

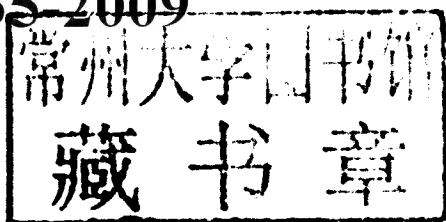
MAJOR CONGRESSIONAL DECISIONS ON SOCIAL SECURITY 1935-2009

NICHOLAS D. SCOTT
EDITOR

Congressional Policies,
Practices and
Procedures

CONGRESSIONAL POLICIES, PRACTICES AND PROCEDURES

**MAJOR CONGRESSIONAL
DECISIONS ON SOCIAL SECURITY
1935-2009**



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PREFACE

The Social Security Act of 1935 established a federal old-age pension financed with employee-employer payroll taxes for most workers in commerce and industry. Congress has changed the Social Security program many times. Amendments to the original Act have: added survivors' and dependents' benefits; added disability, hospital, and medical insurance; expanded coverage to new groups of workers; lowered the minimum age for retirement benefits; increased payroll taxes; raised benefits; provided for automatic adjustment of benefits to reflect inflation; and made numerous other changes. This book reviews the major votes taken by the House and Senate in passing the original act and in amending it from 1936 through the present

Chapter 1- Since its enactment in 1935, the Social Security Act has been amended numerous times. This paper is not fully comprehensive. It briefly summarizes discussions on individual major amendments. These summations do not characterize the complete range of motivations behind Social Security votes; rather they record the arguments expressed at the time and, by so doing, attempt to give the reader the tone and context of the debate on major Social Security issues brought before the House and Senate chambers.

This chapter is intended to respond to the many inquiries that CRS gets for Social Security vote information, which range from requests for general information about legislative action over the years to requests for information about specific floor amendments. Thus, it is intended to be a reference document on the major statutory decisions made by Congress on the Social Security program. A detailed table of contents and a summary table of the legislation discussed are provided to aid the reader.

Chapter 2- While the social security number (SSN) was first introduced as a device for keeping track of contributions to the Social Security system, its

use has been expanded by government entities and the private sector to keep track of many other government and private sector records. Use of the social security number as a federal government identifier was based on Executive Order 9393, issued by President Franklin Roosevelt. Beginning in the 1960s, federal agencies started adopting the social security number as a governmental identifier, and its use for keeping track of government records, on both the federal and state levels, greatly increased.

Section 7 of the Privacy Act of 1974 limits compulsory divulgence of the social security number by government entities. While the Privacy Act does provide some limits on the use of the social security number by state and federal entities, exceptions provided in that statute and succeeding statutes have resulted in only minimal restrictions on governmental usage of the social security number. Constitutional challenges to social security number collection and dissemination have, for the most part, been unsuccessful. Private sector use of the social security number is widespread and continues to be largely unregulated by the federal government. The chronology in this chapter provides a list of federal developments affecting use of the social security number, including federal regulation of the number, as well as specific authorizations, restrictions, and fraud provisions concerning its use.

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Chapter 1

MAJOR DECISIONS IN THE HOUSE AND SENATE ON SOCIAL SECURITY: 1935-2009*

Gary Sidor

SUMMARY

Since its enactment in 1935, the Social Security Act has been amended numerous times. This paper is not fully comprehensive. It briefly summarizes discussions on individual major amendments. These summations do not characterize the complete range of motivations behind Social Security votes; rather they record the arguments expressed at the time and, by so doing, attempt to give the reader the tone and context of the debate on major Social Security issues brought before the House and Senate chambers.

This chapter is intended to respond to the many inquiries that CRS gets for Social Security vote information, which range from requests for general information about legislative action over the years to requests for information about specific floor amendments. Thus, it is intended to be a reference document on the major statutory decisions made by Congress on the Social Security program. A detailed table of contents and a summary table of the legislation discussed are provided to aid the reader.

* This is an edited, reformatted and augmented edition of a United States Congressional Research Service publication, Report RL30920, dated January 15, 2010.

