of services.

G. Uses and Use Restrictions: Limited to provision of medical services, transportation and incidental expenses, mental health services, counseling and training of the veteran's family as necessary to the treatment or rehabilitation of the veteran.

H. Eligibility Requirements:

(1) Categorical Eligibility: Any veteran who was released or discharged from military service under conditions other than dishonorable may be provided hospitalization if he or she states under oath that he or she is unable to defray the cost of necessary hospital care elsewhere. The "ability to pay" statement is not required for veterans who have service-connected disabilities, who are 65 years of age or older, or who are in receipt of a VA pension. Priority for admission is extended to veterans requiring treatment for a service-connected disability.

A spouse or child of a veteran who has a total disability, permanent in nature, resulting from a service-connected disability, or the widow and surviving child of such a veteran are eligible for medical benefits under the CHAMPVA program. Normally, this care will be provided in non-VA facilities.

(2) Income Test: None, except for statement of "inability to pay."

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Asset Test: None.

*Information for this program description was taken from Office of Management and Budget, Catalog of Federal Domestic Assistance, 1974, U.S. G.P.O., Washington, D.C.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits: Benefits include the provision of medical, surgical, neuropsychiatric and dental services, transportation and incidental expenses for a veteran unable to defray the expense of transportation, mental health services, counseling and training of immediate family members when necessary for the effective rehabilitation of the veteran.

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefit Amounts to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Veterans Outpatient Care.

J. Cost and Caseload Information: 1974 estimates of the total number of veterans treated in VA hospitals totalled 1,014,000 at a cost of $1,975,697,000. Projected FY 1975 cost amounted to $2,137,741,000.

Source: U.S. Office of Management and Budget, Catalog of Federal Domestic Assistance, 1974, U.S. G.P.O., Washington, D.C., pages 6-75.

K. Interactions With Other Programs:

(1) Program Eligibility: Automatically entitled to Veterans Outpatient Care.

(2) Program Income: Income from other programs is not taxed.

22. VETERANS OUTPATIENT CARE*

A. Legislative Objective: To provide medical and dental services, medicines and medical supplies to eligible veterans on an outpatient basis.

B. Governing Regulations: 38 U.S.C. 17; 38 U.S.C. 612.

C. Administering Agency: Veterans Administration, Department of Medicine and Surgery.

D. Financing: Annual appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Provision of services.

G. Uses and Use Restrictions: Outpatient services available at VA facilities or under fee basis hometown care program when properly authorized.

H. Eligibility Requirements:

(1) Categorical Requirements: The following veterans are eligible for outpatient care: (1) those suffering from a service-incurred or service-aggravated illness or injury; (2) those suffering from a nonservice-connected illness which has aggravated a service-connected injury; (3) those with established eligibility for pre- and post-hospital care; (4) Spanish American War veterans; (5) those entitled to vocational rehabilitation; (6) military retirees; (7) those with a service-connected disability rated at 80 percent or above; (8) those receiving increased pension or additional compensation as a result of being permanently housebound; (9) those who require outpatient care to obviate the need for hospital care; (10) the wife or child of a permanently disabled veteran; the widow, widower or child of a deceased veteran whose death was service-connected, (under the CHAMPVA program).

Outpatient dental care may be provided to: (1) veterans with service-connected compensable dental disability; (2) former prisoners of war with service-connected non-compensable dental disabilities; (3) veterans with a service-connected non-compensable dental disability resulting from combat wounds or service trauma; (4) those veterans in need of training to achieve independence; (5) veterans of the Spanish American War, the Indian Wars, the Philippine Insurrection or the Boxer Rebellion; (6) veterans with a service-connected non-compensable disability who apply for treatment of such conditions within one year following discharge from active duty.

*Information for this program description was taken from Office of Management and Budget, Catalog of Federal Domestic Assistance, 1974, U.S. G.P.O., Washington, D.C.

(2) Income Test: None.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Asset Test: None.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits: Benefits provided are in the form of services.

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefit Amounts to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Veterans Prescription Service.

J. Cost and Caseload Information: Estimated fiscal year 1975 cost figures amount to $574,418,000. In fiscal year 1973, 10,858,491 patients were treated.

