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For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SOCIAL SECURITY ADMINISTRATION

### Cost-of-Living Increase and Other Determinations for 2003

**AGENCY:** Social Security Administration.

**ACTION:** Notice.

**SUMMARY:** The Commissioner has determined—

(1) A 1.4 percent cost-of-living increase in Social Security benefits under title II of the Social Security Act (the Act), effective for December 2002;

(2) An increase in the Federal Supplemental Security Income (SSI) monthly benefit amounts under title XVI of the Act for 2003 to \$552 for an eligible individual, \$829 for an eligible individual with an eligible spouse, and \$277 for an essential person;

(3) The student earned income exclusion to be \$1,340 per month in 2003 but not more than \$5,410 in all of 2003;

(4) The dollar fee limit for services performed as a representative payee to be \$30 per month (\$58 per month in the case of a beneficiary who is disabled and has an alcoholism or drug addiction condition that leaves him or her incapable of managing benefits) in 2003;

(5) The national average wage index for 2001 to be \$32,921.92;

(6) The Old-Age, Survivors, and Disability Insurance (OASDI) contribution and benefit base to be \$87,000 for remuneration paid in 2003 and self-employment income earned in taxable years beginning in 2003;

(7) The monthly exempt amounts under the Social Security retirement earnings test for taxable years ending in calendar year 2003 to be \$960 and \$2,560;

(8) The dollar amounts ("bend points") used in the Primary Insurance Amount benefit formula for workers

who become eligible for benefits, or who die before becoming eligible, in 2003 to be \$606 and \$3,653;

(9) The dollar amounts ("bend points") used in the formula for computing maximum family benefits for workers who become eligible for benefits, or who die before becoming eligible, in 2003 to be \$774, \$1,118, and \$1,458;

(10) The amount of taxable earnings a person must have to be credited with a quarter of coverage in 2003 to be \$890;

(11) The "old-law" contribution and benefit base to be \$64,500 for 2003;

(12) The monthly amount deemed to constitute substantial gainful activity for statutorily blind individuals in 2003 to be \$1,330, and the corresponding amount for non-blind disabled persons to be \$800;

(13) The earnings threshold establishing a month as a part of a trial work period to be \$570 for 2003; and

(14) Coverage thresholds for 2003 to be \$1,400 for domestic workers and \$1,200 for election workers.

#### FOR FURTHER INFORMATION CONTACT:

Jeffrey L. Kunkel, Office of the Chief Actuary, Social Security Administration, 6401 Security Boulevard, Baltimore, MD 21235-6401, (410) 965-3013. Information relating to this announcement is available on our Internet site at <http://www.ssa.gov/OACT/COLA/index.html>. For information on eligibility or filing for benefits, call our national toll-free number 1-800-772-1213 or TTY 1-800-325-0778, or visit our Internet site, Social Security Online, at <http://www.ssa.gov>.

#### SUPPLEMENTARY INFORMATION:

In accordance with the Act, the Commissioner must publish within 45 days after the close of the third calendar quarter of 2002 the benefit increase percentage and the revised table of "special minimum" benefits (section 215(i)(2)(D)). Also, the Commissioner must publish on or before November 1 the national average wage index for 2001 (section 215(a)(1)(D)), the OASDI fund ratio for 2002 (section 215(i)(2)(C)(ii)), the OASDI contribution and benefit base for 2003 (section 230(a)), the amount of earnings required to be credited with a quarter of coverage in 2003 (section 213(d)(2)), the monthly exempt amounts under the Social Security retirement earnings test for 2003 (section 203(f)(8)(A)), the formula for computing a primary insurance amount for workers who first become eligible for benefits or die in 2003 (section 215(a)(1)(D)), and the formula for computing the maximum amount of benefits payable to the family of a

worker who first becomes eligible for old-age benefits or dies in 2003 (section 203(a)(2)(C)).

### Cost-of-Living Increases

#### General

The next cost-of-living increase, or automatic benefit increase, is 1.4 percent for benefits under titles II and XVI of the Act. Under title II, OASDI benefits will increase by 1.4 percent for individuals eligible for December 2002 benefits, payable in January 2003. This increase is based on the authority contained in section 215(i) of the Act (42 U.S.C. 415(i)).

Under title XVI, Federal SSI payment levels will also increase by 1.4 percent effective for payments made for the month of January 2003 but paid on December 31, 2002. This is based on the authority contained in section 1617 of the Act (42 U.S.C. 1382f).