INTRODUCTION

The Social Security Act of 1935 established a federal old-age pension financed with employee- employer payroll taxes for most workers in commerce and industry. Congress since then has changed the Social Security program many times.

Amendments to the original Act have: added survivors' and dependents' benefits; added disability, hospital, and medical insurance; expanded coverage to new groups of workers; lowered the minimum age for retirement benefits; increased payroll taxes; raised benefits; provided for automatic adjustment of benefits to reflect inflation; and made numerous other changes. This paper reviews the major votes taken by the House and Senate in passing the original act and in amending it from 1936 to the present.¹ Discussion centers on Old-Age, Survivors and Disability Insurance (OASDI) votes, although Medicare and other programs are brought up occasionally. Votes on programmatic proposals are included, but votes on funding and the appropriations process generally are not. The discussion of the votes is set forth in terms of House action, Senate action, and conference agreements and it gives the party breakdown for most votes discussed (D = Democrat, R=Republican, I = Independent). The paper looks not only at votes on final passage of bills and adoption of conference reports, but also at votes on amendments considered on the floor of the House and Senate and at votes for recommittal to committee just before passage. It generally does not examine votes that occurred at the committee level. The primary source of the vote information was the *Congressional Record*. The primary source of the information for the separation of the vote by political party was the *Congressional Quarterly*.

From the start the old-age benefits program aroused argument. Opponents said that the payroll or Social Security tax was likely to overburden industry, reduce the purchasing power of workers, and endanger the growth of private pension plans. In addition, some argued that huge reserves to be built up in the old-age reserve account would become a tempting source of funds that the government could borrow for current spending and, thus, would lead to an increase in the federal debt. Fear that the reserve account would be used to subsidize "New Deal" projects was one reason why some Members argued for current financing (pay-as-you-go) of old-age benefits. Some opponents maintained that the federal government did not have the constitutional power to create a national pension plan. Some questioned whether the system could be kept financially sound and whether adequate earnings records could be maintained for so many millions of workers. Still others said that the program

was not generous enough. They protested that it gave only partial protection and minimal benefits and that it imposed a regressive, “soak-the-poor” tax.

Table 1. Social Security Laws, 1935-2009

Year	Title	Public Law	Bill Number
1935	Social Security Act	P.L. 74-271 ^a	H.R. 7260
1939	Social Security Amendments of 1939	P.L. 76-379 ^a	H.R. 6635
1942	Revenue Act of 1942	P.L. 77-753 ^a	H.R. 7378
1943	Joint Resolution Regarding Tariff Act	P.L. 78-211 ^a	H.J.Res. 171
1943	Revenue Act of 1943	P.L. 78-235 ^a	H.R. 3687
1944	Federal Insurance Contributions Act of 1945	P.L. 78-495 ^a	H.R. 5564
1945	Revenue Act of 1945	P.L. 79-214 ^a	H.R. 4309
1946	Social Security Amendments of 1946	P.L. 79-719 ^a	H.R. 7037
1947	Social Security Amendments of 1947	P.L. 80-379 ^a	H.R. 3818
1948	Exclusion of Certain Newspaper and Magazine Vendors from Social Security Coverage	P.L. 80-492 ^a	H.R. 5052
1948	Maintain Status Quo Concept of Employee	P.L. 80-642 ^a	H.J. Res 296
1950	Social Security Act Amendments of 1950	P.L. 81-734 ^a	H.R. 6000
1952	Social Security Act Amendments of 1952	P.L. 82-590 ^a	H.R. 7800
1954	Social Security Amendments of 1954	P.L. 83-761 ^a	H.R. 9366
1956	Social Security Amendments of 1956	P.L. 84-880 ^a	H.R. 7225
1958	Social Security Amendments of 1958	P.L. 85-840	H.R. 13549
1960	Social Security Amendments of 1960	P.L. 86-778	H.R. 12580
1961	Social Security Amendments of 1961	P.L. 87-64	H.R. 6027
1964	Proposed Social Security Amendments of 1964	————	H.R. 11865

