

# Annual Earnings and the Taxable Maximum for OASDHI

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WHEN THE Committee on Economic Security, in 1934, was drawing up its recommendations for a national social security program for the United States, a common pattern in many of the existing social insurance systems was to cover only manual workers and clerical and white-collar workers earning less than a specified amount. The great depression of the thirties had made clear, however, that the threat of economic insecurity in a modern society extends to almost everyone. Furthermore, the absence of a fixed class structure and the extent of individual mobility in the United States argued against exclusion from coverage of persons earning above any specified amount in a particular year. From the beginning the United States social security system embodied the principle of universal coverage—now generally accepted throughout the world as the appropriate goal. Because Congress and the Executive recognized the magnitude of the administrative task of setting up a new national system, actual coverage was at first limited to wage and salary workers in industry and commerce, but from the beginning all employees in such covered employments were brought under the system, no matter how high their earnings. Since it seemed desirable to limit the size of the benefits paid and the extent of replacement of earnings under a compulsory system, an upper limit was placed on the amount of annual earnings creditable toward social security benefits and correspondingly on the amount taxable. The upper limit on the tax was designed to assure that no one contributed directly more than the value of the protection he received.

The original limit on taxable and creditable earnings was \$3,000. About 97 percent of all covered workers earned less than this amount in 1937 and 1938 and hence had their total earnings credited towards future benefits. About 93 percent of aggregate earnings in covered employments were taxable. In a dynamic economy, where productivity is increasing and earnings levels rising, any fixed dollar amount comes to

have a different significance over a period of time. During and immediately after World War II, earnings levels and prices rose dramatically. By 1950, when Congress undertook a major review of the social security program, not only had the purchasing power of benefits declined by about 50 percent, but the taxable limit of \$3,000 now had a much more stringent effect. In 1950, only 80 percent of aggregate earnings were taxable, and only 7 out of 10 covered workers (only 43 percent of regularly employed men) had all their covered earnings credited towards future benefits.

The 1950 amendments of the Social Security Act restored the purchasing power of benefits to their 1940 value. The contribution and benefit base was raised to \$3,600; to restore the 1938 relationship a taxable limit of \$6,600 would have been necessary. Amendments in 1954 and 1958 each increased the limit by \$600—to \$4,200 and then \$4,800. The 1965 amendments provided for an increase of \$1,800, from \$4,800 to \$6,600 a year.

In this article, earnings data indicating the effect of the taxable limits are presented through 1964 (the latest year for which basic data are currently available). The statistics shown in the accompanying tables will hereafter be updated and published annually.

## ROLE OF TAXABLE LIMIT

During the early years of the program, all but a relatively few high-wage earners had all their wages credited under the \$3,000 taxable limit.<sup>1</sup>

With rising wage levels, however, it was only a matter of time before the proportion of workers

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<sup>1</sup> In 1937, 1938, and 1939 up to \$3,000 in annual wages received by a worker from each employer were both taxable and creditable toward the computation of the benefit payment. Beginning in 1940, although the maximum amount remained taxable for each of the worker's employers, combined annual wages exceeding the maximum were not creditable to the worker's account for benefit purposes. (Contributions on wages above the maximum because the worker had more than one employer were refundable to employees.)

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TABLE 1.—Estimated aggregate total earnings of all workers covered under OASDHI and percent taxable under specified annual limits

[Figures in italics represent coverage during the period of prevailing taxable limits]