Source: Office of Management and Budget, Catalog of Domestic Assistance, 1974, U.S. G.P.O., Washington, D.C.

K. Interactions with Other Programs:

(1) Program Eligibility: Automatic eligibility for Veterans Prescription Service, except for those individuals whose income exceeds the maximum allowable income limit.

(2) Program Income: Does not tax income from any other program.

23. VETERANS NURSING HOME CARE*

A. Legislative Objective: To accommodate individuals who do not need hospital care but require skilled nursing care, related medical services, supportive personal care, and individual adjustment services in a homelike atmosphere.

B. Governing Regulations: P.L. 88-450; 38 U.S.C. 5001.

C. Administering Agency: Veterans Administration, Department of Medicine and Surgery.

D. Financing: Annual appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Provision of services.

G. Uses and Use Restrictions: Services provided in VA nursing home care units.

H. Eligibility Requirements:

(1) Categorical Requirements: Veterans must require skilled nursing care and related medical services for an extended time. Need for nursing home care is determined by a designated physician. Direct admission to private nursing homes at VA expense is limited to (1) veterans who require nursing care for a service-connected disability after medical determination by the VA, and (2) any person in an Armed Forces hospital who requires a protracted period of nursing care and who will become a veteran upon discharge from the Armed Forces. VA may transfer hospitalized veterans who need a protracted period of nursing care to a private nursing home at VA expense. Normally VA authorized care may not be provided in excess of six months except for veterans who require such care for a service-connected or adjunct disability.

(2) Income Test: None.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Asset Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

*Information for this program description was taken from: Office of Management and Budget, Catalog of Federal Domestic Assistance, 1974.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits: Benefits consist of nursing care, medical services, personal care and provision of social, diversional, recreational and spiritual activities and opportunities.

J. Cost and Caseload Information: In Fiscal Year 1975, a total of 2,459,575 days of care were provided to 10,532 veterans at a cost of $102,672,983.

Source: Veterans Administration, Department of Medicine and Surgery.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: Income from other programs is not included in determination of eligibility for nursing home benefits.

24. VETERANS DOMICILIARY CARE*

A. Legislative Objective: To motivate the veteran to return to the community in a self-sustaining and independent living situation or to assist the veteran to reach optimal usefulness in a protective environment.

B. Governing Regulations: 38 U.S.C. 610; Executive Order 5398, July 21, 1930.

C. Administering Agency: Veterans Administration, Department of Medicine and Surgery.

D. Financing: Annual appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Provision of services.

G. Uses and Use Restrictions: Provision of preventive medical assistance and physical, social and psychological support in a sheltered environment.

H. Eligibility Requirements:

(1) Categorical Requirements: Eligible applicants include: veterans discharged from active duty for an injury that is service-incurred or aggravated by performance of duty; permanently disabled veterans receiving disability compensation; or war veterans unable to defray the expenses of necessary domiciliary care.

(2) Income Tests: None, except that veterans must state that they are unable to defray the cost of comparable medical care at a civilian facility.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Asset Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

*Information for this program description was taken from: Office of Management and Budget, Catalog of Federal Domestic Assistance, 1974, U.S. G.P.O., Washington, D.C.; and Veterans Administration, Federal Benefits for Veterans and Dependents, U.S. G.P.O., Washington, D.C., January 1, 1975.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits: Benefits provided are in the form of services.

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefit Amounts to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Services: Veterans' Hospitalization; Veterans Nursing Home Care; Veterans State Domiciliary Program.

J. Cost and Caseload Information: Expenses for fiscal year 1975 were estimated to be $45,685,000. In fiscal year 1973 the average daily number of patients provided care was 10,261.

Source: Catalogue of Domestic Assistance Programs, page 685.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: Income from all sources must be sufficiently low that recipient can declare inability to pay for services, however no specific income limits are established.

25. VETERANS PRESCRIPTION SERVICE*

A. Legislative Objective: To provide veterans and certain dependents and survivors in need of regular aid and attendance with prescription drugs and prosthetic devices.

B. Governing Regulations: 38 U.S.C. 612, P.L. 91-500, P.L. 93-82.

C. Administering Agency: Veterans Administration, Department of Medicine and Surgery.

D. Financing: Annual appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Sale, exchange or donation of property and goods.