Table 1. (Continued)

Year	Title	Public Law	Bill Number
1965	Social Security Amendments of 1965	P.L. 89-97	H.R. 6675
1966	Tax Adjustment Act of 1966	P.L. 89-368	H.R. 12752
1967	Social Security Amendments of 1967	P.L. 90-248	H.R. 12080
1969	Tax Reform Act of 1969	P.L. 91-172	H.R. 13270
1971	Public Debt Limit, Increase; Social Security Act, Amendments	P.L. 92-5	H.R. 4690
1972	Public Debt Limit; Disaster Losses; Social Security Act, Amendments	P.L. 92-336	H.R. 15390
1972	Social Security Amendments of 1972	P.L. 92-603	H.R. 1
1973	Social Security Benefits, Increase	P.L. 93-233	H.R. 11333
1977	Social Security Amendments of 1977	P.L. 95-216	H.R. 9346
1980	Social Security Disability Amendments of 1980	P.L. 96-265	H.R. 3236
1980	Reallocation of OASI and DI Taxes	P.L. 96-403	H.R. 7670
1980	Earnings Test Amendments	P.L. 96-473	H.R. 5295
1981	Omnibus Budget Reconciliation Act of 1981	P.L. 97-35	H.R. 3982
1981	Social Security Amendments of 1981	P.L. 97-123	H.R. 4331
1983	An Act Relating to Taxes on Virgin Islands Source Income and Social Security Disability Benefits	P.L. 97-455	H.R. 7093
1983	Social Security Amendments of 1983	P.L. 98-21	H.R. 1900
1984	Social Security Disability Benefits Reform Act of 1984	P.L. 98-460	H.R. 3755
1985	Public Debt Limit—Balanced Budget and Emergency Deficit Control Act of 1985	P.L. 99-177	H.J. Res 372
1985	COLA Constraints in FY86 Budget Resolution	—	S.Con.Res. 32
1986	Omnibus Budget Reconciliation Act of 1986	P.L. 99-509	H.R. 5300
1987	Budget Reconciliation Act of 1987	P.L. 100-203	H.R. 3545

Table 1. (Continued)

Year	Title	Public Law	Bill Number
1988	Technical and Miscellaneous Act of 1988	P.L. 100-647	H.R. 4333
1989	Omnibus Budget Reconciliation Act of 1989	P.L. 101-239	H.R. 3299
1990	Omnibus Budget Reconciliation Act of 1990	P.L. 101-508	H.R. 5835
1993	Omnibus Budget Reconciliation Act of 1993	P.L. 103-66	H.R. 2264
1994	Social Security Administrative Reform Act of 1994	P.L. 103-296	H.R. 4277
1994	Social Security Domestic Reform Act of 1994	P.L. 103-387	H.R. 4278
1996	Senior Citizens Right to Work Act of 1996	P.L. 104-121	H.R. 3136
1999	Ticket to Work and Work Incentives Improvement Act of 1999	P.L. 106-170	H.R. 1180
2000	Senior Citizens Freedom to Work Act	P.L. 106-182	H.R. 5
2004	Social Security Protection Act of 2004	P.L. 108-203	H.R. 743

a. The printed law does not show the ordinal number of the Congress that passed it. The number is given here for reference purposes.

Proponents maintained that Social Security would provide protection against destitution and dependency in old age and that it would provide persons with an opportunity to care for themselves on a more adequate basis than could be obtained from state old-age assistance payments (welfare). Some regarded the proposal's self-financing method—payroll taxes on employers and employees—as a strength. As workers would be required to pay taxes on their wages in order to receive Social Security, they would acquire an earned right to benefits, and no income test would apply. Further, some said that because the system would be financed by earmarked payroll taxes, it would be relatively free from political and economic pressures that might impair its financial soundness and capacity to do the job intended.