Year	Taxable limit in effect	Total earnings (in millions)	Percent of total earnings taxable under specified annual limits							
			\$3,000	\$3,600	\$4,200	\$4,800	\$6,600	\$9,000	\$12,000	\$15,000
1938 <sup>1</sup>	\$3,000	\$28,500	<i>93.0</i>	94.7	95.4	95.9	96.6	97.0	97.3	97.5
1950		109,804	79.7	85.6	88.7	90.4	93.2	95.3	95.6	96.3
1951	\$3,600	149,000	75.9	<i>81.2</i>	86.1	88.8	92.8	95.0	96.4	97.4
1952		159,900	74.1	<i>80.5</i>	85.2	88.1	92.5	94.9	96.3	97.3
1953		173,100	71.9	<i>78.6</i>	83.7	87.2	92.2	94.8	96.2	97.2
1954		172,000	71.2	<i>77.7</i>	83.0	86.4	91.5	94.2	95.8	96.8
1955	\$4,200	196,000	68.4	75.2	<i>80.5</i>	84.5	90.4	93.2	95.4	96.5
1956		216,700	66.2	73.2	<i>78.8</i>	82.9	89.7	93.2	95.3	96.4
1957		233,800	65.1	72.0	<i>77.6</i>	81.8	89.1	92.9	95.0	96.2
1958		236,500	64.1	71.0	<i>76.5</i>	81.0	88.6	92.8	94.9	96.1
1959	\$4,800	254,900	61.9	68.8	74.6	<i>79.4</i>	87.7	92.3	94.7	95.9
1960		265,100	60.5	67.5	73.3	<i>78.1</i>	87.1	92.0	94.6	95.8
1961		271,100	59.7	66.6	72.4	<i>77.4</i>	86.7	92.0	94.5	95.7
1962		290,000	57.7	64.5	70.4	<i>75.6</i>	85.2	91.0	94.2	95.6
1963		302,200	56.7	63.5	69.4	<i>74.6</i>	84.6	90.7	94.0	95.5
1964		322,700	55.3	62.0	67.8	<i>73.3</i>	83.3	89.9	93.5	95.3

<sup>1</sup> Under existing law, wages earned after attaining age 65 were excluded.

with all their earnings credited dropped significantly. As more and more workers had earnings above the taxable limit, the proportion of total earnings subject to social security taxes declined. And, because the amount of benefits is geared to earnings credits, relatively more workers became entitled to maximum or near-maximum benefits. The clustering of benefits at the maximum would ultimately produce in effect a flat benefit amount, which had been rejected at the beginning of the program in favor of an earnings-related benefit structure. A constant earnings base for a prolonged period of time also lowers the proportion of preretirement earnings that benefits represent for workers who have been earning amounts above the credited limit.

The aims of an increase in the taxable limit are stated in the 1965 *Report of the Advisory Council on Social Security*:

The maximum amount of annual earnings taxable and creditable toward benefits needs to be substantially increased to maintain the wage-related character of the benefits, to restore a broader financial base of the program and to apportion the cost of the system among low-paid and high-paid workers in the most desirable way.

Each increase in the taxable limit attempted to restore, in some degree, the original principle of maintaining a wide range in contributions and benefit payments, consistent with the variation in earnings of all but the very high income groups. The original relationships, however, have never been restored.

## THE EFFECT OF TAXABLE LIMIT

Statistics compiled from a sample of the earnings records maintained by the Social Security Administration provide a measure of the effects of the taxable limits. The sources of data and methods of estimation are described later in the article. Estimates in table 1 show the percentages of aggregate earnings in covered employment taxable under various prevailing and alternative taxable limits; they are useful primarily in evaluating the financing of the program. Tables 2 and 3 give the percentages of all workers and of regularly employed men<sup>2</sup> with all their earnings credited under various taxable-earnings bases; they provide measures of one aspect of the benefit structure.

Changes in coverage occurring in 1951 and later years substantially changed the composition of the group and the proportions in the different earnings brackets. The decrease in the proportion of workers whose total earnings were subject to taxation has been much greater for regularly employed men than for all covered workers, as shown in the following tabulation. The relative change in the proportion of all workers whose total earnings were taxable in the first and last years in which specified taxable limits were effective

<sup>2</sup> Male civilian wage and salary workers with earnings reported in 4 calendar quarters of the year (including persons with maximum taxable wages earned in fewer than 4 quarters) and, beginning in 1955, farm workers with annual wages of at least \$400.

TABLE 2.—Number of workers covered under OASDHI and proportion with annual earnings below specified amounts

[Figures in italics represent coverage during the period of prevailing taxable limits]

