

DOCUMENT RESUME

02745 - [A1852878]

[Need to Change Income Criteria of the Supplemental Security Income Program]. HRD-77-101; HRD-77-114; HRD-77-113; B-164031(4). June 23, 1977. 7 pp. + enclosure (1 pp.).

Report to Sen. Russell B. Long, Chairman, Senate Committee on Finance; Rep. James C. Corman, Chairman, House Committee on Ways and Means: Public Assistance and Unemployment Compensation Subcommittee; Rep. Al Ullman, Chairman, House Committee on Ways and Means; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security Programs (1300).

Contact: Human Resources Div.

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Organization Concerned: Social Security Administration.

Congressional Relevance: House Committee on Ways and Means: Public Assistance and Unemployment Compensation Subcommittee; House Committee on Ways and Means; Senate Committee on Finance.

Authority: Social Security Act, title XVI (42 U.S.C. 1381). H.R. 3282 (95th Cong.).

An examination was performed of the Supplemental Security Income program to identify legislative changes needed for recipients to be treated more equitably. Findings/Conclusions: Concern was expressed about a provision that calls for a reduction in benefits when recipients receive in-kind support and maintenance. The amount of the reduction varies depending upon the recipient's living arrangements. This can result in recipients with similar in-kind support and maintenance being paid different benefits. Of the 4.2 million recipients receiving benefits as of December 1976, one-half million, or about 12%, had their benefits reduced under this provision. H.R. 3282, one of several bills relating to this subject, would eliminate consideration of in-kind support and maintenance in determining eligibility for program benefits and the amount of such benefits. This change would simplify program administration and also eliminate the noted inequities. According to Social Security estimates, it would cost about \$485 million per year in increased benefits, compared to about \$15 million under a GAO legislative proposal. Recommendations: Congress should amend the law to treat in-kind support and maintenance the same, regardless of the living arrangement of the recipient. (Author/HTW)



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

JUN 23 1977

B-164031(4)

The Honorable Russell B. Long  
Chairman, Committee on Finance  
United States Senate

Dear Mr. Chairman:

We have recently examined the Supplemental Security Income program established under title XVI of the Social Security Act (42 U.S.C. 1381) to identify legislative changes needed for recipients to be treated more uniformly and equitably under the program.

We are concerned about one program provision that provides for a reduction in recipients' benefit amounts when they receive in-kind support and maintenance. <sup>1/</sup> The amount of the reduction varies depending upon the recipient's living arrangements. This can result in recipients with similar in-kind support and maintenance being paid different benefits. Of the 4.2 million recipients receiving benefits as of December 1976, 1/2 million, or about 12 percent, had their benefits reduced under this provision.

We discussed with your Committee's staff a legislative amendment which would eliminate the inequities resulting from the different treatments of in-kind support and maintenance. Since our discussion, several bills have been introduced in the 95th Congress which would have an impact in varying ways on the treatment of in-kind support and maintenance in computing benefits. (See enc. I.)

One of these bills--H.R. 3282--would eliminate consideration of in-kind support and maintenance in determining eligibility for program benefits and the amount of such benefits. The primary purpose is to simplify program administration. However, it would also eliminate the inequities we are addressing in this letter. According to Social Security estimates, completely eliminating in-kind support and maintenance as contemplated by H.R. 3282 would cost about \$485 million per year in increased benefits.

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<sup>1/</sup>In-kind support and maintenance is room and board and incidentals necessary to an individual's normal sustenance.

HRD-77-101

02745

If the committee finds that this resulting cost is prohibitive, we recommend eliminating these inequities through our legislative proposal which, according to the Social Security Administration, would cost about \$15 million annually in increased benefits.

## BACKGROUND

The monthly basic Federal benefit as of July 1, 1976, was \$167.80 for an individual and \$251.80 for a couple. Basic benefits are reduced dollar for dollar for countable income. Anything of value received by the individual or couple is included in countable income, except for certain excluded amounts. For example, the first \$20 of monthly income, whether earned or unearned, is excluded from countable income. This exclusion was to recognize the efforts of working people who provided for themselves in retirement and to assure that their total income will be more than if they had never worked.

