



Current Report

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HIGHLIGHTS OF THE 1977 SOCIAL SECURITY AMENDMENTS

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Several significant changes were made in the 1977 amendments to the Social Security Act. Some of the most significant ones are as follows.

Two major changes will affect the retired worker. First, to encourage retired people to work, the earnings limitations are raised and second, after the initial year of retirement the monthly earnings test is changed to an annual earnings test.

Increased Earnings Test

In 1977, a retired person could earn \$3,000 per year without having any benefits withheld. One dollar was withheld for each two dollars earned above \$3,000. However, regardless of annual earnings, a person could receive full benefit for any month in which he did not earn more than \$250 in wages or did not perform substantial services in self-employment.

This is changed beginning in 1978. If you are 65 or older, you can earn up to \$4,000 in 1978 without losing any social security benefits. If you are under 65, you can earn up to \$3,240 without loss of benefits. One dollar of benefits is lost for each two dollars earned above the specified amounts listed above. There is no income limit when you reach age 72. Beginning in 1982, monthly benefits will be payable if the month the beneficiary attains age 70, regardless of the amount of money earned.

Beginning in 1979, the yearly exempt amount increases by \$500 each year through 1982, for beneficiaries age 65 and over. Thus, in 1982, a 65 year old beneficiary could earn \$6,000 and still receive all of his benefits.

For beneficiaries under 65, the amounts will increase. The amount will be determined under the automatic cost of living adjustment of the law.

Monthly Earnings Test to Annual Test

Beginning in 1978, the monthly test is eliminated for all years after the initial year of retirement. As mentioned earlier, in 1977, a retired worker regardless of annual earnings could receive full benefits for any month in which he did not earn more than \$250 or perform substantial services in self employment.

Farmers could retire and carry over wheat or cotton and sell the following year and still qualify for Social Security, because they did not render substantial services.

Thus, farmers who retired in 1977, have an annual earnings limitation of \$4,000 in 1978, if they are between the ages of 65 and 72. If under 65, they may earn up to \$3,240 without loss of benefits. One dollar in benefits is lost for each two dollars earned above the amounts specified. The yearly exempt amount increases \$500 next year.

If you retire in 1978, you won't lose benefits for any month in 1978 in

which you didn't earn more than \$333.33 in wages (\$270 for those under 65) or render substantial services in self employment, regardless of what you earn in the year. This is because 1978 is your initial year of retirement. In 1979, your annual earnings becomes the test for benefits.

Farmers who retire in 1978 should be aware of how grain or other products carried over and sold in 1979 will affect their benefits. Proper planning may increase benefits.

Other Changes

1. After December, 1978, the remarriage of a widow, age 60 or older, will not reduce the widow's benefits. This change also applies to a widower, age 60 or older.

2. The divorce of a wife, age 62 or older, will not terminate her wife's Social Security benefits, if she has been married to the worker for a period of 10 years immediately before the date the divorce became effective. (Formerly it was 20 years.)

3. The employer will be taxed for each month of employment on tip income above the employee's salary for the month, up to the amount that equals the minimum wage that would be payable for the month. This is effective after 1977.

4. Homeworkers, employees in non-business work and non-profit organizations will be covered based on remuneration of at least \$100 per year by an employee in any calendar year. Previously it was based on remuneration of at least \$50 in a quarter. Employers will report wages annually for Social Security and income tax purposes. Previously wages were reported quarterly.

5. The income or loss from a partnership by a limited partner will be excluded from Social Security coverage in 1978.

The Social Security tax rates and wage base were changed under the 1977 amendment as shown below. Congress is presently considering reducing these rates.

NEW SOCIAL SECURITY TAX LEVELS AND TAXABLE WAGE BASE

Year	Employees & Employers Rate %	Self-Employed Rate %	Taxable Wage Base \$
1977	5.85	7.90	16,500
1978	6.05	8.10	17,700
1979	6.13	8.10	22,900
1980	6.13	8.10	25,900
1981	6.65	9.30	29,700
1982	6.70	9.35	31,800
1983	6.70	9.35	33,900 ^{1/}
1984	6.70	9.35	36,000 ^{1/}
1985	7.05	9.90	38,100 ^{1/}
1986	7.15	10.00	40,200 ^{1/}
1987	7.15	10.00	42,600 ^{1/}
1988	7.15	10.00	
1989	7.15	10.00	
1990 and later	7.65	10.75	

^{1/} Estimates

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