Year	Taxable limit in effect	Number of workers (in thousands)	Percent of workers with annual earnings below specified amounts							
			\$3,000	\$3,600	\$4,200	\$4,800	\$6,600	\$9,000	\$12,000	\$15,000
1938 <sup>1</sup>	\$3,000	31,822	97.1	98.4	99.0	99.4	99.8	99.9	99.9	99.9
1950		48,283	71.1	81.3	89.4	93.6	97.8	99.0	99.4	99.5
1951	\$3,600	58,120	66.1	76.5	83.4	89.5	90.2	98.3	99.1	99.3
1952		59,576	62.8	72.2	80.9	87.8	95.6	98.1	99.0	99.3
1953		60,839	59.6	68.8	77.4	84.7	94.7	97.8	98.9	99.3
1954		59,610	59.3	68.4	77.0	84.7	94.6	97.7	98.8	99.2
1955	\$4,200	65,203	58.4	66.7	74.3	81.3	93.8	97.7	98.7	99.1
1956		67,612	55.8	63.8	71.5	78.5	92.0	96.7	98.4	99.0
1957		70,500	55.0	62.8	70.3	77.1	91.0	96.4	98.3	98.9
1958		70,162	54.5	62.2	69.6	76.2	90.0	95.9	98.1	98.8
1959	\$4,800	71,695	52.2	59.7	66.7	73.3	88.2	95.4	97.8	98.7
1960		72,530	51.4	58.8	65.5	71.9	86.8	94.9	97.6	98.6
1961		72,819	50.8	58.0	64.6	70.8	85.9	94.4	97.4	98.5
1962		74,310	49.3	56.3	62.8	68.7	84.1	93.6	97.1	98.4
1963		75,760	48.6	55.5	62.0	67.8	82.9	93.0	96.9	98.3
1964		77,700	47.5	54.3	60.5	66.3	81.3	92.1	96.5	98.1

<sup>1</sup> Under existing law, wages earned after attaining age 65 were excluded.

tive are compared with the corresponding change in the proportion for regularly employed male civilian wage earners.

Taxable limit and years in effect	Percentage change	
	All workers	Regularly employed men
\$3,000 (1937-50)	-26.8	-54.0
3,600 (1951-54)	-9.4	-23.6
4,200 (1955-58)	-6.3	-12.0
4,800 (1959-1965) <sup>1</sup>	-9.5	-22.7

<sup>1</sup> Data represent 1959-64.

It is evident that the failure to increase the taxable limit as earnings levels rose has had at least twice as much effect on the regularly employed men as on all covered workers. It is also implicit that regularly employed men are paying smaller contributions in relation to their actual earning and will ultimately receive benefits payments replacing smaller proportions of their pre-retirement earnings than those of other workers.

The tables in this article provide data for selected years beginning with 1938.<sup>3</sup> They show the changing proportions of earnings taxable and

<sup>3</sup> Data for 1937, the first year of coverage, are excluded since data on regularly employed men are not available for that year, and it was considered desirable to have the same first year of reference for all three measures. In any case, both the percentage of total payrolls that was taxable and the percentage of workers with all their wages under the \$3,000 maximum were about the same in 1937 and 1938.

workers with earnings completely taxable for the prevailing taxable limits and for various alternative earnings cut-off points. The decreasing percentages of earnings covered by a given taxable limit is evident from the figures. Of the four taxable earnings bases through 1964, the greatest deterioration occurred under the \$3,000 limit, which remained in effect the longest. But with each successive change in the taxable limit more ground was lost, since the percentages of total earnings that were taxable and the proportions of workers whose total earnings were subject to taxation under the new base were generally below the corresponding percentages in the initial year of the preceding base. Projections of the percentages under the \$6,600 base for 1966 indicate that the relationships in that year will be restored to about the level of 1951, the first year of the \$3,600 taxable limit.

### EARNINGS DISTRIBUTIONS AND BENEFIT STRUCTURE

The data also show the changes in aggregate total earnings and the distributions of earnings that have occurred since the early years of the program. The increase in total earnings and the upward shifting of workers in the earnings array reflect rising earnings rates and substantial growth in coverage of employed workers.

The data in tables 1 and 2 can also be used to

TABLE 3.—Number of male 4-quarter civilian wage and salary workers covered under OASDHI and proportion with annual wages below specified amounts

[Figures in italics represent coverage during the period of prevailing taxable limits]