G. Uses and Use Restrictions: Limited to drugs prescribed by physicians. Prescriptions for alcoholic beverages or dietary supplements used for weight control are not filled.

H. Eligibility Requirements:

(1) Categorical Requirements: Eligible persons include veterans, dependents or survivors in receipt of increased pension or compensation based on the need for regular aid and attendance or by reason of being permanently housebound. Veterans whose pension payments have ceased because their income exceeds the applicable maximum limitation continue eligibility for prescription services until their income exceeds the pension income maximum by more than $500.

(2) Income Test: None, except that veterans whose pension payments have ceased because of receipt of income in excess of the allowable limit become ineligible for prescription services when their income is in excess of $500 above the allowable income limit.

(a) Treatment of Earned Income: Benefits cease when income (either earned or unearned) exceeds the maximum allowable income limit by more than $500.

(b) Treatment of Unearned Income: See Treatment of Earned Income.

(3) Asset Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: None.

*Information for this program description was taken from: Office of Management and Budget, Catalog of Federal Domestic Assistance Programs, 1974, U.S. G.P.O., Washington, D.C.; and Veterans Administration, Federal Benefits for Veterans and Dependents, U.S. G.P.O., Washington, D.C., January 1, 1975.

(b) Citizenship Requirements: None.

(c) Institutional Status: None.

(d) Residence Requirement: Must reside in the U.S.

I. Benefits: Benefits provided are in the form of prescription drugs at no expense to the veteran.

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefit Amounts to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Veterans Outpatient Care.

J. Cost and Caseload Information: Fiscal year 1975 expenses were estimated to be $7,309,000. In fiscal year 1973, 1,731,000 prescriptions were filled.

Source: Catalogue of Domestic Assistance Programs, page 687.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: Income received from any source in excess of $500 above allowable income limit for veterans pensions causes automatic loss of prescription service benefits.

SERVICE PROGRAMS

26. GRANTS TO STATES FOR SERVICES*

A. Legislative Objective: For the purpose of encouraging each State to furnish services directed toward: (1) achieving or maintaining economic self-support and self-sufficiency; (2) preventing or remedying neglect, abuse or exploitation of (children and) adults unable to protect their own interests or preserving, rehabilitating or reuniting families; (3) preventing or reducing inappropriate institutional care by providing for community-based, home-based or other less intensive forms of care; and (4) securing referral or admission for institutional care when other forms of care are not appropriate or providing services to individuals in institutions.

B. Governing Regulations: Title XX of the Social Security Act. The title became effective October 1, 1975.

C. Administering Agency: Department of Health, Education and Welfare, Social and Rehabilitation Services, Community Services Administration.

D. Financing: Annual appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Federal matching grants to States equal to 90 percent of the total quarterly expenditures for the provision of family planning services and 75 percent of the total expenditures for the provision of other social services.

G. Uses and Use Restrictions: Funds must be expended for the operation of approved service programs under Federal regulatory requirements (45 CFR 228).

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: Eligibility is determined on an individual basis under Title XX except where States have, under previous service legislation (Title IV-A or Title VI), provided for group eligibility to potential recipients of service, and then only until March 31, 1976 (see 45 CFR 228). The following individuals are eligible for services under Title XX:

(a) those who meet eligibility requirements based upon income maintenance status; including:

1. recipients of AFDC;

*Information for this program description was taken from U.S. House of Representatives, Committee on Ways and Means, The Social Security Act As Amended Through January 4, 1975 and Related Laws, U.S. G.P.O., Washington, D.C., February 12, 1975.

2. those persons whose needs were taken into account in determining the needs of AFDC recipients; and

3. recipients of SSI benefits or State supplementary payments.

(b) those who meet eligibility requirements based upon the status of their income, that is, individuals are eligible if the family's monthly gross income is less than 115 percent (or at the State option, a lower percentage) of the median income of a family of four in the State adjusted for size of family.

A fee for service to an eligible individual must be imposed by the State if the individual's monthly gross income is more than either 80 percent of the State's median income for a family of four adjusted for family size or the national median income for a family of four adjusted for family size.

(2) Income Test: None, except that non-AFDC, non-SSI recipients are eligible only if the family's monthly gross income does not exceed 115 percent of the family-size-adjusted median income of a family of four.