Section 1612 of the act provides that in-kind support and maintenance is unearned income to the recipient. One exception to this provision is when a recipient lives in another person's household. In these cases, the recipient's standard benefit amount is reduced by one-third instead of counting the support and maintenance as unearned income. This statutory one-third reduction was included because of the practical problems involved in determining the value of room and board for people who live with a friend or relative.

For recipients not living in another person's household, Social Security estimated the current market value of in-kind support and maintenance received and treated it as unearned income before December 1974. In December 1974 Social Security eliminated the need for determining the market value and subsequently has required that in-kind support and maintenance in these cases be valued at one-third of the benefit amount plus \$20 (\$75.93 for an individual as of July 1, 1976). This change was made so that, regardless of recipients' living arrangements and the amount of in-kind support and maintenance received, recipients would have the equivalent of two-thirds of the benefit amount to spend at their discretion. Also, the change was made to avoid the administrative tasks involved in determining the market value of in-kind support and maintenance.

PRESENT TREATMENT OF IN-KIND SUPPORT  
AND MAINTENANCE RESULTS IN INEQUITY

Some recipients have their maximum monthly Federal benefit reduced when in-kind support and maintenance is received and others do not. For example, when recipients receive in-kind support and maintenance based on need from a State or local political subdivision, their benefits are not reduced. In other cases, a reduction generally depends on a recipient's living arrangement. In addition, all recipients are not given an opportunity to rebut the amount of the reduction.

When a recipient lives in another person's household, the benefit amount is automatically reduced one-third for in-kind support and maintenance, and the recipient is unable to rebut the amount of the reduction. These recipients are not provided a right of rebuttal because of the prohibitive language contained in the legislative history of the program. This report provides that the one-third reduction would apply regardless of whether the recipient made any payment for room and board.

In all other living arrangement situations where in-kind support and maintenance is received, the benefit amount may be reduced one-third plus \$20 subject to the \$20 income exclusion. When it is reduced, the Social Security Administration allows the recipient an opportunity to rebut the amount of the reduction.

The payment differences resulting from these two methods of handling in-kind support and maintenance depend on two factors: (1) the presence or absence of other types of income and (2) the value placed on in-kind support and maintenance after rebuttal. Four possible combinations of these factors exist:

1. The absence of other types of income and the absence of exercise of rebuttal results in no benefit difference.
2. The presence of other types of income and the absence of exercise of rebuttal results in a \$20 difference in benefits.

3. The presence of other types of income and the presence of exercise of rebuttal results in a difference of \$55.93, minus the value agreed to because of rebuttal.
4. The presence of exercise of rebuttal and the absence of other types of income results in the difference in the preceding combination plus \$20.

The following examples illustrate the payment differences in the last three combinations when two recipients have the same type and amount of income but different living arrangements.

Example 1--The presence of other types of income and the absence of exercise of rebuttal

	<u>Living arrangement</u>	
	<u>Household of another</u>	<u>Other</u>
Benefit amount	\$ <u>167.80</u>	\$ <u>167.80</u>
Support and main- tenance	<u>a/\$55.93</u>	<u>b/75.93</u>
Pension	<u>c/50.00</u>	<u>c/50.00</u>
Income exclusion	<u>(20.00)</u>	<u>(20.00)</u>
Deduction	\$ <u>85.93</u>	\$ <u>105.93</u>
Payment	\$ <u><u>81.87</u></u>	\$ <u><u>61.87</u></u>
Difference		\$ <u><u>20.00</u></u>

a/Statutory one-third reduction.

b/One-third plus \$20.

c/Assumed amount for example purposes.

B-164031(4)

Example 2--The presence of other types of income and the presence of exercise of rebuttal

	<u>Living arrangement</u>	
	<u>Household of another</u>	<u>Other</u>
Benefit amount	<u>\$167.80</u>	<u>\$167.80</u>
Support and maintenance	a/\$ 55.93	b/\$ 30.00
Pension	<u>c/50.00</u>	<u>c/50.00</u>
Income exclusion	<u>(20.00)</u>	<u>(20.00)</u>
Deduction	<u>\$ 85.93</u>	<u>\$ 60.00</u>
Payment	<u>\$ 81.87</u>	<u>\$107.80</u>
Difference	<u>\$ 25.93</u>	

a/Statutory one-third reduction.

b/Assumed value agreed to because of rebuttal for example purposes.

c/Assumed amount for example purposes.