Year	Taxable limit in effect	Number of male 4-quarter civilian wage and salary workers (in thousands)	Percent of workers with annual wages below specified amounts							
			\$3,000	\$3,600	\$4,200	\$4,800	\$6,600	\$9,000	\$12,000	\$15,000
1938 <sup>1</sup>	\$3,000	14,864	<i>93.9</i>	<i>96.7</i>	<i>97.9</i>	<i>98.7</i>	<i>99.5</i>	<i>99.8</i>	<i>99.9</i>	<i>99.9</i>
1950		23,051	<i>43.2</i>	<i>62.4</i>	<i>78.4</i>	<i>87.0</i>	<i>95.4</i>	<i>97.9</i>	<i>98.8</i>	<i>99.2</i>
1951	\$3,600	25,880	36.8	<i>52.6</i>	68.0	80.4	93.8	97.5	98.7	99.1
1952		26,615	32.3	<i>46.5</i>	62.7	77.1	92.6	97.0	98.5	99.0
1953		27,255	27.7	<i>40.5</i>	55.9	70.5	90.8	96.5	98.3	98.9
1954		26,633	27.8	<i>40.2</i>	55.5	70.5	98.5	96.2	98.0	98.7
1955	\$4,200	28,314	27.2	37.7	<i>50.1</i>	63.0	88.0	95.7	97.9	98.6
1956		29,950	25.6	35.2	<i>46.7</i>	59.0	85.8	94.8	97.6	98.5
1957		31,255	25.9	34.5	<i>44.8</i>	56.5	83.5	93.9	97.2	98.4
1958		30,859	25.9	34.3	<i>44.1</i>	55.1	81.6	93.0	96.9	98.3
1959	\$4,800	31,294	23.1	30.8	39.7	<i>49.7</i>	77.8	92.2	96.6	98.1
1960		31,578	22.3	29.5	37.8	<i>47.1</i>	74.6	90.9	96.1	97.8
1961		31,522	22.2	29.3	37.0	<i>45.9</i>	73.2	90.1	95.8	97.7
1962		32,320	21.1	27.3	34.3	<i>41.9</i>	69.0	88.2	95.0	97.3
1963		33,390	20.1	26.5	33.4	<i>41.9</i>	66.8	87.0	94.5	97.1
1964		34,340	18.3	24.5	31.2	<i>38.4</i>	63.3	84.9	93.6	96.7

<sup>1</sup> Under existing law, wages earned after attaining age 65 were excluded.

obtain some approximate indication of what has happened to the relative shares of total earnings during the period 1938-64.<sup>4</sup> An inspection of the data suggests that there have been no large shifts in relative shares.

The decreasing percentages of workers with all their earnings covered by a given taxable limit indicate a narrowing of the range of earnings used in computing benefits and, consequently, a flattening of the benefit structure. As a worker's annual earnings increased above the taxable limit, the benefits payable on his taxable earnings represented an increasingly smaller proportion of average preretirement earnings. To maintain the range in taxable earnings and benefits originally existing under the \$3,000 limit would have required a taxable limit of at least \$6,600 in 1951, \$8,100 in 1955, \$9,800 in 1959, and \$12,800 (projected) in 1966. These amounts represent comparable cut-off points for regularly employed men. For all workers and for aggregate earnings the comparable cut-off points, would be a little higher.

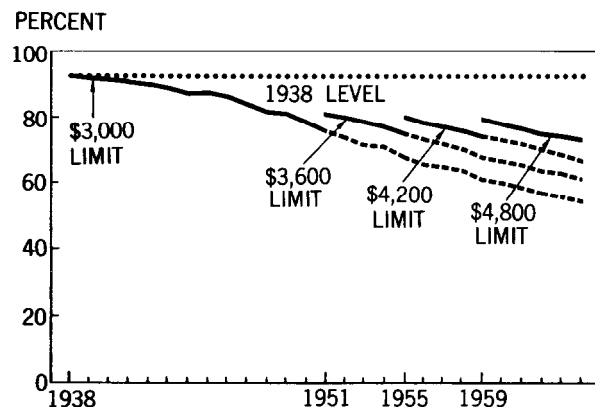
It should be kept in mind that the earnings data in tables 1 and 2 relate to about 6 out of 10 workers in paid employment for years before 1955 and to about 9 out of 10 workers for 1955 and later years.

<sup>4</sup> The relative share of total earnings, as defined here, is the proportion of total earnings received by a given segment of workers compared with the proportion of total earnings received by another group of workers.

