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## EC54-800 What Social Security Means to Farm Families

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WHAT

# Social Security

RECEIVED  
MEANS TO  
**Farm Families**  
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The Social Security Program

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WHAT SOCIAL SECURITY MEANS TO FARM FAMILIES  
by  
Everett E. Peterson  
Extension Economist

What is Federal Old-age and Survivors Insurance?

Basically it is a family group insurance plan operated by the Federal government. The purpose of such plans, public or private, is to compensate, to some extent, for the decline of earning power in old age, and to provide protection for survivors in the event of death of the insured person.

What Benefits are Paid?

Three types of benefits are available to qualified persons:

- (1) Monthly retirement payments to:
  - (a) Retired wage earner or self-employed person past age 65;
  - (b) Retired wage earner or self-employed person and spouse, both past 65;
  - (c) Retired wage earner or self-employed person over 65, wife not yet 65, children under 18.
- (2) Monthly payment to survivors:
  - (a) Widow past age 65;
  - (b) Widow under 65 and children under 18; or children under 18 only (Note that after all children are over 18 but widow is not yet 65, she receives no monthly payments until she reaches age 65).
- (3) Lump-sum payments of \$90 to \$255 on the death of an insured person to the spouse or to the person who paid the burial expenses.

Table 1. - Examples of Monthly Benefits Payable to Qualified Persons After August, 1954

Average annual net income*	Average monthly earnings or wages*	For Retirement		To Survivors		
		Single worker	Worker and spouse	Widow, child, etc.	Widow and 1 child	Widow and 2 children
(1)	(2)	(3)	(4)	(5)	(6)	(7)
\$ 540	\$ 45	\$ 30.00	\$ 45.00	\$ 30.00	\$ 45.00	\$ 50.20
1200	100	55.00	82.50	41.30	82.60	82.60
1800	150	68.50	102.80	51.40	102.80	120.00
2400	200	78.50	117.80	58.90	117.80	157.10
3000	250	88.50	132.80	66.40	132.80	177.20
3600	300	98.50	147.80	73.90	147.80	197.10
4200 & over	350	108.50	162.80	81.40	162.80	200.00

\* After drop-out of up to 5 years of lowest (or no) earnings.

How are Benefits Earned?

Farmers and farm workers become entitled to benefits by earning enough in farm operations or wages over a sufficient length of time in occupations that come under the law and paying the tax (or premiums) on these earnings.

What is the Basis for Figuring Payments?

Payments are based on your average monthly earnings from January 1, 1951 up to the year in which you reach age 65 or die.

In figuring these average earnings, you can drop out up to four calendar years after 1950 in which your earnings were lowest, or in which you had no earning at all (or were not working in a covered occupation). If you have at least 20 quarters (5 years) of covered work, acquired at any time, you can leave out one more calendar year of your lowest earnings. After the drop-out, the average monthly earnings will be figured by dividing the total earnings in the remaining period by the months in that period. However, if the remaining months are less than 18, you must divide by 18.

Earning up to \$3,600 a year can be counted toward social security from January 1, 1951, through 1954 except for farmers and others not covered, until January 1, 1955. For 1955 and years thereafter earnings up to \$4,200 in a year will be credited to your social security account. Benefits based on average monthly earnings of \$350 will first be payable in July 1956, provided the worker has earnings at an annual rate of at least \$4,200 in 1955 and 1956.

Who are "Covered"?

All farm operators -- persons farming for themselves, either as owner-operators or as ten-

ants -- with a net farm profit of \$400 or more in a year must pay social security taxes (insurance premiums) and will be entitled to the protection of the Federal old-age and survivors insurance program. This coverage takes effect January 1, 1955 for farmers operating on a calendar year basis or at the beginning of any fiscal year ending after December 31, 1954, for farmers reporting their Federal income tax on a fiscal year basis.