CHAMBER VOTES

A. P.L. 271— 74th Congress, Enactment of the Social Security Act

The Social Security Act became law on August 14, 1935, when President Roosevelt signed H.R. 7260. Title II of the act created a compulsory national old-age benefits program, covering nearly all workers in commerce and industry and providing monthly pensions at age 65 for insured workers. A benefit weighted toward lower-paid workers was to be based on cumulative wages and was to be payable beginning in 1942 to persons aged 65 and over who had paid Social Security taxes for at least five years. The benefit was to be withheld from an otherwise qualified person in any month in which he or she did any work. Under Title VIII of the act, a payroll tax of 1%, each, on employees and employers, payable on earnings up to \$3,000 each year, was to be imposed as of January 1, 1937, on covered jobs, and was scheduled to rise in steps to 3% by 1949.

Besides old-age benefits, the act provided for a system of federal-state unemployment compensation funded with employer payroll taxes, and for grants to states to help fund assistance payments to certain categories of needy persons (the aged, the blind, and children under 16 who had been deprived of parental support), child welfare services, and maternal and child health services.

When the act was debated in Congress, prominent Republicans in the House and Senate made attempts to delete the provisions creating the old-age pension system. They said they preferred to rely solely on the assistance (charity/welfare) approach to help the aged. They argued that the payroll tax/insurance mechanism of the old-age benefits provisions might be unconstitutional and that it would impose a heavy tax burden on businesses that would retard economic development. Members of the minority stated, in the Ways and Means Committee's report to the House, that the old-age benefits program (Title II) and the method by which the money was to be raised to pay for the program (Title VIII) established a "bureaucracy in the field of insurance in competition with private business." They contended further that the program would "destroy old-age retirement systems set up by private industries, which in most instances provide more liberal benefits than are contemplated under Title II."² Although some party members tried to remove the old-age benefits provisions, the majority of Republicans in both

chambers nevertheless did vote for the final Social Security bill. During congressional debate, Democrats generally supported the proposed old-age benefits program.

1. House Action

Debate on the Social Security bill started in the House on April 11 and lasted until April 19, 1935. Approximately 50 amendments were offered, but none passed. According to Edwin Witte, a key player in the development of the Social Security Act, House leaders passed the word that they wanted all amendments defeated.³

Four particularly significant votes were: Mr. Monaghan's amendment proposing a revised "Townsend plan" and Mr. Connery's amendment proposing the Lundeen plan, both of which (described below) called for a more generous social insurance system; Mr. Treadway's motion to recommit H.R. 7260 to delete the old-age benefits program and its related taxes; and the vote on final passage of the bill.

- a. On April 18, 1935, Mr. Monaghan (D-MT) offered an amendment, introduced in its original form by Mr. Groarty (D-CA) and referred to as the Townsend plan, which required the federal government to pay a \$200-a-month pension to everyone 60 years of age and older, to be financed by a 2% tax on "all financial" transactions (essentially a sales tax). (For more details on the Townsend plan see discussion of the 1939 amendments, beginning on page 9.) Mr. Monaghan's amendment, although less costly than the original Townsend plan, was rejected by a vote of 56 to 206.⁴
- b. On April 18, 1935, Mr. Connery (D-MA) offered an amendment that contained the provisions of a bill sponsored by Mr. Lundeen (Farmer-Laborite-MN). The Lundeen bill, which was approved 7-6 by the House Labor Committee, called for the "establishment of a system of social insurance to compensate all workers and farmers, 18 years of age and over, in all industries, occupations, and professions, who are unemployed through no fault of their own . . ."⁵ Mr. Lundeen's plan offered higher benefits than the Committee's bill, and tied benefits to the cost of living. Under the Lundeen proposal, a more generous social insurance program was to be extended to all workers and farmers unable to work because of illness, old age, maternity, industrial injury, or any other disability. This system was to be financed by taxes falling most heavily on persons with higher incomes

(by levying additional taxation on inheritances, gifts, and individual and corporation incomes of \$5,000 a year and over). There was a division vote of 52 in favor and 204 opposed. Mr. Connery asked for tellers. The Connery amendment was rejected by a 40-158 teller vote.⁶