(a) Treatment of Earned Income: All earned income is included in the determination of eligibility for non-AFDC, non-SSI recipients.

(b) Treatment of Unearned Income: All unearned income (with the exception of Food Stamp bonus amounts) is included in the determination of eligibility for non-AFDC, non-SSI recipients.

(3) Assets Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits: Benefits consist of services provided and may not include cash benefits to individual recipients for income maintenance purposes.

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefit Amount to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Structure: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: None.

J. Cost and Caseload Information: None available since program did not become effective until October 1975.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: Income from all sources included in the determination of eligibility for receipt of benefits for non-AFDC, non-SSI recipients, (except for Food Stamp bonus coupon amounts).

27. STATE AND COMMUNITY PROGRAMS ON AGING*

A. Legislative Objective: To encourage and assist State and local agencies in the development of comprehensive and coordinated systems of social services to pesons age 60 and over.

B. Governing Regulations: Title III of the Older Americans Act of 1965, as amended; Title 45 CFR Part 903.

C. Administering Agency: Department of Health, Education and Welfare, Office of Human Development, Administration on Aging.

D. Financing: Funds are appropriated by the Congress and distributed to States under a statutory formula set forth in Section 306 of the Older Americans Act, which is based in part on the State's proportion of the total U.S. population age 60 or over.

E. Population Coverage: Nationwide.

F. Types of Assistance: Program planning and administration at State and local levels and support for social services programs including transportation and escort services, outreach services, counseling services, health related services, preventive services (which include periodic screening and evaluation, homemaker services, home health services, homemaker-home health aide services, chore services, friendly visiting services, telephone reassurance services, protective services, and housing assistance), recreational services, continuing education services, legal services, welfare services, nutrition services, employment services, information and referral services, and any other services determined to be necessary for the general welfare of older persons.

G. Uses and Use Restrictions: None.

H. Eligibility Requirements:

(1) Categorical Requirements: To qualify for the benefit of available services persons must be age 60 or over.

(2) Income Tests: None.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Asset Test: None.

*Information for this program description was taken from the Department of Health, Education and Welfare, Office of Human Development, Administration on Aging.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits:

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefits to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Older persons are eligible to participate in the Community Service and Continuing Education Programs authorized under the Higher Education Act of 1965; the Adult Education Act Programs; the Older American Community Service Employment Act Program; the Economic Opportunity Act Programs; the Older Americans Volunteer Programs authorized under the Domestic Volunteer Service Act of 1973; the Urban Mass Transportation Act of 1964, as amended; the Comprehensive Employment and Training Act of 1975.

J. Cost and Caseload Information: The current (FY 1976) Title III Program appropriations are $91 million: $15 million for State Agency activities and $76 million for Area Planning and Social Services. Caseload information is not available.

K. Interactions with Other Programs:

(1) Program Eligibility: Receipt of benefits from this program does not automatically entitle recipient to benefits from any other program.

(2) Program Income: Does not tax income from any source.

28. NUTRITION PROGRAM FOR THE ELDERLY*

A. Legislative Objective: To provide Older Americans with nutritionally sound meals served in strategically located centers, offering supportive services including nutrition education.

B. Governing Regulations: Title VII of the Older Americans Act of 1965, as amended, Secs. 701-710.

C. Administering Agency: Department of Health, Education and Welfare, Office of Human Development, Administration on Aging.

D. Financing: Annual appropriations are used to make grants to States. Grant amounts are determined according to the ratio of the State's population aged 60 or over to the total U.S. population aged 60 or over. No state is allotted less than one-half of one percent of the total appropriation for the fiscal year; and Guam, American Samoa, the Virgin Islands and the Trust Territory of the Pacific Islands are each allotted one-quarter of one percent of the total fiscal year appropriations.

E. Population Coverage: National coverage.

F. Types of Assistance: Cash grants to provide nutritional meals plus supportive services for which individuals may make contributions.

G. Uses and Use Restrictions: Funds are to be used toward payment of the cost of operating congregate nutrition projects for the elderly. Home delivered meals may be provided through a project which is primarily congregate-setting-oriented.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: All persons aged 60 or above who either: (1) cannot afford adequate meals; (2) do not possess the skills to select and prepare nourishing meals; (3) have limited mobility which may impair their ability to shop and prepare their own meals; or (4) suffer from a feeling of isolation which removes the incentive to prepare a meal and eat alone, are eligible to participate in this program. No other eligibility criteria are imposed.