### DOWNTREND IN PROPORTION OF EARNINGS COVERED

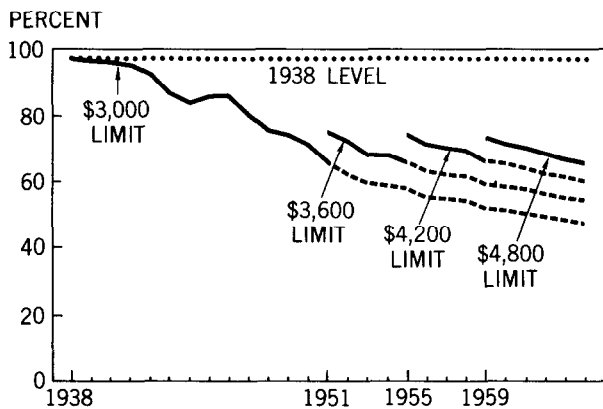
Percentages shown in the tables have been plotted in the accompanying charts for each of the past taxable limits. The lines for the \$3,000, \$3,600, and \$4,200 limits have been extrapolated beyond the effective period of each base, mainly to reveal the parallel in the downward trend of the percentages through 1964. Extrapolating the percentages going back in time would, of course, show a convergence of all lines upon the very high percentages that existed in the early years under the \$3,000 taxable limit. The charts clearly show the

CHART 1.—Proportion of total annual earnings taxable under alternative limits<sup>1</sup>



<sup>1</sup> Broken lines relate to years after effective period of taxable limit.

CHART 2.—Proportion of all workers with annual earnings completely taxable under alternative limits<sup>1</sup>

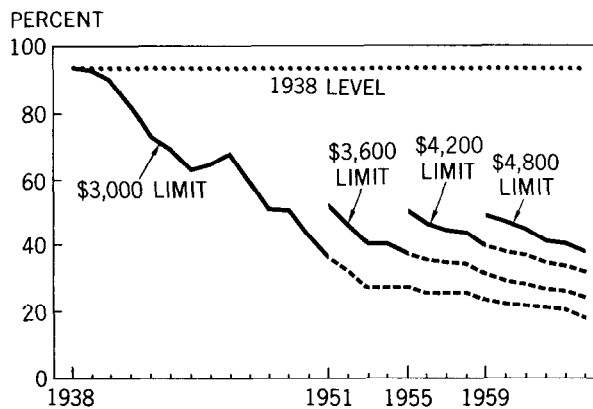


<sup>1</sup> Broken lines relate to years after effective period of taxable limit.

increasing divergence of all taxable limits from coverage of the \$3,000 maximum established in the early years of the program. Significantly, it appears that, although regularly employed men reveal greater sensitivity and response to changes in wage levels, somewhat similar patterns are evident in the data relating to all covered workers.

The general path of each line is clearly downward, as would be expected with a constant taxable limit over a period of rising earnings, but there are interruptions in the rate of decline. These may be explained in terms of the economic conditions affecting not only wage rates but also the number of hours worked and therefore the amount an individual earns in a year. The flatness over a part of the curve indicates generally brief recessions—

CHART 3.—Proportion of male 4-quarter civilian wage and salary workers with annual earnings completely taxable under alternative limits<sup>1</sup>



<sup>1</sup> Broken lines relate to years after effective period of taxable limit.

during 1948–49 and 1957–58, for example. The increasing percentages or “bumps” on the line for the \$3,000 taxable limit reflect the unusual economic conditions that existed during World War II and the early postwar years. The gradual return of the members of the Armed Forces into civilian employment for less than a full year’s employment, combined with the reduction in overtime earnings, account largely for the rise in the proportions of persons with total earnings under \$3,000 in the postwar years. The increase in the proportions for 1945 and 1946 contrasts noticeably with the sharp decline seen in the first 3 years of World War II, when both wage rates and overtime earnings increased substantially.

### SOURCE OF DATA AND METHODS OF ESTIMATION

Data shown here are based generally on a sample of the earnings records maintained by the Social Security Administration. The estimates for total earnings and for workers with earnings above the taxable limit are, however, based on incomplete earnings data, as reported up to the various annual taxable limits. Before 1951, all distributions and aggregates of wages above the \$3,000 taxable limit are estimates. Beginning 1951, with the inclusion of self-employment earnings, only the total wage component is estimated, since both taxable and total net earnings from self-employment are reported to the Administration.

Although various methods of estimating total wages have been used in constructing a series of data from the beginning of the program through the present, the methods have in common the fundamental assumption of a continuous flow of earnings beyond the quarter in which the worker accumulated the taxable limit in wages from an employer. Generally, the estimated rate of earnings is determined by the quarterly patterns of wages reported for the worker in quarters before the one in which the taxable limit was reached. Thus, if a worker was reported with wages of \$3,000 in the first quarter and \$1,800 in the second quarter during a year in which the \$4,800 taxable limit applied, he is assigned to a broad group interval, \$9,600–\$19,199, or, on an individual basis, he is assumed to have received annual wages of four times the amount reported in the first quarter.