#### Automatic Benefit Increase

##### Computation

Under section 215(i) of the Act, the third calendar quarter of 2002 is a cost-of-living computation quarter for all the purposes of the Act. The Commissioner is, therefore, required to increase benefits, effective for December 2002, for individuals entitled under section 227 or 228 of the Act, to increase primary insurance amounts of all other individuals entitled under title II of the Act, and to increase maximum benefits payable to a family. For December 2002, the benefit increase is the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers from the third quarter of 2001 to the third quarter of 2002.

Section 215(i)(1) of the Act provides that the Consumer Price Index for a cost-of-living computation quarter shall be the arithmetic mean of this index for the 3 months in that quarter. We round the arithmetic mean, if necessary, to the nearest 0.1. The Department of Labor's Consumer Price Index for Urban Wage Earners and Clerical Workers for each month in the quarter ending September 30, 2001, is: for July 2001, 173.8; for August 2001, 173.8; and for September 2001, 174.8. The arithmetic mean for this calendar quarter is 174.1. The corresponding Consumer Price Index for each month in the quarter ending September 30, 2002, is: for July 2002, 176.1; for August 2002, 176.6; and for September 2002, 177.0. The arithmetic mean for this calendar quarter is 176.6. Thus, because the Consumer Price Index for the calendar quarter ending September 30, 2002, exceeds that for the calendar quarter ending September 30, 2001 by 1.4 percent (rounded to the

<sup>13</sup> 17 CFR 200.30-3(a)(12).

nearest 0.1), a cost-of-living benefit increase of 1.4 percent is effective for benefits under title II of the Act beginning December 2002.

Section 215(i) also specifies that an automatic benefit increase under title II, effective for December of any year, will be limited to the increase in the national average wage index for the prior year if the "OASDI fund ratio" for that year is below 20.0 percent. The OASDI fund ratio for a year is the ratio of the combined assets of the Old-Age and Survivors Insurance and Disability Insurance Trust Funds at the beginning of that year to the combined expenditures of these funds during that year. (The expenditures in the ratio's denominator exclude transfer payments between the two trust funds, and reduce any transfers to the Railroad Retirement Account by any transfers from that account into either trust fund.) For 2002, the OASDI fund ratio is assets of \$1,212,533 million divided by estimated expenditures of \$461,809 million, or 262.6 percent. Because the 262.6-percent OASDI fund ratio exceeds 20.0 percent, the automatic benefit increase for December 2002 is not limited.

#### *Title II Benefit Amounts*

In accordance with section 215(i) of the Act, in the case of workers and family members for whom eligibility for benefits (*i.e.*, the worker's attainment of age 62, or disability or death before age 62) occurred before 2003, benefits will increase by 1.4 percent beginning with benefits for December 2002 which are payable in January 2003. In the case of first eligibility after 2002, the 1.4 percent increase will not apply.

For eligibility after 1978, benefits are generally determined using a benefit formula provided by the Social Security Amendments of 1977 (Pub. L. 95-216), as described later in this notice.

For eligibility before 1979, we determine benefits by means of a benefit table. You may obtain a copy of this table by writing to: Social Security Administration, Office of Public Inquiries, Windsor Building, 6401 Security Boulevard, Baltimore, MD 21235-6401. The table is also available on the Internet at address <http://www.ssa.gov/OACT/ProgData/tableForm.html>.

Section 215(i)(2)(D) of the Act requires that, when the Commissioner determines an automatic increase in Social Security benefits, the Commissioner will publish in the **Federal Register** a revision of the range of the primary insurance amounts and corresponding maximum family benefits based on the dollar amount and other provisions described in section

215(a)(1)(C)(i). We refer to these benefits as "special minimum" benefits. These benefits are payable to certain individuals with long periods of relatively low earnings. To qualify for such benefits, an individual must have at least 11 "years of coverage." To earn a year of coverage for purposes of the special minimum benefit, a person must earn at least a certain proportion of the "old-law" contribution and benefit base (described later in this notice). For years before 1991, the proportion is 25 percent; for years after 1990, it is 15 percent. In accordance with section 215(a)(1)(C)(i), the table below shows the revised range of primary insurance amounts and corresponding maximum family benefit amounts after the 1.4 percent automatic benefit increase.