(2) Income Tests: None.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

*Information for this program description was taken from United States Senate, Committee on Labor and Public Welfare, Subcommittee on Aging, Older Americans Comprehensive Service Amendments of 1973, Washington, D.C., U.S. G.P.O., May 1973.

(3) Assets Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: None.

(b) Citizenship: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits: The benefits to individuals are nutritious meals provided in a congenial social setting which combines the provisions of a good diet and an attempt to dispel feelings of loneliness or isolation, with supportive services available.

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefits to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Participants may use Food Stamps as a contribution for meals.

J. Cost and Caseload Information: The Fiscal Year 1975 Title VII Program appropriations amounted to $125,000,000. As of June 30, 1975, approximately 240,000 meals were served daily in 4,941 nutrition sites located in 682 Nutrition Projects.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: Since there is no income test, there is no taxation of any income from any other source.

29. SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM*

A. Legislative Objective: The program is designed to provide, foster and promote useful part-time work opportunities in community service activities for economically disadvantaged persons aged 55 or over.

B. Governing Regulations: Older Americans Community Service Employment Act, Title IX of the Older Americans Act (as amended in 1975) 29 CFR 89.

C. Administering Agency: Department of Labor, Office of Manpower Development Programs.

D. Financing: Annual appropriations. The Secretary of Labor allocates funds from the general Treasury not to exceed 90 percent of costs of establishing and operating a project for the employment of older persons in community service activities, except that he is authorized to pay 100 percent of the cost of any project which is an emergency or disaster project or is located in an economically depressed area. The funds are allocated to the States by use of a formula grant.

E. Population Coverage: Nationwide.

F. Types of Assistance: Direct cash assistance with specified use.

G. Uses and Use Restrictions: Assistance payments must be used to establish and/or operate a project for the employment of older persons in the provision of community services.

H. Eligibility Requirements:

Applicant Eligibility:

(1) Categorical Requirements: Public or private nonprofit organizations, agencies of a State or local government or combinations of political subdivisions and Indian tribes on Federal or State reservations are eligible for Federal assistance if they conduct a program which will provide employment for eligible individuals in the community or near the community where the eligible individual resides which will result in an increase in employment opportunities for eligible individuals and will not displace employed workers or impair existing contracts. Projects cannot involve political parties, nor can work be performed on any facility used as a place for sectarian religious instruction or worship.

*Information for this program description was taken from the Federal Register, Vol. 40, No. 116, Monday, June 16, 1975, pp. 25562 ff. and the Older Americans Comprehensive Service Amendments of 1973, prepared by the Subcommittee on Aging of the Committee on Labor and Public Welfare, U.S. Senate, May 1973, U.S. G.P.O., Washington, D.C.

Beneficiary Eligibility:

(1) Categorical Requirements: Individuals who are aged 55 or older with low incomes and who have or would have difficulty in securing employment are eligible for employment under this program. Preference is given to individuals aged 60 or above.

(2) Income Tests: Individual must be a member of a family whose annual income is at or below the Federally established poverty level or be a member of a family receiving SSI payments.

(3) Asset Test: None.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits:

(1) Determination of Benefit Amount: Benefits for this program consist of the subsidized employment of older workers. Workers are paid the highest of: (a) the minimum wage established by the Fair Labor Standards Act; (b) the applicable State or local minimum wage; or (c) the prevailing rates of pay for persons employed in similar public occupations by the same employer.

(2) Relationship of Benefit Amount to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None, except that some States or localities have higher minimum wages than others.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Vary according to the higher of the Federal minimum wage or applicable State or local minimum wage, or prevailing rate of pay for persons similarly employed. The average annual wage is $2,500.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Yearly physical examinations, job training, personal and job-related counselling and, in some cases, placement into regular unsubsidized jobs.

J. Cost and Caseload Information: In Fiscal Year 1976 approximately $42,000,000 will be spent on an estimated 12,400 part-time positions. The Department of Labor estimates that approximately 20,000 different individuals will be employed under the program during Fiscal Year 1976. [It should be noted that cost figures include funds that have been appropriated for Operation Mainstream which has been folded into Title IX. None of the above estimates take into account the extra quarter in Fiscal Year 1976.]

