THE Social Security Act became an actuality January 1, 1936, when the first tax began to accrue on employers of eight or more people. The Act attempts the most comprehensive social reforms ever undertaken by the government of the United States through direct legislation and applies to golf club employees among others.

The law in substance is in three parts; one part has to do with unemployment compensation, another part with old-age benefits, and the third with grants to states to take care of want, on a needs basis. The first two objectives differ from the third in that they are based substantially on insurance principles; that is, they are expected to pay their own way. The immediate concern of most individuals lies in its direct effect on their persons, their properties, and their future. For this reason, we outline briefly the provisions of the Social Security Act. This will establish general understanding for the detailed explanations which follow.

The Act creates three taxes, two of which are levied on employers, while the third falls on employees. These taxes are summarized as follows:

1. An excise tax on the total payroll of employers of eight or more persons, subject to a maximum credit of 90% allowed in those states in which an unemployment compensation law is enacted in conformity with the standards of the federal Social Security Act.

2. An excise tax on the payroll of all employers, excluding all remuneration paid by an employer to any individual in his employ which exceeds $3,000.

3. An income tax on the wages of employees, excluding all remuneration received by an individual over $3,000 per year from any one employer.
ACT MEANS TO

Social Taxes
Increase to 9% of Payroll

The proceeds of these taxes will be used in furtherance of the unemployment compensation and old-age annuity programs established by the Social Security Act.

These taxes are graduated upward over a period of 13 years until eventually they will reach a maximum of 9% of the payroll.

The Act specifies those classes of employment which are excluded from the tax, and of course from the benefits.

Excluded from the old-age tax are: (1) Agricultural labor; (2) Domestic service in a private home; (3) Casual labor not in the course of the employer's trade or business; (4) Service performed by an individual who has attained the age of 65; (5) Service performed as an officer or member of the crew of a vessel documented under the laws of the United States or of any foreign country; (6) Service performed in the employ of the United States Government or of an instrumentality of the United States; (7) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which insures to the benefit of any private shareholder or individual.

Excluded from the unemployment compensation tax is service performed by an individual in the employ of his son, daughter or spouse, and service performed by a child under the age of 21 in the employ of his father or mother.

Plan of Federal Unemployment Tax

By the passage of the Social Security Act the federal government has created a system encouraging the states to establish unemployment compensation laws. This plan works by means of credit allowances. A credit against the federal tax is allowed to employers in any state which passes an unemployment compensation act in conformity with federal standards.

If the state does not enact such measures for unemployment compensation, the amount collected by the federal government will go into the general treasury of the United States for general governmental purposes. It is evident, therefore, that taxes collected under the federal unemployment compensation law will never be appropriated for unemployment benefits.

This federal legislation was framed with the thought that the attack upon the problems of unemployment insecurity should be a cooperative venture participated in by both the federal and state governments, preserving the benefits of local administration and national leadership. It was thought unwise to have the federal government decide all questions of policy and dictate completely what the states should do. Only very necessary minimum standards are included in the federal measure, leaving wide latitude to the states.

While the different state unemployment insurance compensation laws must make all contributions compulsory, the states, in addition to deciding how these contributions shall be levied, have freedom in determining their own waiting periods, benefit rates, maximum benefit periods, and the like.

It is obvious that in the best interest of the worker, industry, and society, there must be a certain uniformity of standards. It is obvious, too, that the penalizing of competitive industries in any state as against those in another state must be prevented. The federal tax does prevent this inequality, as it costs the employer the same whether he pays the levy to the federal government or makes a contribution to a state unemployment insurance fund. If he pays the state tax, he need not pay the entire federal tax. This is known as the credit system.

Golf Seasonal Problem in Unemployment Benefits

Only those individuals qualify for benefits whose wages have been taxed by the state. If such employees lose their positions, they will receive compensation from the state for a specified number of weeks while they are out of work. It is important to note that no benefits are paid by the federal government. The amount of the payments and the number of weeks
during which such payments are made depends on the provisions of the particular state law. The benefits will probably amount to one-half of the employee's wages, subject to an absolute maximum and minimum, and will be paid over a period of approximately 10 to 18 weeks.

Annuity Plan
Purely Federal Project

The old-age annuity plan is purely a federal project. For its support there is levied an income tax on the employee, and an excise tax on the employer, starting at 1% on each, beginning in 1937, and increasing one-half of 1% each 3 years thereafter until the total of 3% each is paid by the employer and the employee. An annuity will be payable to all employees subject to this tax. Such an individual, however, before qualifying for the annuity, must have reached the age of 65; his total wages received after Dec. 31, 1936, and before reaching 65 must be not less than $2,000; and his wages must be paid to him on some day in each of five years after Dec. 31, 1936, and before he is 65 years old.