#### **SPECIAL MINIMUM PRIMARY INSURANCE AMOUNTS AND MAXIMUM FAMILY BENEFITS PAYABLE FOR DECEMBER 2002**

Number of years of coverage	Primary insurance amount	Maximum family benefit
11 .....	\$30.50	\$46.40
12 .....	61.80	93.40
13 .....	93.30	140.40
14 .....	124.40	187.10
15 .....	155.60	233.90
16 .....	186.90	281.20
17 .....	218.40	328.40
18 .....	249.70	375.20
19 .....	280.90	422.20
20 .....	312.20	469.00
21 .....	343.70	516.40
22 .....	374.70	563.10
23 .....	406.50	610.80
24 .....	437.80	657.40
25 .....	469.00	703.90
26 .....	500.70	751.80
27 .....	531.70	798.50
28 .....	563.00	845.30
29 .....	594.30	892.60
30 .....	625.60	939.10

#### *Title XVI Benefit Amounts*

In accordance with section 1617 of the Act, maximum SSI Federal benefit amounts for the aged, blind, and disabled will increase by 1.4 percent effective January 2003. For 2002, we derived the monthly benefit amounts for an eligible individual, an eligible individual with an eligible spouse, and for an essential person—\$545, \$817, and \$273, respectively—from corresponding yearly unrounded Federal SSI benefit amounts of \$6,541.65, \$9,811.37, and \$3,278.32. For 2003, these yearly unrounded amounts increase by 1.4 percent to \$6,633.23, \$9,948.73, and \$3,324.22, respectively. Each of these resulting amounts must be rounded, when not a multiple of \$12, to the next

lower multiple of \$12. Accordingly, the corresponding annual amounts, effective for 2003, are \$6,624, \$9,948, and \$3,324. Dividing the yearly amounts by 12 gives the corresponding monthly amounts for 2003—\$552, \$829, and \$277, respectively. In the case of an eligible individual with an eligible spouse, we equally divide the amount payable between the two spouses.

Title VIII of the Act provides for special benefits to certain World War II veterans residing outside the United States. Section 805 provides that "[t]he benefit under this title payable to a qualified individual for any month shall be in an amount equal to 75 percent of the Federal benefit rate (the maximum amount for an eligible individual) under title XVI for the month, reduced by the amount of the qualified individual's benefit income for the month." Thus the monthly benefit for 2003 under this provision is 75 percent of \$552, or \$414.00.

#### *Student Earned Income Exclusion*

A blind or disabled child, who is a student regularly attending school, college, or university, or a course of vocational or technical training, can have limited earnings that are not counted against his or her SSI benefits. The maximum amount of such income that may be excluded in 2002 is \$1,320 per month but not more than \$5,340 in all of 2002. These amounts increase based on a formula set forth in regulation 20 CFR 416.1112.

To compute each of the monthly and yearly maximum amounts for 2003, we increase the corresponding unrounded amount for 2002 by the latest cost-of-living increase. If the amount so calculated is not a multiple of \$10, we round it to the nearest multiple of \$10. The unrounded monthly amount for 2002 is \$1,323.54. We increase this amount by 1.4 percent to \$1,342.07, which we then round to \$1,340. Similarly, we increase the unrounded yearly amount for 2002, \$5,335.20, by 1.4 percent to \$5,409.89 and round this to \$5,410. Thus the maximum amount of the income exclusion applicable to a student in 2003 is \$1,340 per month but not more than \$5,410 in all of 2003.

#### *Fee for Services Performed as a Representative Payee*

Sections 205(j)(4)(A)(i) and 1631(a)(2)(D)(i) of the Act permit a qualified organization to collect from an individual a monthly fee for expenses incurred in providing services performed as such individual's representative payee. Currently the fee is limited to the lesser of: (1) 10 percent of the monthly benefit involved; or (2)

\$30 per month (\$57 per month in any case in which the individual is entitled to disability benefits and the Commissioner has determined that payment to the representative payee would serve the interest of the individual because the individual has an alcoholism or drug addiction condition and is incapable of managing such benefits). The dollar fee limits are subject to increase by the automatic cost-of-living increase, with the resulting amounts rounded to the nearest whole dollar amount. Due to the rounding provision, the current \$30 amount remains the same for 2003, while the current \$57 increases by 1.4 percent to \$58 for 2003.