Example 3--The presence of exercise of rebuttal and the absence of other types of income

	<u>Living arrangement</u>	
	<u>Household of another</u>	<u>Other</u>
Benefit amount	<u>\$167.80</u>	<u>\$167.80</u>
Support and maintenance	a/\$ 55.93	b/\$ 30.00
Income exclusion	<u>-</u>	<u>(20.00)</u>
Deduction	<u>\$ 55.93</u>	<u>\$ 10.00</u>
Payment	<u>\$111.87</u>	<u>\$157.80</u>
Difference	<u>\$ 45.93</u>	

a/Statutory one-third reduction.

b/Assumed value agreed to because of rebuttal for example purposes.

The payment differences resulting from the two methods of handling in-kind support and maintenance and the resulting inequity can be eliminated by amending the law to provide for only one treatment of in-kind support and maintenance and to provide for a right of rebuttal for everyone.

RECOMMENDATION TO THE COMMITTEE

We recommend that the law be amended to treat in-kind support and maintenance the same, regardless of the living arrangement of the recipient. This can be accomplished by changing section 1612(a)(2)(A) of the Social Security Act to read as follows:

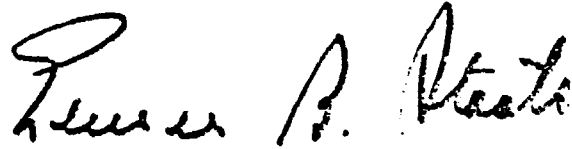
(A) support and maintenance; except that (i) in the case of any individual (and eligible spouse, if any) receiving support and maintenance in-kind (not excluded under any other provision of this title), the dollar amounts otherwise applicable to such individual (and spouse) as specified in subsections (a) and (b) of section 1611 shall be reduced by 33-1/3 percent (subject to rebuttal if the actual value of support and maintenance is a lesser amount) in lieu of including such support and maintenance in the unearned income of such individual (and spouse) as otherwise required by this subparagraph \* \* \*.

Our amendment would (1) result in recipients being treated more uniformly and equitably, (2) eliminate the \$20 difference in benefit amounts and the need for determining whether a recipient lives in another person's household, and (3) extend the right of rebuttal to all recipients. However, there could be more cases in which Social Security would have to review the value recipients place on in-kind support and maintenance received. Therefore, it may not have a measurable impact on reducing the complexities involved in administering this provision.

B-164031(4)

Information contained in this letter is also being furnished to the Chairman of the Subcommittee on Public Assistance and Unemployment Compensation, House Committee on Ways and Means, and the Chairman of the House Committee on Ways and Means.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas P. Blasko".

Comptroller General  
of the United States

Enclosure



PENDING LEGISLATIVE  
IN-KIND SUPPORT AND MAINTENANCE  
SUPPLEMENTAL SECURITY INCOME PROGRAM

House of Representatives

<u>Bill number</u>	<u>Provision</u>
H.R. 3282	To eliminate in-kind support and maintenance from countable income in the program.
H.R. 1946	To eliminate in-kind support and maintenance from countable income for recipients that live in another person's household.
H.R. 1762 and H.R. 444	To eliminate counting as income, support and maintenance received from a relative in cash or kind up to \$250 (\$200 for H.R. 444).
H.R. 3937	To eliminate support and maintenance furnished a mentally retarded individual living in another person's household.

United States Senate

<u>Bill number</u>	<u>Provision</u>
S. 1181	To eliminate counting as income, in-kind support and maintenance received from a relative in whose household the recipient resides.

