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Social Security or Old Age and

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Survivors Insurance for Farm Workers

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University of Nebraska, College of Agriculture
Lincoln, Nebraska. February 15, 1951

THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM under the Social Security law has been extended beyond commerce and industry to cover some farm employees. As in the case of commerce and industry, the system will be financed by taxes on the worker and the employer under the Federal Insurance Contributions Act. Beginning January 1, 1951, the farm employer will be liable, under the general conditions outlined below, for the deduction of the employee tax from the cash wages of his farm employees. The employer will be required to pay such employee tax, together with his tax as an employer, to the U. S. Collector of Internal Revenue for his district.

Over 600,000 hired farm workers classified as regular workers can become eligible under the new Social Security law or the Federal Old Age and Survivors Insurance starting January 1, 1951.

Regular hired farm workers will want to be sure they are included if they can qualify. For those hired farm workers who meet the requirements of the new law, this Government insurance provides:

Monthly payments when they retire after reaching 65.

Payments to their families when they die.

Farm operators who hire regular workers are obligated by law to make the insurance (tax) payments. Failure to make the payments will carry about the same penalties as failure to pay income tax.

According to the Bureau of Internal Revenue the tax paid by the employer (farmer or rancher) is deductible as a farm expense, but it is not deductible to the employee. This is because the tax is an extra cost to the employer which he must pay. But to the employee, he is paying a tax which he will get back when he reaches the age of 65. To the employee, the tax amount is an investment - and not an expense.

FARM WORKERS WHO ARE INCLUDED AND THEIR QUALIFICATIONS

Regular hired farm help including cooks and housekeepers are covered as long as they meet the following qualifications:

- (1) Work full time for a 3-month period (calendar quarter) for one farm operator. This is called a qualifying period. The 3-month periods start only on January 1, April 1, July 1, and October 1. No tax is paid during this qualifying period. The last quarter of 1950 can be used to qualify.
- (2) Continue to work for the same employer for at least 60 days in each succeeding 3-month period and earn at least \$50 in cash wages during the 60 days he works. For each one of these 3-month periods the wage earner will be covered if the insurance (taxes) is paid by the employer. He will be covered for one quarter if he works less than 60 days but earns at least \$50. However, to be covered in any future quarter he must serve a qualifying period. If he changes employers or earns less than \$50 he will not be covered until he goes through another qualifying period. Non-cash payments in such forms as room, board, farm products and firewood cannot be counted.

FARM PEOPLE WHO CANNOT BE INCLUDED UNDER PRESENT LAW

1. Hired workers not meeting the foregoing qualifications, especially temporary and migratory farm labor.
2. Owners or operators of farms.
3. Children under 21 years receiving wages from parents. They can be included if working for someone else.
4. Parents receiving wages from sons and daughters.
5. Wife receiving wages from husband.
6. Husband receiving wages from wife.

DUTIES OF ELIGIBLE REGULAR HIRED FARM WORKERS WHO ARE INCLUDED

1. The eligible farm worker should obtain a social security card--if he does not already have one. This can be obtained from the nearest Social Security Office. If no Social Security Office is near, obtain an application blank (Form SS-5) from a post office, and mail this with the information requested to the Social Security Office. A card will be sent from that office.

If a social security card is lost, a duplicate should be requested.

Social Security Offices in Nebraska, are located at: Foster-Barker Building, 205 South 19th Street, Omaha; 215 Post Office Building, Lincoln; Bartenback Building, Grand Island; Post Office Building, North Platte; 114 Flynn Building Scottsbluff; Post Office Building, Sioux City, Iowa (serves Dakota, Dixon and Thurston counties in Nebraska).

2. The regular worker should show his card to his employer who will need the name and social security number exactly as it is indicated on the card.
3. Claims should be filed for benefit payments at the local Social Security Office when the wage earner who is covered reaches 65 years of age and retires. When the wage earner dies, his survivors should file claims with that office.