#### **National Average Wage Index for 2001**

##### *General*

Under various provisions of the Act, several amounts increase automatically with annual increases in the national average wage index. The amounts are: (1) The OASDI contribution and benefit base; (2) the retirement test exempt amounts; (3) the dollar amounts, or "bend points," in the primary insurance amount and maximum family benefit formulas; (4) the amount of earnings required for a worker to be credited with a quarter of coverage; (5) the "old-law" contribution and benefit base (as determined under section 230 of the Act as in effect before the 1977 amendments); (6) the substantial gainful activity amount applicable to statutorily blind individuals; and (7) the coverage threshold for election officials and election workers. Also, section 3121(x) of the Internal Revenue Code requires that the domestic employee coverage threshold be based on changes in the national average wage index.

In addition to the amounts required by statute, two amounts increase automatically under regulatory requirements. The amounts are (1) the substantial gainful activity amount applicable to non-blind disabled persons, and (2) the monthly earnings threshold that establishes a month as part of a trial work period for disabled beneficiaries.

##### *Computation*

The determination of the national average wage index for calendar year 2001 is based on the 2000 national average wage index of \$32,154.82 announced in the **Federal Register** on October 25, 2001 (66 FR 54047), along with the percentage increase in average wages from 2000 to 2001 measured by annual wage data tabulated by the Social Security Administration (SSA). The wage data tabulated by SSA include

contributions to deferred compensation plans, as required by section 209(k) of the Act. The average amounts of wages calculated directly from these data were \$30,846.09 and \$31,581.97 for 2000 and 2001, respectively. To determine the national average wage index for 2001 at a level that is consistent with the national average wage indexing series for 1951 through 1977 (published December 29, 1978, at 43 FR 61016), we multiply the 2000 national average wage index of \$32,154.82 by the percentage increase in average wages from 2000 to 2001 (based on SSA-tabulated wage data) as follows (with the result rounded to the nearest cent).

##### *Amount*

The national average wage index for 2001 is \$32,154.82 times \$31,581.97 divided by \$30,846.09, which equals \$32,921.92. Therefore, the national average wage index for calendar year 2001 is \$32,921.92.

#### **OASDI Contribution and Benefit Base**

##### *General*

The OASDI contribution and benefit base is \$87,000 for remuneration paid in 2003 and self-employment income earned in taxable years beginning in 2003.

The OASDI contribution and benefit base serves two purposes:

(a) It is the maximum annual amount of earnings on which OASDI taxes are paid. The OASDI tax rate for remuneration paid in 2003 is 6.2 percent for employees and employers, each. The OASDI tax rate for self-employment income earned in taxable years beginning in 2003 is 12.4 percent. (The Hospital Insurance tax is due on remuneration, without limitation, paid in 2003, at the rate of 1.45 percent for employees and employers, each, and on self-employment income earned in taxable years beginning in 2003, at the rate of 2.9 percent.)

(b) It is the maximum annual amount of earnings used in determining a person's OASDI benefits.

##### *Computation*

Section 230(b) of the Act provides the formula used to determine the OASDI contribution and benefit base. Under the formula, the base for 2003 shall be the larger of: (1) The 1994 base of \$60,600 multiplied by the ratio of the national average wage index for 2001 to that for 1992; or (2) the current base (\$84,900). If the resulting amount is not a multiple of \$300, it shall be rounded to the nearest multiple of \$300.

##### *Amount*

Multiplying the 1994 OASDI contribution and benefit base amount (\$60,600) by the ratio of the national average wage index for 2001 (\$32,921.92 as determined above) to that for 1992 (\$22,935.42) produces the amount of \$86,986.34. We round this amount to \$87,000. Because \$87,000 exceeds the current base amount of \$84,900, the OASDI contribution and benefit base is \$87,000 for 2003.

#### **Retirement Earnings Test Exempt Amounts**

##### *General*

We withhold Social Security benefits when a beneficiary under the normal retirement age (NRA) has earnings in excess of the applicable retirement earnings test exempt amount. (NRA is the age of initial benefit entitlement for which the benefit, before rounding, is equal to the worker's primary insurance amount. The NRA is age 65 for those born before 1938, and it gradually increases to age 67.) A higher exempt amount applies in the year in which a person attains his/her NRA, but only with respect to earnings in months prior to such attainment, and a lower exempt amount applies at all other ages below NRA. Section 203(f)(8)(B) of the Act, as amended by section 102 of Pub. L. 104-121, provides formulas for determining the monthly exempt amounts. The corresponding annual exempt amounts are exactly twelve times the monthly amounts.