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: All income including Federal benefits are considered as income for the determination of this program, with the exception of Federal SSI and State Supplemental SSI payments, and Food Stamp bonus coupon amounts.

30. FOSTER GRANDPARENT PROGRAM*

A. Legislative Objective: To provide opportunities for low-income persons aged 60 and over to render supportive services to children having exceptional needs.

B. Governing Regulations: Title II, Part B of P.L. 93-113.

C. Administering Agency: ACTION.

D. Financing: Annual appropriations.

E. Population Coverage: Nationwide.

F. Types of Assistance: Grants to public and non-profit private agencies and organizations.

G. Uses and Use Restrictions: Money must be used to pay part or all of the cost of development and operation of projects designed to allow persons 60 or over to serve children with exceptional needs.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: Eligible persons include persons aged 60 or over of low income who are no longer in the work force. Assignments may not result in the displacement of employed workers.

(2) Income Tests: None.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Assets Test: None.

(4) Other Eligibility Requirements:

(a) Work Requirements: None.

(b) Citizenship Requirements: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

*The information for this program description was taken from U.S. Senate, Committee on Labor and Public Welfare, Subcommittee on Aging, Older Americans Comprehensive Services Amendments of 1973, U.S. G.P.O., Washington, D.C., May 1973.

I. Benefits: Older persons are provided an opportunity for useful service interacting with children with exceptional needs; children receive needed care and attention from a concerned adult. Foster parents serve a maximum of 20 hours per week with a modest stipend to permit them to serve without extra cost to themselves.

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefits to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Retired Senior Volunteer Program, Senior Companion Program.

J. Cost and Caseload Information: The fiscal year 1975 budget amounted to $28,287,000. As of June 30, 1975, the program had 13,627 volunteers.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: No taxation of income from other programs in determining benefit amount.

31. RETIRED SENIOR VOLUNTEER PROGRAM*

A. Legislative Objective: To create a variety of meaningful opportunities for persons 60 years of age and over to participate more fully in the life of their communities through volunteer service.

B. Governing Regulations: Title II, Part A of PL 93-113.

C. Administering Agency: ACTION.

D. Financing: Annual appropriations.

E. Population Coverage: Program is nationwide.

F. Types of Assistance: Grants to public and nonprofit private agencies and organizations.

G. Uses and Use Restrictions: Grants are made to pay (on a cost-sharing basis) for the cost of development and operation of local projects designed to allow persons 60 or over to offer their services to the community.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: Eligible persons must be age 60 or over, retired or semi-retired. Assignments may not result in the displacement of employed workers.

(2) Income Tests: None.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Assets Test: None.

(4) Other Eligibility Conditions:

(a) Work Requirement: None.

(b) Citizenship Requirement: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits: Older Americans are provided with opportunities for volunteer service in their retirement years. They are helped to use their skills, experience and talents to meet community needs, permitting them to enjoy the self-respect and satisfaction that comes from being needed and serving others.

*This program description was prepared by staff members at ACTION.

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefits to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Foster Grandparent Program, Senior Companion Program.

J. Cost and Caseload Information: The RSVP budget for Fiscal Year 1975 amounted to $15,980,000. As of June 30, 1975, there were 149,602 volunteers participating in the program.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: No taxation of any income from any other source.

32. SENIOR COMPANION PROGRAM*

A. Legislative Objective: To provide meaningful part-time volunteer opportunities to low-income persons, age 60 and over, who give help and support to adults with special or exceptional needs in health, education, welfare and related settings.

B. Governing Regulations: Title II, Part B of PL 93-113.

C. Administering Agency: ACTION.

D. Financing: Annual appropriations.

E. Population Coverage: Eighteen projects are presently in operation. It is anticipated that the program will be expanded to place projects in all 50 States.

F. Types of Assistance: Grants to public and non-profit private agencies and organizations.

G. Uses and Use Restrictions: Grants are made to community sponsors for development and operation of projects designed to allow low-income persons age 60 or over to offer support and companionship to adults with special or exceptional needs.