The new law brings old-age and survivors insurance protection to all farm workers who earn as much as \$100 cash pay in a year from any one farmer, whether the work is regular or not. Some farm workers were covered previously. Now a farm worker will get credit for one quarter if he earns \$100-199 in a year; two quarters if he earns \$200-299 in a year; three quarters with \$300-399; and a full year with \$400 or more.

Is Participation in the Program Voluntary or Compulsory?

It is compulsory. It is part of the Federal law and all persons, self-employed farmers, farm workers and employers, who come within the provisions of the law must report and pay social security taxes as specified in the law.

Information for Farm Operators

Will it be Necessary to "Sign Up"?

If you never had a social security account number or had one and lost your card, you can get a number card from the nearest social security office. Or you can get an application (Form SS-5) from your local postmaster; mail it to the social security office and a card will be issued and sent to you.

Always show or record your social security account number on your report as that number identifies your individual account and makes it possible to credit your account correctly. Your benefits are figured from this account.

How Much Social Security Tax Will Farmers Pay for This Insurance?

Until 1960, a farmer pays 3 percent of his net farm profit from \$400 up to \$4,200 a year. Thus the smallest social security tax for a farmer is 3 percent of \$400 or \$12. The largest social security payment is 3 percent of \$4,200 or \$126 for one year. Beginning in 1960, the rate increases 3/4 of 1 percent every five years up to a maximum of 6 percent unless changed by Congress in the future.

How and Where do Farmers Start Reporting and Paying the Social Security Tax?

Farmers keeping their farm account records and reporting their Federal income taxes on a calendar year basis will file their first reports and make their first payments of social security taxes for 1955 along with their 1955 Federal income tax reports early in 1956. You do not report or pay a social security tax on your 1954 net farm income.

Farmers keeping their farm account records and filing their Federal income taxes on a fiscal year basis must make their first reports and payments of social security taxes in 1955 along with their first Federal income tax report for a fiscal year ending after January 1, 1955. The social security tax would be on the earnings for the entire fiscal year.

What Amount of Earnings Should be Reported?

In general the amount you report is your net farm earnings or profit--the remaining figure after you subtract your farm expenses from your gross income. However, you have a choice of amounts to report under certain conditions depending upon your gross and net income situation, as summarized in Table 2.

In deciding which of the methods to use when you have a choice available, you should keep in mind that the higher the earnings credited to your social security account, the greater the benefits you can receive, up to the maximum.

How is "net farm profit" computed?

The net farm profit for the social security tax is computed in the same manner and it is the same figure as determined on the Federal income tax Form 1040F, "Schedule of Farm Income and Expenses." It is the figure obtained on the bottom line of page 1 of Form 1040F if the "cash basis" is used in computing net farm profits or on the bottom line of page 3 of Form 1040F if the "accrual basis" is used.

What records should be kept by farmers?

Keep accurate and complete records. This is another very good reason for keeping farm accounts.

Social Security For Hired Farm Workers

Some "regular" farm workers have been covered since Jan. 1, 1951. The 1954 legislation extends coverage to all farm workers who earn \$100 or more in a year from any one farmer-employer, beginning Jan. 1, 1955.



Table 2. - Optional Methods of Reporting Earnings by Farm Operators

Gross Income	Net Farm Profit	Amount to be reported	
		Regular Method	Optional Method
(1) Under \$ 400	Under \$ 400	None	None
(2) \$400 - \$ 799	Under \$ 400	None	None
(3) \$400 - \$ 799	\$ 400-\$ 799	Actual net profit	None
(4) \$800 - \$1800	Under \$ 400	None	One-half of gross
(5) \$800 - \$1800	\$ 400-\$1800	Actual net profit	One-half of gross
(6) Over \$1800	Under \$ 400	None	\$ 900
(7) Over \$1800	\$ 400-\$ 899	Actual net profit	\$ 900
(8) Over \$1800	\$ 900 & over	Actual net profit	Actual net profit

#### What should a farm worker do?

If you do farm work for others and earn at least \$100 cash wages from any one employer in a year you must have a social security card.