For beneficiaries attaining NRA in the year, we withhold \$1 in benefits for every \$3 of earnings in excess of the annual exempt amount for months prior to such attainment. For all other beneficiaries under NRA, we withhold \$1 in benefits for every \$2 of earnings in excess of the annual exempt amount.

##### *Computation*

Under the formula applicable to beneficiaries who are under NRA and who will not attain NRA in 2003, the lower monthly exempt amount for 2003 shall be the larger of: (1) The 1994 monthly exempt amount multiplied by the ratio of the national average wage index for 2001 to that for 1992; or (2) the 2002 monthly exempt amount (\$940). If the resulting amount is not a multiple of \$10, it shall be rounded to the nearest multiple of \$10.

Under the formula applicable to beneficiaries attaining NRA in 2003, the higher monthly exempt amount for 2003 shall be the larger of: (1) The 2002 monthly exempt amount multiplied by the ratio of the national average wage index for 2001 to that for 2000; or (2) the

2002 monthly exempt amount (\$2,500). If the resulting amount is not a multiple of \$10, it shall be rounded to the nearest multiple of \$10.

#### *Lower Exempt Amount*

Multiplying the 1994 retirement earnings test monthly exempt amount of \$670 by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 1992 (\$22,935.42) produces the amount of \$961.73. We round this to \$960. Because \$960 is larger than the corresponding current exempt amount of \$940, the lower retirement earnings test monthly exempt amount is \$960 for 2003. The corresponding lower annual exempt amount is \$11,520 under the retirement earnings test.

#### *Higher Exempt Amount*

Multiplying the 2002 retirement earnings test monthly exempt amount of \$2,500 by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 2000 (\$32,154.82) produces the amount of \$2,559.64. We round this to \$2,560. Because \$2,560 is larger than the corresponding current exempt amount of \$2,500, the higher retirement earnings test monthly exempt amount is \$2,560 for 2003. The corresponding higher annual exempt amount is \$30,720 under the retirement earnings test.

### **Computing Benefits After 1978**

#### *General*

The Social Security Amendments of 1977 provided a method for computing benefits which generally applies when a worker first becomes eligible for benefits after 1978. This method uses the worker's "average indexed monthly earnings" to compute the primary insurance amount. We adjust the computation formula each year to reflect changes in general wage levels, as measured by the national average wage index.

We also adjust, or "index," a worker's earnings to reflect the change in general wage levels that occurred during the worker's years of employment. Such indexation ensures that a worker's future benefit level will reflect the general rise in the standard of living that will occur during his or her working lifetime. To compute the average indexed monthly earnings, we first determine the required number of years of earnings. Then we select that number of years with the highest indexed earnings, add the indexed earnings, and divide the total amount by the total number of months in those years. We then round the resulting average amount down to the next lower dollar amount.

The result is the average indexed monthly earnings.

For example, to compute the average indexed monthly earnings for a worker attaining age 62, becoming disabled before age 62, or dying before attaining age 62, in 2003, we divide the national average wage index for 2001, \$32,921.92, by the national average wage index for each year prior to 2001 in which the worker had earnings. Then we multiply the actual wages and self-employment income, as defined in section 211(b) of the Act and credited for each year, by the corresponding ratio to obtain the worker's indexed earnings for each year before 2001. We consider any earnings in 2001 or later at face value, without indexing. We then compute the average indexed monthly earnings for determining the worker's primary insurance amount for 2003.

#### *Computing the Primary Insurance Amount*

The primary insurance amount is the sum of three separate percentages of portions of the average indexed monthly earnings. In 1979 (the first year the formula was in effect), these portions were the first \$180, the amount between \$180 and \$1,085, and the amount over \$1,085. We call the dollar amounts in the formula governing the portions of the average indexed monthly earnings the "bend points" of the formula. Thus, the bend points for 1979 were \$180 and \$1,085.

To obtain the bend points for 2003, we multiply each of the 1979 bend-point amounts by the ratio of the national average wage index for 2001 to that average for 1977. We then round these results to the nearest dollar. Multiplying the 1979 amounts of \$180 and \$1,085 by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 1977 (\$9,779.44) produces the amounts of \$605.96 and \$3,652.59. We round these to \$606 and \$3,653. Accordingly, the portions of the average indexed monthly earnings to be used in 2003 are the first \$606, the amount between \$606 and \$3,653, and the amount over \$3,653.