- c. On April 18, 1935, Mr. Treadway (R-MA), the ranking minority member of the Ways and Means Committee, offered an amendment to strike Title II, the old-age benefit provisions, from the bill. Mr. Treadway was opposed to the old-age benefits provision and to the taxing provisions of Title VIII. He said that the financing arrangement was unconstitutional. He indicated that the tax would be particularly burdensome on industry, running up to 6% on payrolls. He said that "business and industry are already operating under very heavy burdens" and maintained that to add a payroll tax to their burden would probably cause more unemployment and more uncertainty.⁷ Mr. Jenkins (R-OH), supporter of the Treadway amendment, stated that making each worker pay 3% of his money for old-age benefits, whether he wanted to or not, and requiring employers to do the same, was clearly unconstitutional. He said, "Why talk about wanting to relieve the Depression, why talk about charity, why talk about all these other things when you are placing a financial lash upon the backs of the people whose backs are breaking under a load of debts and taxes?" He described the old-age benefits system as "compulsion of the rankest kind."⁸ The Treadway amendment was defeated by a 49-125 teller vote.⁹
- d. On April 19, 1935, Mr. Treadway made a motion to recommit H.R. 7260, including instructions to the Ways and Means Committee to strike out the old-age and unemployment insurance provisions and to increase the federal contribution for the welfare program of old-age assistance, Title I of the bill.¹⁰ Mr. Treadway stated that the old-age benefit and unemployment insurance provisions of the bill were not emergency measures and that they "would not become effective in time to help present economic conditions, but, on the contrary would be a definite drag on recovery." He was opposed to levying a tax against both the employer and the employee. During his remarks on April 12, 1935, Mr. Treadway stated that he would "vote most strenuously in opposition to the bill at each and every opportunity."¹¹ During his April 19, 1935, remarks, Mr. Treadway said he was disgusted "at the attitude of business in that it has not shown the proper interest in protecting itself by stating its case before

Congress.”¹² His motion to recommit was rejected by a vote of 149 (95-R, 45-D, 9-1) to 253 (1-R, 252-D).¹³

- e. On April 19, 1935, the House passed the Social Security bill by a vote of 372 (77-R, 288-D, 7-I) to 33 (18-R, 13-D, 2-I).¹⁴

2. Senate Action

There were also four major votes in the Senate: Mr. Long's (D-LA) proposal to substitute taxes on wealth and property for the payroll tax; Mr. Clark's amendment to exempt from coverage employees in firms with private pensions; Mr. Hastings' motion to recommit; and the vote on final passage of the bill.

- a. On June 17, 1935, Mr. Long offered an amendment to liberalize the proposed old-age assistance program (Title I of the bill) and delete the payroll tax provisions (Title VIII and IX). In place of the payroll tax, Mr. Long recommended that states levy a tax on wealth or property. Mr. Long's amendment was rejected by voice vote.¹⁵
- b. On June 19, 1935, Mr. Clark (D-MO) offered an amendment to exempt from coverage under the old-age benefits system employees in firms with private old-age pension systems. This idea came from an official of a Philadelphia insurance brokerage firm that specialized in group annuity contracts. Proponents of the amendment stated that employees would benefit from more liberal private annuities which would be in true proportion to earnings and service; joint annuities to protect spouses; earlier retirement for disability; and other reasons. Supporters of the amendment also maintained that the government would benefit because the reserves of private annuity plans would increase investment and create more income to tax. The Administration (being opposed to the amendment) argued that the amendment did not provide true retirement income guarantees because private pension programs could be cancelled, or the firm sponsoring them could go out of business. Critics also maintained that the amendment discouraged the employment of older men. The Ways and Means Committee rejected the proposal and so did the Finance Committee (by a narrow margin), but when Senator Clark offered it as an amendment on the Senate floor, it was passed by a vote of 51 (16-R, 35-D) to 35 (3-R, 30-D, 2-I).¹⁶
- c. On June 19, 1935, Mr. Hastings (R-DE) made a motion to strike out the old-age benefits provisions from the bill. Mr. Hastings stated that