H. Eligibility Requirements:

(1) Categorical Eligibility Requirements: Eligible persons must be age 60 or over of low income who are no longer in the work force. Assignments may not result in the displacement of employed workers.

(2) Income Tests: None.

(a) Treatment of Earned Income: Not applicable.

(b) Treatment of Unearned Income: Not applicable.

(3) Assets Test: None.

(4) Other Eligibility Conditions:

(a) Work Requirement: None.

(b) Citizenship Requirement: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

*This program description was prepared by staff members at ACTION.

I. Benefits: Older persons are provided opportunities to contribute to their communities and enrich their retirement years by serving adults having special needs. Senior Companions serve a maximum of 20 hours per week and receive a stipend that permits them to serve without extra cost to themselves.

(1) Determination of Benefit Amounts: Not applicable.

(2) Relationship of Benefits to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not applicable.

(6) Comparison to Poverty Level: Not applicable.

(7) Other Benefits/Related Programs: Retired Senior Volunteers Program, Foster Grandparents.

J. Cost and Caseload Information: The Fiscal Year 1975 budget amounted to $1,600,000. As of June 30, 1975, the program included 1,028 volunteers.

K. Interactions with Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: No taxation of any income from any source.

33. SENIOR OPPORTUNITIES AND SERVICES PROGRAM

A. Legislative Objective: Congress, in the 1967 amendments to the Economic Opportunity Act, established a program to be known as "Senior Opportunities and Services" (SOS) designed to identify and meet the needs of older, poor persons above the age of 60 in one or more of the following areas:

(1) development and provision of new employment and volunteer services;

(2) effective referral to existing health, welfare, employment, housing, legal, consumer, transportation. education and recreational and other services;

(3) stimulation and creation of additional services to remedy gaps and deficiencies in presently existing services and programs;

(4) modification of existing procedures, eligibility requirements, and program structures to facilitate the greater use of, and participation in, public services by the older poor;

(5) development of all - season recreation and service centers controlled by older persons themselves;

(6) such other activities and services as determined by the Director to be necessary or especially appropriate to meet the needs of older poor and assure them greater self-sufficiency.

B. Governing Regulations: Economic Opportunity Act of 1964 as amended in 1967.

C. Administering Agency: Community Services Administration (formerly Office of Economic Opportunity).

D. Financing: Annual appropriations to local grantees, ordinarily Community Action agencies (CAAs).

E. Population Coverage: Nationwide.

F. Types of Assistance: Cash grants to grantee agencies to provide some or most of the following programs:

senior centers, civic influence and action, outreach and referral, home health aid service, other health services, homemaker services, housing assistance, home repair services, handyman services, transportation assistance, legal services, employment training or job finding, consumer education, other education, credit unions or buying clubs, feeding programs (home delivered meals, congregate meals), recreation and/or social, handicrafts, friendly visiting service, telephone reassurance.

G. Uses and Use Restrictions: For grants to CAAs and other public and private non-profit agencies.

H. Eligibility Requirements:

(1) Categorical Requirements: Programs for those persons above the age of 60 ordinarily residing in poverty neighborhoods as defined by the local Community Action agency. Criteria used to determine poverty neighborhoods is the number of families below the national OMB poverty threshold.

(2) Income Tests: None.

(a) Treatment of Earned Income: Not Applicable.

(b) Treatment of Unearned Income: Not Applicable.

(3) Asset Tests: None.

(4) Other Eligibility Conditions:

(a) Work Requirements: None.

(b) Citizenship: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. Benefits: Benefits consist of services provided.

(1) Determination of Benefit Amounts: Not Applicable.

(2) Relationship of Benefits to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Not Applicable.

(6) Comparison to Poverty Level: Must comply with poverty guidelines.

(7) Other Benefits/Related Programs: Not Applicable.

J. Cost and Caseload Information:

$10 per individual served; caseload 990,000. (The $10 individual cost is exclusive of additional Community Services Administration funds such as Local Initiative, Community Food and Nutrition, and Emergency Energy and Winterization Program. This amount also does not include other Federal funds and the non-Federal matching monies and in-kind services.)*

*Information supplied by the Community Services Administration.

K. Interaction With Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: Since there is no income test, there is no taxation of any income from any other source.