Consequently, for individuals who first become eligible for old-age insurance benefits or disability insurance benefits in 2003, or who die in 2003 before becoming eligible for benefits, their primary insurance amount will be the sum of

- (a) 90 percent of the first \$606 of their average indexed monthly earnings, plus
- (b) 32 percent of their average indexed monthly earnings over \$606 and through \$3,653, plus
- (c) 15 percent of their average indexed monthly earnings over \$3,653.

We round this amount to the next lower multiple of \$0.10 if it is not already a multiple of \$0.10. This formula and the rounding adjustment described above are contained in section 215(a) of the Act (42 U.S.C.415(a)).

### **Maximum Benefits Payable to a Family**

#### *General*

The 1977 amendments continued the long established policy of limiting the total monthly benefits that a worker's family may receive based on his or her primary insurance amount. Those amendments also continued the then existing relationship between maximum family benefits and primary insurance amounts but did change the method of computing the maximum amount of benefits that may be paid to a worker's family. The Social Security Disability Amendments of 1980 (Pub.L. 96-265) established a formula for computing the maximum benefits payable to the family of a disabled worker. This formula applies to the family benefits of workers who first become entitled to disability insurance benefits after June 30, 1980, and who first become eligible for these benefits after 1978. For disabled workers initially entitled to disability benefits before July 1980, or whose disability began before 1979, we compute the family maximum payable the same as the old-age and survivor family maximum.

#### *Computing the Old-Age and Survivor Family Maximum*

The formula used to compute the family maximum is similar to that used to compute the primary insurance amount. It involves computing the sum of four separate percentages of portions of the worker's primary insurance amount. In 1979, these portions were the first \$230, the amount between \$230 and \$332, the amount between \$332 and \$433, and the amount over \$433. We refer to such dollar amounts in the formula as the "bend points" of the family-maximum formula.

To obtain the bend points for 2003, we multiply each of the 1979 bend-point amounts by the ratio of the national average wage index for 2001 to that average for 1977. Then we round this amount to the nearest dollar. Multiplying the amounts of \$230, \$332, and \$433 by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 1977 (\$9,779.44) produces the amounts of \$774.28, \$1,117.66, and \$1,457.67. We round these amounts to \$774, \$1,118, and \$1,458. Accordingly, the portions of the primary insurance amounts to be used in 2003 are the first \$774, the amount

between \$774 and \$1,118, the amount between \$1,118 and \$1,458, and the amount over \$1,458.

Consequently, for the family of a worker who becomes age 62 or dies in 2003 before age 62, we will compute the total amount of benefits payable to them so that it does not exceed

(a) 150 percent of the first \$774 of the worker's primary insurance amount, plus

(b) 272 percent of the worker's primary insurance amount over \$774 through \$1,118, plus

(c) 134 percent of the worker's primary insurance amount over \$1,118 through \$1,458, plus

(d) 175 percent of the worker's primary insurance amount over \$1,458.

We then round this amount to the next lower multiple of \$0.10 if it is not already a multiple of \$0.10. This formula and the rounding adjustment described above are contained in section 203(a) of the Act (42 U.S.C.403(a)).

#### Quarter of Coverage Amount

##### *General*

The amount of earnings required for a quarter of coverage in 2003 is \$890. A quarter of coverage is the basic unit for determining whether a worker is insured under the Social Security program. For years before 1978, we generally credited an individual with a quarter of coverage for each quarter in which wages of \$50 or more were paid, or with 4 quarters of coverage for every taxable year in which \$400 or more of self-employment income was earned. Beginning in 1978, employers generally report wages on an annual basis instead of a quarterly basis. With the change to annual reporting, section 352(b) of the Social Security Amendments of 1977 amended section 213(d) of the Act to provide that a quarter of coverage would be credited for each \$250 of an individual's total wages and self-employment income for calendar year 1978, up to a maximum of 4 quarters of coverage for the year.

##### *Computation*

Under the prescribed formula, the quarter of coverage amount for 2003 shall be the larger of: (1) The 1978 amount of \$250 multiplied by the ratio of the national average wage index for 2001 to that for 1976; or (2) the current amount of \$870. Section 213(d) further provides that if the resulting amount is not a multiple of \$10, it shall be rounded to the nearest multiple of \$10.

##### *Quarter of Coverage Amount*

Multiplying the 1978 quarter of coverage amount (\$250) by the ratio of

the national average wage index for 2001 (\$32,921.92) to that for 1976 (\$9,226.48) produces the amount of \$892.05. We then round this amount to \$890. Because \$890 exceeds the current amount of \$870, the quarter of coverage amount is \$890 for 2003.

