

Committee on Ways and Means

Fact Sheet - Social Security “Totalization” Agreements

Totalization Agreements are bilateral agreements between the United States and another country to coordinate their Social Security programs. The Social Security Administration (SSA) has totalization agreements in force with 21 countries (listed below). A totalization agreement serves two purposes:

- Eliminates the need to pay Social Security taxes in both countries when U.S. companies send workers to the other country (and vice versa).
- Protects benefit eligibility for workers who divide their careers between the two countries.

Three Main Groups Benefit from Totalization Agreements:

- Multinational companies and their employees - Under current law, when U.S. employers send workers to another country, the employer and employee must pay Social Security taxes in *both* countries. Under a totalization agreement, if the overseas work is “temporary” (less than 5 years), they would pay only U.S. Social Security taxes. If the work is longer than 5 years, they would pay social security taxes only for the country where the employee works.
- Workers with careers divided over two countries - Under current law, a worker may have worked a full career, but not enough under either the U.S. Social Security system or that of the other country to qualify for benefits. Under a totalization agreement, the worker may combine work credits from both countries to qualify for benefits in either country or both. Social Security benefits are pro-rated to reflect credits earned in the U.S. system.
- Non-citizen workers and their dependents living abroad - Under current law, non-citizens living outside the U.S. for more than six months may not receive benefits unless they meet certain exceptions. A totalization agreement overrides this requirement.

Statistics on Current Totalization Agreements

- Nearly 100,000 beneficiaries receive almost \$17 million per month collectively under current totalization agreements.

- U.S. companies save about \$800 million annually by not paying foreign social security taxes under current totalization agreements. Foreign companies save about \$200 million annually by not paying U.S. Social Security taxes.

Procedure for Totalization Agreement Approval

- In the United States, once the Commissioner of Social Security signs a totalization agreement, it goes through a series of subsequent approvals (in order) from the U.S. State Department, White House and Congress.
- The totalization agreement goes into effect automatically unless the U.S. House of Representatives or the U.S. Senate adopts a resolution of disapproval within a period during which at least one House of Congress has been in session on each of 60 days following the date the President transmits the agreement to Congress.¹

Current Totalization Agreements

The United States currently has Social Security agreements with Canada, Japan, Australia, and most of Western Europe.

<u>Country</u>	<u>Effective Date</u>	<u>Country</u>	<u>Effective Date</u>
Italy	November 1, 1978	Netherlands	November 1, 1990
Germany	December 1, 1979	Austria	November 1, 1991
Switzerland	November 1, 1980	Finland	November 1, 1992
Belgium	July 1, 1984	Ireland	September 1, 1993
Norway	July 1, 1984	Luxembourg	November 1, 1993
Canada	August 1, 1984	Greece	September 1, 1994
United Kingdom	January 1, 1985	South Korea	April 1, 2001
Sweden	January 1, 1987	Chile	December 1, 2001
Spain	April 1, 1988	Australia	October 1, 2002
France	July 1, 1988	Japan	October 1, 2005
Portugal	August 1, 1989		

Detailed information about these totalization agreements can be found at <http://www.socialsecurity.gov/international/>

¹ Use of a one-house resolution to override other branches of government (i.e., a legislative veto) was ruled unconstitutional by the Supreme Court in *INS v. Chadha* (1983). Since Congress has never rejected a totalization agreement, the fact that the mechanism for disapproval is unconstitutional has not been an issue. However, unless the law is changed, congressional utilization of the mechanism currently in the Social Security Act could give rise to a judicial challenge.