Completed w/2878



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-164031(4)

JUN 23 1977

The Honorable James C. Corman  
Chairman, Subcommittee on Public  
Assistance and Unemployment Compensation  
Committee on Ways and Means  
House of Representatives

Dear Mr. Chairman:

We have recently examined the Supplemental Security Income program established under title XVI of the Social Security Act (42 U.S.C. 1381) to identify legislative changes needed for recipients to be treated more uniformly and equitably under the program.

We are concerned about one program provision that provides for a reduction in recipients' benefit amounts when they receive in-kind support and maintenance. <sup>1</sup>/ The amount of the reduction varies depending upon the recipient's living arrangements. This can result in recipients with similar in-kind support and maintenance being paid different benefits. Of the 4.2 million recipients receiving benefits as of December 1976, <sup>1</sup>/<sub>2</sub> million, or about 12 percent, had their benefits reduced under this provision.

We discussed with your Subcommittee's staff a legislative amendment which would eliminate the inequities resulting from the different treatments of in-kind support and maintenance. Since our discussion, several bills have been introduced in the 95th Congress which would have an impact in varying ways on the treatment of in-kind support and maintenance in computing benefits. (See enc. I.)

One of these bills--H.R. 3282--would eliminate consideration of in-kind support and maintenance in determining eligibility for program benefits and the amount of such benefits. The primary purpose is to simplify program administration. However, it would also eliminate the inequities we are addressing in this letter. According to Social Security estimates, completely eliminating in-kind support and maintenance as contemplated by H.R. would cost about \$485 million per year in increased benefits.

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HRD-77-114

If the committee finds that this resulting cost is prohibitive, we recommend eliminating these inequities through our legislative proposal which, according to the Social Security Administration, would cost about \$15 million annually in increased benefits.

### BACKGROUND

The monthly basic Federal benefit as of July 1, 1976, was \$167.80 for an individual and \$251.80 for a couple. Basic benefits are reduced dollar for dollar for countable income. Anything of value received by the individual or couple is included in countable income, except for certain excluded amounts. For example, the first \$20 of monthly income, whether earned or unearned, is excluded from countable income. This exclusion was to recognize the efforts of working people who provided for themselves in retirement and to assure that their total income will be more than if they had never worked.

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PRESENT TREATMENT OF IN-KIND SUPPORT  
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B-164031(4)

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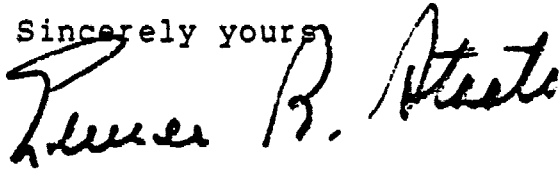
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Our amendment would (1) result in recipients being treated more uniformly and equitably, (2) eliminate the \$20 difference in benefit amounts and the need for determining whether a recipient lives in another person's household, and (3) extend the right of rebuttal to all recipients. However, there could be more cases in which Social Security would have to review the value recipients place on in-kind support and maintenance received. Therefore, it may not have a measurable impact on reducing the complexities involved in administering this provision.

B-164031(4)

Information contained in this letter is also being furnished to the Chairman of the Senate Committee on Finance and the Chairman of the House Committee on Ways and Means.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Luther B. Atwater". The signature is written in a cursive style with a large initial "L" and "A".

Comptroller General  
of the United States

Enclosure



PENDING LEGISLATIVE  
IN-KIND SUPPORT AND MAINTENANCE  
SUPPLEMENTAL SECURITY INCOME PROGRAM

House of Representatives

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United States Senate

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Combined w/ 2878



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

JUN 23 1977

B-164031(4)

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HRD-77-113

If the committee finds that this resulting cost is prohibitive, we recommend eliminating these inequities through our legislative proposal which, according to the Social Security Administration, would cost about \$15 million annually in increased benefits.

#### BACKGROUND

The monthly basic Federal benefit as of July 1, 1976, was \$167.80 for an individual and \$251.80 for a couple. Basic benefits are reduced dollar for dollar for countable income. Anything of value received by the individual or couple is included in countable income, except for certain excluded amounts. For example, the first \$20 of monthly income, whether earned or unearned, is excluded from countable income. This exclusion was to recognize the efforts of working people who provided for themselves in retirement and to assure that their total income will be more than if they had never worked.