#### “Old-Law” Contribution and Benefit Base

##### *General*

The “old-law” contribution and benefit base for 2003 is \$64,500. This is the base that would have been effective under the Act without the enactment of the 1977 amendments. We compute the base under section 230(b) of the Act as it read prior to the 1977 amendments.

The “old-law” contribution and benefit base is used by:

(a) the Railroad Retirement program to determine certain tax liabilities and tier II benefits payable under that program to supplement the tier I payments which correspond to basic Social Security benefits,

(b) the Pension Benefit Guaranty Corporation to determine the maximum amount of pension guaranteed under the Employee Retirement Income Security Act (as stated in section 230(d) of the Social Security Act),

(c) Social Security to determine a year of coverage in computing the special minimum benefit, as described earlier, and

(d) Social Security to determine a year of coverage (acquired whenever earnings equal or exceed 25 percent of the “old-law” base for this purpose only) in computing benefits for persons who are also eligible to receive pensions based on employment not covered under section 210 of the Act.

##### *Computation*

The “old-law” contribution and benefit base shall be the larger of: (1) The 1994 “old-law” base (\$45,000) multiplied by the ratio of the national average wage index for 2001 to that for 1992; or (2) the current “old-law” base (\$63,000). If the resulting amount is not a multiple of \$300, it shall be rounded to the nearest multiple of \$300.

##### *Amount*

Multiplying the 1994 “old-law” contribution and benefit base amount (\$45,000) by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 1992 (\$22,935.42) produces the amount of \$64,593.82. We round this amount to \$64,500. Because \$64,500 exceeds the current amount of \$63,000, the “old-law” contribution and benefit base is \$64,500 for 2003.

#### Substantial Gainful Activity Amounts

##### *General*

A finding of disability under titles II and XVI of the Act requires that a person, except for a title XVI disabled child, be unable to engage in substantial gainful activity (SGA). (A finding of disability under title XVI for a child is based on a different standard, not related to SGA.) A person who is earning more than a certain monthly amount (net of impairment-related work expenses) is ordinarily considered to be engaging in SGA. The amount of monthly earnings considered as SGA depends on the nature of a person's disability. Section 223(d)(4)(A) of the Act specifies a higher SGA amount for statutorily blind individuals while Federal regulations (20 CFR 404.1574 and 416.974) specify a lower SGA amount for non-blind individuals. Both SGA amounts increase in accordance with increases in the national average wage index.

##### *Computation*

The monthly SGA amount for statutorily blind individuals for 2003 shall be the larger of: (1) Such amount for 1994 multiplied by the ratio of the national average wage index for 2001 to that for 1992; or (2) such amount for 2002. The monthly SGA amount for non-blind disabled individuals for 2003 shall be the larger of: (1) Such amount for 2000 multiplied by the ratio of the national average wage index for 2001 to that for 1998; or (2) such amount for 2002. In either case, if the resulting amount is not a multiple of \$10, it shall be rounded to the nearest multiple of \$10.

##### *SGA Amount for Statutorily Blind Individuals*

Multiplying the 1994 monthly SGA amount for statutorily blind individuals (\$930) by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 1992 (\$22,935.42) produces the amount of \$1,334.94. We then round this amount to \$1,330. Because \$1,330 is larger than the current amount of \$1,300, the monthly SGA amount for statutorily blind individuals is \$1,330 for 2003.

##### *SGA Amount for Non-Blind Disabled Individuals*

Multiplying the 2000 monthly SGA amount for non-blind individuals (\$700) by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 1998 (\$28,861.44) produces the amount of \$798.48. We then round this amount to \$800. Because \$800 is larger than the current amount of \$780, the monthly

SGA amount for non-blind individuals is \$800 for 2003.

### **Trial Work Period Earnings Threshold**

#### *General*

During a trial work period, a beneficiary receiving Social Security disability benefits may test his or her ability to work and still be considered disabled. We do not consider services performed during the trial work period as showing that the disability has ended until services have been performed in at least 9 months (not necessarily consecutive) in a rolling 60-month period. In 2002, any month in which earnings exceed \$560 is considered a month of services for an individual's trial work period. In 2003, this monthly amount increases to \$570.