34. COMPREHENSIVE EMPLOYMENT AND TRAINING PROGRAMS

A. Legislative Objective: To provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons and to assure that training and other services lead to maximum employment opportunities and enhance self-sufficiency by establishing a flexible and decentralized system of Federal, State and local programs.

B. Governing Regulations: Titles I and II of the Comprehensive Employment and Training Act, P.L. 93-203. Also, the Emergency Jobs and Unemployment Assistance Act of 1974, P.L. 93-567 which adds a new Title VI to the aforementioned Act. (29 CFR 94-96 and 98 and 29 CFR 99.)

C. Administering Agency: U.S. Department of Labor, Office of Manpower Development Programs.

D. Financing: Annual appropriations.

E. Population Coverage: National coverage.

F. Types of Assistance: Formula grants and project grants with specified uses. The Title I program is directed to providing training and employment opportunities to the unemployed, underemployed, and disadvantaged. Program activities are: Classroom Training; On-the-Job Training; Public Service Employment; Work Experience; Services to Clients; and other allowable activities. The Title II program is directed to employing unemployed persons residing in areas of high unemployment in jobs which provide public services. The Title VI program is directed to providing temporary public service employment for unemployment persons.

G. Uses and Use Restrictions: Title I funds are allocated to governors for: (1) State Vocational Education agencies to provide their services to prime sponsor areas; (2) costs incurred in staffing and servicing State manpower services councils; and (3) provision of State manpower services to prime sponsor areas. Ninety percent of the Title II funds made available must be used to pay wages and fringe benefits to participants. Funds may not be used for supplies, equipment, or other property except in specific training situations. Under Title VII, preferred consideration is given to workers who have exhausted all unemployment compensation or are not eligible for it and workers who have been without a job 15 weeks or longer. The Title VI program is subject to the restrictions under Title II, except in areas of excessively high unemployment where some of the Title II restrictions are waived.

H. Eligibility Requirements

Applicant Eligibility:

(1) Categorical Requirements: Title I - States, units of general local government having a population of 100,000 or more, consortia of local government units, at least one of which has a total population of 100,000 or more, are considered eligible by the Secretary because of special circumstances, and a limited number of Concentrated Employment Program grantees. Title II - Applicants qualified under Title I and Indian tribes on Federal or State reservations,

either of which contain areas of substantial (6.5 percent or more) unemployment. Title VI - Applicants qualified under Title I and Indian tribes on Federal or State reservations.

Beneficiary Eligibility:

(1) Categorical Requirements: Title I - Economically disadvantaged, unemployed, or underemployed persons. Title II - Persons unemployed first 30 days prior to application or unemployed and residing in an area of substantial unemployment. Title VI - Persons unemployed for 30 days prior to application (except in areas of excessively high unemployment in which case persons need only be unemployed 15 days) or be underemployed.

(2) Income Tests: Individual must be a member of a family whose annual income is at or below the OMB established poverty level.

(3) Asset Tests: None.

(4) Other Eligibility Conditions:

(a) Work Requirements: Information not obtained.

(b) Citizenship: None.

(c) Institutional Status: None.

(d) Residence Requirement: None.

I. **Benefits**:

(1) Determination of Benefit Amount: Benefits for this program consist of subsidized employment for qualified applicants. Workers are paid the highest of the Federal minimum wage or the applicable State or local minimum wage.

(2) Relationship of Benefit Amount to Family Size: None.

(3) Relationship of Benefit Amount to Place of Residence: None, except that some States or localities have higher minimum wages then others.

(4) Relationship of Benefit Amount to Cost of Living Changes: None.

(5) Current Benefit Amounts: Vary according to the higher of the Federal minimum wage or applicable State or local minimum wage.

(6) Comparison to Poverty level: Not applicable.

(7) Other Benefits/Related Programs: Not applicable.

J. Cost and Caseload Information: *

K. Interaction With Other Programs:

(1) Program Eligibility: No automatic eligibility for any other program.

(2) Program Income: Information not obtained.

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*The National Council on Aging estimates that 1,126,000 individuals are employed under Title I program, 6.1% of whom are age 45 or over; 227,100 individuals are employed under Title II, 13.4% of whom are age 45 or over; and 157,000 individuals are employed under Title VI, 13.8% of whom are age 45 or over.

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