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B-164031(4)

Example 2--The presence of other types of income and the presence of exercise of rebuttal

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Income exclusion	<u>(20.00)</u>	<u>(20.00)</u>
Deduction	<u>\$ 85.93</u>	<u>\$ 60.00</u>
Payment	<u>\$ 81.87</u>	<u>\$107.80</u>
Difference	<u>\$ 25.93</u>	

a/Statutory one-third reduction.

b/Assumed value agreed to because of rebuttal for example purposes.

c/Assumed amount for example purposes.

Example 3--The presence of exercise of rebuttal and the absence of other types of income

	<u>Living arrangement</u>	
	<u>Household of another</u>	<u>Other</u>
Benefit amount	<u>\$167.80</u>	<u>\$167.80</u>
Support and maintenance	a/\$ 55.93	b/\$ 30.00
Income exclusion	<u>-</u>	<u>(20.00)</u>
Deduction	<u>\$ 55.93</u>	<u>\$ 10.00</u>
Payment	<u>\$111.87</u>	<u>\$157.80</u>
Difference	<u>\$ 45.93</u>	

a/Statutory one-third reduction.

b/Assumed value agreed to because of rebuttal for example purposes.

The payment differences resulting from the two methods of handling in-kind support and maintenance and the resulting inequity can be eliminated by amending the law to provide for only one treatment of in-kind support and maintenance and to provide for a right of rebuttal for everyone.

RECOMMENDATION TO THE COMMITTEE

We recommend that the law be amended to treat in-kind support and maintenance the same, regardless of the living arrangement of the recipient. This can be accomplished by changing section 1612(a)(2)(A) of the Social Security Act to read as follows:

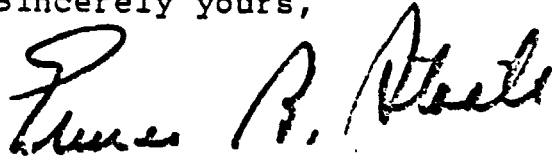
(A) support and maintenance; except that (i) in the case of any individual (and eligible spouse, if any) receiving support and maintenance in-kind (not excluded under any other provision of this title), the dollar amounts otherwise applicable to such individual (and spouse) as specified in subsections (a) and (b) of section 1611 shall be reduced by 33-1/3 percent (subject to rebuttal if the actual value of support and maintenance is a lesser amount) in lieu of including such support and maintenance in the unearned income of such individual (and spouse) as otherwise required by this subparagraph \* \* \*.

Our amendment would (1) result in recipients being treated more uniformly and equitably, (2) eliminate the \$20 difference in benefit amounts and the need for determining whether a recipient lives in another person's household, and (3) extend the right of rebuttal to all recipients. However, there could be more cases in which Social Security would have to review the value recipients place on in-kind support and maintenance received. Therefore, it may not have a measurable impact on reducing the complexities involved in administering this provision.

B-164031(4)

Information contained in this letter is also being furnished to the Chairman of the Senate Committee on Finance and the Chairman of the Subcommittee on Public Assistance and Unemployment Compensation, House Committee on Ways and Means.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Stewart".

Comptroller General  
of the United States

Enclosure .



PENDING LEGISLATIVE  
IN-KIND SUPPORT AND MAINTENANCE  
SUPPLEMENTAL SECURITY INCOME PROGRAM

House of Representatives

<u>Bill number</u>	<u>Provision</u>
H.R. 3282	To eliminate in-kind support and maintenance from countable income in the program.
H.R. 1946	To eliminate in-kind support and maintenance from countable income for recipients that live in another person's household.
H.R. 1762 and H.R. 444	To eliminate counting as income, support and maintenance received from a relative in cash or kind up to \$250 (\$200 for H.R. 444).
H.R. 3937	To eliminate support and maintenance furnished a mentally retarded individual living in another person's household.

United States Senate

<u>Bill number</u>	<u>Provision</u>
S. 1181	To eliminate counting as income, in-kind support and maintenance received from a relative in whose household the recipient resides.