#### *Computation*

The method used to determine the new amount is set forth in our regulations at 20 CFR 404.1592(b). Monthly earnings in 2003, used to determine whether a month is part of a trial work period, is such amount for 2001 multiplied by the ratio of the national average wage index for 2001 to that for 1999, or, if larger, such amount for 2002. If the amount so calculated is not a multiple of \$10, we round it to the nearest multiple of \$10.

#### *Amount*

Multiplying the 2001 monthly earnings threshold (\$530) by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 1999 (\$30,469.84) produces the amount of \$572.65. We then round this amount to \$570. Because \$570 is larger than the current amount of \$560, the monthly earnings threshold is \$570 for 2003.

### **Domestic Employee Coverage Threshold**

#### *General*

The minimum amount a domestic worker must earn so that such earnings are covered under Social Security or Medicare is the domestic employee coverage threshold. For 2003, this threshold is \$1,400. Section 3121(x) of the Internal Revenue Code provides the formula for increasing the threshold.

#### *Computation*

Under the formula, the domestic employee coverage threshold amount for 2003 shall be equal to the 1995 amount of \$1,000 multiplied by the ratio of the national average wage index for 2001 to that for 1993. If the resulting amount is not a multiple of \$100, it shall be rounded to the next lower multiple of \$100.

### **Domestic Employee Coverage Threshold Amount**

Multiplying the 1995 domestic employee coverage threshold amount (\$1,000) by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 1993 (\$23,132.67) produces the amount of \$1,423.18. We then round this amount to \$1,400. Accordingly, the domestic employee coverage threshold amount is \$1,400 for 2003.

### **Election Worker Coverage Threshold**

#### *General*

The minimum amount an election worker must earn so that such earnings are covered under Social Security or Medicare is the election worker coverage threshold. For 2003, this threshold is \$1,200. Section 218(c)(8)(B) of the Act provides the formula for increasing the threshold.

#### *Computation*

Under the formula, the election worker coverage threshold amount for 2003 shall be equal to the 1999 amount of \$1,000 multiplied by the ratio of the national average wage index for 2001 to that for 1997. If the amount so determined is not a multiple of \$100, it shall be rounded to the nearest multiple of \$100.

### **Election Worker Coverage Threshold Amount**

Multiplying the 1999 election worker coverage threshold amount (\$1,000) by the ratio of the national average wage index for 2001 (\$32,921.92) compared to that for 1997 (\$27,426.00) produces the amount of \$1,200.39. We then round this amount to \$1,200. Accordingly, the election worker coverage threshold amount is \$1,200 for 2003.

(Catalog of Federal Domestic Assistance: Program Nos. 96.001 Social Security-Disability Insurance; 96.002 Social Security-Retirement Insurance; 96.004 Social Security-Survivors Insurance; 96.006 Supplemental Security Income)

Dated: October 18, 2002.

**Jo Anne B. Barnhart,**

*Commissioner of Social Security.*

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## **DEPARTMENT OF STATE**

### **Bureau of Consular Affairs**

**[Public Notice 4173]**

### **Extension of Certain Foreign Passports Validity**

In accordance with section 212(a)(7)(B) of the Immigration and Nationality Act (8 U.S.C. 1182(a)(7)(B)), a nonimmigrant alien who makes an application for a visa or for admission into the United States is required to possess a passport that:

(1) Is valid for a minimum of six months beyond the date of the expiration of the initial period of the alien's admission into the United States or contemplated initial period of stay and,

(2) Authorizes the alien to return to the country from which he or she came, or to proceed to and enter some other country during such period. Because of the foregoing requirement, the governments of certain countries (and other competent authorities) have agreed that their passports will be recognized as valid for the return of the bearer for a period of six months beyond the expiration date specified in the passport, thereby effectively extending the validity period of the foreign passport an additional six months beyond its expiration date, see 22 CFR 41.104(b).

This public notice adds Romania to the list of competent authorities that have provided the necessary assurances to the Government of the United States. This notice also adds Bosnia-Herzegovina, Croatia, Guatemala and Guyana to the list. These countries have had agreements in place for some time, but were inadvertently dropped from the list in previous notices. The updated list of competent authorities that have made the necessary assurances is shown below:

### **Table of Foreign Passports Recognized for Extended Validity**

Algeria  
Antigua & Barbuda  
Argentina  
Australia  
Austria  
Bahamas, the  
Bangladesh  
Barbados  
Belgium  
Bolivia  
Bosnia-Herzegovina  
Brazil  
Canada  
Chile  
Colombia  
Costa Rica