The amount estimated for the individual assumes that the \$1,800 reported in the second quarter reflects the effect of the taxable limit and that his total wages were \$3,000 in each quarter of the year, or \$12,000 in annual total wages. For workers reported with maximum wages in the first quarter of the year, the worker is assumed to have earned at least four times the taxable limit and is assigned to the tail end of the distribution—\$19,200 or more.

*Estimated total wage or total earnings frequency distributions.*—The earnings distributions of workers are all based on the “group” method of estimating the intervals of wages above the taxable limit. The “individual” method described above is preferable and more readily applicable to mechanical processing when many estimates of detailed classifications are required, as in estimating total wages for each industry, for each State, and for various other distributive characteristics.

In the group method, the worker is allocated to one of four broad annual wage classes—during the period under the \$4,800 taxable limit, for example: \$4,800–6,399, \$6,400–9,599, \$9,600–19,199, and \$19,200 or more. The frequency distribution for \$600 multiples, or for any desired class interval above \$4,800, is then estimated by means of mathematical interpolation, involving curve-fitting techniques. The total distribution of workers with \$1 or more in wages may then be arrayed in intervals of any size, by adding the estimated distribution for workers above the taxable limit to the distribution based on actual reported wages for workers whose annual wages were under the taxable limit.

Up to 1950, the method described above did not require any further steps in the computations. Beginning 1951, when self-employed persons were first covered under the program, the data on the earnings from employment for wages and from self-employment had to be combined to obtain the total earnings distributions.

*Estimated total wage or total earnings aggregates.*—Consistent with the group method of estimating the distribution of workers with wages above the taxable limit, the estimated amount of total wages of workers above the taxable limit was obtained by the method of calculus or quasi-calculus techniques, which have the common ob-

jective of estimating the “area under the curve” for the preestimated distribution of workers above the taxable limit. For most of the distribution above the limit, these aggregates are very similar to the amounts obtained as the product of the number of workers in an interval multiplied by some average figure near the midpoint of the interval.

For the open end interval of the distribution—for example, \$19,200 or more under a \$4,800 limit—annual total wage aggregates were obtained by applying a method referred to generally as the “Pareto method.” This method is conveniently applicable to the long tail of a distribution consisting of the relatively higher income group of workers. It involves computing an average wage amount for workers in the interval and multiplying the number of workers in the group by this average to obtain the estimated amount of total wages. Total wage aggregates for selected intervals, as well as the overall total, may then be obtained by using the reported taxable amounts for workers in intervals below the taxable limit and the estimated amounts for workers with annual wages above the limit. To obtain total earnings aggregates by intervals of earnings and for the total in covered employment, both the reported taxable wages and reported self-employment earnings were combined for intervals under the taxable limit. Above the taxable limit, the estimated amounts of wages were combined with reported total earnings from self-employment to obtain total earnings aggregates for each interval.

*Estimated taxable wage or taxable earnings aggregates.*—The amount of taxable wages or taxable earnings under the limits in effect is obtained directly from the records on reported taxable earnings. For alternative taxable limits, however, the taxable amount of wages for a given limit was obtained by combining the wages of three component groups of workers: (1) the reported wages of workers earning less than the taxable limit in effect, (2) the estimated amount of total wages of workers earning above the existing limit but less than the alternative limit, and (3) the estimated amount of taxable wages of workers in the new open-end interval of the alternative taxable limit. This procedure is also applied when data on self-employed persons are included in the computa-

(Continued on page 59)

TABLE M-21.—Gross national product and personal income, by type, 1940-66

[Amounts in billions. Before 1960, data are for the 48 States and the District of Columbia, except where otherwise noted. Beginning 1960, includes Alaska and Hawaii]