Always show this card to your employer so he can copy the name and number from it for his records. This is necessary for you to be sure of getting the proper credit toward future benefits.

What is the amount of the tax and how is it paid?

Until 1960 the social security tax on wages of farm workers is 2 percent from the worker and 2 percent from the employer on cash earnings up to \$4,200 per year. Your employer will hold back 2 percent of your wages and then match this amount as his share of the tax. He will send the total to the Internal Revenue Service with his social security report.

What happens if you work for more than one employer?

Each employer from whom you earn as much as \$100 cash pay in a year will keep back 2 percent of your pay, match it, and send it in to the Internal Revenue Service.

Employers of seasonal or part-time workers should keep a record of all wages paid and taxes deducted along with the names and account numbers of all workers hired. If the worker does not earn \$100, the amount of the tax withheld should be returned to him.

What benefits will farm workers and their families receive?

Farm workers under the social security system will be entitled to benefits on the same basis as self-employed farmers. See Table 1

#### Information applying to both groups - Farmers and Farm Workers

##### Over how long a period do farmers and farm workers pay social security taxes?

Farmers and farm workers continue to report earnings and pay social security taxes, whether past age 65 or not, so long as their earnings and wages are above the minimum requirements. However, a child under 21 working for his parents, a parent working for his son or daughter, or a husband or wife working for his or her spouse is not covered by social security even though he or she receives cash wages. If a husband and wife both work in covered occupations, each will build up credit toward old-age and survivors' benefits.

When does a farmer or farm worker become eligible for social security benefits?

To become eligible for old-age insurance payments, or for your family to become entitled to payments in case of your death, you must have worked in an occupation covered by social security for a certain period of time, depending upon the date you become 65 or die. No one can qualify without at least six quarters (1 1/2 years) of coverage. When you have 40 quarters (10 years) of coverage you are fully insured for life.

Must a claim be filed to obtain social security payments?

No social security payments can be made until a claim has been filed. Whenever a farmer or a farm worker reaches age 65 he should call at the nearest social security office and ask for information about his situation even though he has not retired. When an insured farmer or farm worker dies, his family should notify the social security office immediately and ask about any benefits which they may be entitled to receive.

Will income from other sources mean loss or reduction of social security benefits?

A farmer or farm worker between the ages of 65 and 72 can have earnings of up to \$1,200 a year from cash wages or net profit from farming and still draw all of his retirement payments. Income from share or cash rent, interest, dividends or insurance policies is not regarded as "earnings" for social security purposes so the \$1,200 limit does not apply to such income. A retired person can earn \$1,200 over and above any income from such sources.

If you earn more than \$1,200 a year after you become entitled to old-age payments, the number of monthly payments you receive will depend upon the amount of your earnings and the number of months you work.

After you are 72 years of age, all your monthly payments will be made to you regardless of the amount of your earnings.

How does the cost of this plan compare with other insurance plans?

Information contained in U. S. D. A. Misc. Publication No. 621, "Life Insurance For Farm Families," shows that \$23,291 of insurance would be needed to provide a monthly income of \$160 per month for 15 years. The premium on this much insurance taken out at age 35 would be about \$650 per year.

The social security insurance program is not designed to build up estates, as do some other types of insurance. In order to start receiving benefit payments (other than the lump-sum payment at death) either the insured person or spouse must live to and past age 65 -- or have surviving children under 18 years of age.

#### For additional information and service

Your local social security office is responsible for issuing account-number cards, for handling claims for benefits, and for giving you information about old-age and survivors insurance. If you have any questions on your rights and responsibilities under the social security system, visit or write your nearest social security office. The list below gives the locations of the offices in Nebraska:

Grand Island, 307-9 Hedde Bldg., 218 N. Locust.  
Lincoln 8, 215 Post Office Bldg., 10th & O. Sts.  
North Platte, Post Office Bldg.  
Omaha 2, 1918 Harney  
Scottsbluff, P. O. Box 498, Flynn Bldg., 9 E. 16th St.