OBLIGATIONS OF FARM OPERATOR HIRING ELIGIBLE WORKERS

1. Apply for an identification number: To do this he should obtain an application blank (Form SS-4) from the local Collector or Deputy Collector of Internal Revenue. Once the completed application is received by the Collector of Internal Revenue, thereafter the farmer will be sent the proper blanks (Form 941) on which he must report.
2. Withhold $1\frac{1}{2}\%$ of the cash wages paid to qualified hired workers. The first time farmers will need to do this is in January, 1951 on wages paid that month to workers qualified to be covered the first quarter of 1951.

The amount of tax to be paid until the end of 1953 is 3% of the cash wages. One half of this, or $1\frac{1}{4}\%$, is withheld from the hired worker's wages and one half, or $1\frac{1}{4}\%$, is paid by the employer. Only the first \$3,600 of the yearly wage is taxable.

The total tax rate will be increased to 4% from 1954 to 1959, to 5% from 1960 to 1964, to 6% from 1965 to 1969, and 6½% after 1969.

3. Report on Form 941 and make payment to Collector of Internal Revenue at end of each quarter in which he hires farm labor, cooks or housekeepers who are qualified to be included.

Farmers will make their first report and payment for the quarter ending March 31, 1951. They will have 30 days after the end of each quarter in which to submit their return.

On the report Form 941 the farmer will indicate the name and social security number of the hired worker, along with the cash wages paid and the amount of tax.

4. Keep accurate records of days worked, cash wages paid, taxes deducted, and payments made. This is not a requirement but it is to the farmer's interest since he is held liable for the payments.

OTHER WORKERS IN AGRICULTURAL INDUSTRIES COVERED

Workers in agricultural businesses, not located on farms, will be included under the social security provisions starting January 1, 1951. This means cooperatives, commercial handlers of fruits and vegetables who are getting products ready for market, poultry hatcheries, and others.

No qualifying period is required by these workers. They are covered regardless of the length of employment, amount of wages, or size of business. Payment of taxes is made by the employer in the same way as for hired farm workers.

INSURANCE PAYMENT BENEFITS RECEIVED BY THE WORKER WHO IS COVERED

1. Worker can receive monthly retirement payments (benefits) at age of 65 if he has been insured or covered for 6 quarters or 1½ years, and has been covered one half of the time since January 1, 1951, or the date he becomes 21 years of age, if that is later. After he has been covered 40 quarters or 10 years, he is fully insured and entitled to benefits regardless of the proportion of the time he has been covered.

The amount of the monthly payment received depends on the average monthly wage of the worker. It is computed by taking 50% of the first \$100 of the average monthly wage, plus 15% of the next \$200 average monthly wage.

2. The wife can receive monthly retirement payments at the age of 65 if the husband is 65 and entitled to benefits. She would get half as much as the husband while he is living. A widow at 65 (or under 65 if there are dependent children under 18 years of age), will get three-fourths as much as the husband could have received.
3. Dependents of an insured worker who dies can receive monthly payments. Children under 18, and the wife while caring for children, can receive benefits. The first child receives three-fourths the worker's benefit and other children one-half as much. Parents at 65 who were dependent can receive payments if deceased worker leaves no widow or children who can become entitled to benefits.

The limitation to the amount going to one family is 80% of the average monthly wage or \$150, whichever is the lesser.

4. Qualified survivors (besides No. 3 above) or the person paying the funeral bill can file claim and receive a lump-sum payment upon death of the insured person from the Social Security Administration. This amounts to three times the primary monthly benefit payment that the insured could have received.

There are other minor variations in determining payment benefits but the following table gives some examples which in a general way indicate what the payments are:

EXAMPLES OF MONTHLY BENEFIT PAYMENTS

Average monthly wage	Monthly Benefits			
	Retired worker alone	Retired worker and wife	Widow at age 65	Widow and 2 children
\$ 50	\$ 25	\$ 37.50	\$ 18.75	\$ 40
100	50	75.00	37.50	80
200	65	97.50	48.80	130
300	80	120.00	60.00	150

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