Period	Gross national product	Personal income							
		Total	Wage and salary disbursements <sup>1</sup>	Social insurance and related payments <sup>2</sup>		Public assistance payments <sup>3</sup>		Other income <sup>4</sup>	Less: personal contributions for social insurance <sup>5</sup>
				Amount	Percent of personal income	Amount	Percent of personal income		
1940	\$99.7	\$78.3	\$48.2	\$1.7	2.1	\$2.7	3.4	\$26.4	\$0.7
1945	212.0	171.1	117.5	2.9	1.7	1.0	.6	52.1	2.3
1950	284.8	227.6	146.7	6.7	3.0	2.3	1.0	74.7	2.9
1955	398.0	310.9	211.3	12.7	4.1	2.5	.8	89.7	5.2
1960	503.8	401.0	270.8	23.3	5.8	3.2	.8	112.9	9.3
1961	520.1	416.8	278.1	26.8	6.4	3.4	.8	118.2	9.6
1962	560.3	442.6	296.1	27.8	6.3	3.5	.8	125.5	10.3
1963	590.5	465.5	311.1	29.4	6.3	3.6	.8	133.2	11.8
1964	631.7	496.0	333.6	30.6	6.2	3.8	.8	140.5	12.5
1965	681.2	535.1	358.4	33.1	6.2	4.0	.7	152.8	13.2
1965 <sup>6</sup>									
July		535.4	358.3	32.1	6.0	3.9	.7	154.3	13.2
August		537.8	360.6	31.9	5.9	3.9	.7	154.6	13.2
September	686.5	552.5	363.5	42.7	7.7	4.0	.7	155.5	13.2
October		547.2	366.0	33.3	6.1	3.9	.7	156.4	13.3
November		553.2	371.4	33.7	6.1	4.0	.7	157.6	13.5
December	704.4	558.2	374.1	34.8	6.2	4.0	.7	158.9	13.6
1966 <sup>6</sup>									
January		560.2	376.8	35.1	6.3	4.1	.7	161.0	16.8
February		564.7	380.1	35.3	6.3	4.1	.7	162.1	16.9
March	721.2	569.0	382.9	35.6	6.3	4.2	.7	163.2	16.9
April		570.5	384.7	35.3	6.2	4.2	.7	163.3	17.0
May		573.0	387.0	35.1	6.1	4.1	.7	163.9	17.1
June	732.0	577.2	390.5	35.7	6.2	4.2	.7	163.8	17.2
July		580.0	393.7	35.9	6.2	4.2	.7	163.9	17.9

<sup>1</sup> Includes payments in kind; includes pay of Federal civilian and military personnel in all areas. Excludes earnings under work-relief programs in effect during 1935-43.

<sup>2</sup> Includes government transfer payments to beneficiaries under OASDHI, railroad retirement, public employee retirement, unemployment insurance, and veterans' pensions and compensation programs; cash and medical payments under workmen's compensation and temporary disability insurance; and court-awarded benefits for work injuries sustained by railroad, maritime, and other workers under Federal employer liability acts.

<sup>3</sup> Includes government transfer payments to recipients of direct relief under programs of old-age assistance, aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled, and general assistance; includes, during 1935-43, earnings under work-relief programs and the value of surplus food stamps. Excludes payments made in behalf of recip-

ients to suppliers of medical care (vendor payments).

<sup>4</sup> Includes proprietors' income, dividends, personal interest, and rental income; other transfer payments not enumerated in footnotes 2 and 3 (such as Government life insurance payments, World War bonus payments, mustering-out pay and terminal-leave benefits to discharged servicemen, subsistence allowances to veterans at school); and employer contributions to private pension and welfare funds and other labor income (except compensation for injuries).

<sup>5</sup> Includes life insurance premium payments for veterans of World War I and World War II.

<sup>6</sup> Seasonally adjusted annual rates, except public assistance and part of the "social insurance and related payments" category.

Source: Department of Commerce, Office of Business Economics. Data regrouped to highlight items of special interest to the social security program.

## EARNINGS AND TAXABLE MAXIMUMS

(Continued from page 43)

tions. The key figures used in going from the \$4,800 taxable limit in effect in 1959 to the \$5,400 alternative limit are shown in the tabulation in the next column.

The amount of taxable earnings under the \$4,800 and \$5,400 limits, taken as a percent of estimated total earnings, produces the percentage relationship used as a comparative measure of the extent to which payrolls and earnings are subject to taxation under the program. The actual amount of reported taxable earnings and the estimated amount of taxable earnings may also be

Interval of annual earnings	Number of workers, 1959 (in thousands)	Annual taxable earnings (in millions)	
		Under \$4,800 limit	Under \$5,400 limit
Total	71,695	\$202,346	*\$211,303
Under \$4,800	52,532	106,236	106,236
\$4,800 or more	19,163	96,110	-----
4,800-5,399	*4,334	-----	*22,025
5,400 or more	*14,829	-----	*83,042

\* Estimated.

used to compute the effect that raising the limit may have on contribution income for the trust funds. The percentages of earnings taxable under various taxable limits shown in table 1 were derived in the manner described above.