The first monthly payment to a qualified individual will be made on January 1, 1942, and its amount will be calculated as follows:

<table>
<thead>
<tr>
<th>Total wages received after Dec. 31, 1936, and prior to age 65, in covered employments (not counting wages in excess of $3,000 annually)</th>
<th>% of total wages paid as monthly benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $ 3,000</td>
<td>1/2%</td>
</tr>
<tr>
<td>Next 42,000</td>
<td>1/12%</td>
</tr>
<tr>
<td>All over 45,000</td>
<td>1/24%</td>
</tr>
</tbody>
</table>

Those individuals who do not fulfill the above requirements will not qualify for any benefits, and upon reaching the age of 65 are paid a lump sum equal to 3 1/2% of the total wages paid after Dec. 31, 1936, and before the attainment of age 65. Upon the death of an individual before he reaches the age of 65, his estate receives payment equal to 3 1/2% of his total wages received after Dec. 31, 1936; if he dies after reaching that age, his estate receives the same amount less any benefits paid to him during his lifetime. Payments of benefits are, however, withheld for each month in which a qualified individual who has attained age 65 received wages for regular employment. In the event that an individual retires before attaining the age of 65, the benefit does not become payable until the age 65 is reached.

These old-age benefits in the form of monthly payments are to be paid to employees who have worked and contributed (along with the employers) to the annuity fund substantially in direct proportion to the total wages earned by such individuals in the course of their employment subsequent to 1936. The minimum monthly payment is to be $10, the maximum $85. Benefit payments are made for life after the retirement age of 65 is reached.

The old-age assistance or pension is distinguishable from the old-age annuity discussed above since it is not based on a tax nor an actuarial plan of benefits. The old-age grant program is a charitable system to be administered by the states under federal supervision. The sole basis for distribution of these benefits is need; they may be used to supplement the annuity when the latter is considered insufficient.

Under the state old-age assistance laws, those individuals who qualify will receive a monthly payment. To qualify, the applicant must have attained the age of 65, resided in the state for a total of at least five years in the nine years preceding his application, and lived there continuously for at least one year immediately before applying for such aid. Inmates of public institutions are expressly disqualified. The amount of such payment is determined by each state, and will probably be approximately $30, since the Act limits the federal aid to not more than $15 per month for the individual, provided the state in which he resides appropriates a like amount. There is nothing to prevent a state from contributing more than $15 per month in special cases nor is there any requirement that as much as $15 be allowed from the state funds.

Many Effects of Social Legislation on Golf Clubs

Now as to how this act will affect you as manager of a club. Necessarily, in an article of this kind, we can touch but generally on the many and varied effects of the act, but here are a few of the more important ones. If your club is operating in a state that has not passed an unemployment compensation law, you have only the federal act to reckon with for the year 1936; and your only tax is 1% of the wages paid your employees, providing, of

(Continued on Page 60)
youngsters' parents get interested in the lessons and the golf promotion influence is spread.

Peoria newspapers have given great space to the promotion both by picture and type. The newspapers also put in a strong plug for gifts of golf clubs for the students, as the entry card the youngsters had to fill out to gain admission to the classes showed that only 4% of the applicants for group lessons had clubs. The entry cards also showed that 90% of the kids who applied for lessons never had played golf and that 75% of the golf pupils' parents did not play. Almost two-thirds of the pupils making application for lessons were girls. Attendance after the first lesson picked up considerably, and is continuing to grow at a pace that is bothering the instructing pros with the problem of taking care of the late starters.

Biggs and Andrews see in the group golf lesson demand for clubs to be used by school youngsters an eventual outlet for used clubs that should have a positive effect in the new club market by getting adult players to give away, or sell at nominal second-hand price through pros, old clubs to the beginning kids.

Peoria high school kids are going for golf strong, making the golf team match with Bloomington High feature of the sports section of its school weekly newspaper, which has won national and international awards as a top specimen of high school journalism. Class lessons are played up, and one of the kid columnists flips in a smart comment to one of the girl golf students, "more par to you."

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Social Security Act

(Continued from page 24)

But note carefully the word "wages." Ordinarily this would be construed as representing your payroll, but to quote from section 811 of the Social Security Act, the term "wages" means "all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash." Hence, if you provide room and board for any of your employees, you must set a fair cash value on same, and this should be included for purposes of taxation in your payroll records. Take for instance your greenkeeper. Oftentimes it is customary for the club to provide living quarters for him and his family. Hence, if this is done, a proper cash value should be placed on these quarters and for the purposes of taxation included in your payroll.

One item on which a club can legitimately make a tax saving is on caddies. For instance, if it is now your custom to charge caddie fees to your members' accounts, it would pay you to change this arrangement; and although the club may furnish time cards for the caddies to punch, be sure and have their services paid direct by the members of the club instead of charging them to their accounts.

The reason for this is as follows: If the caddie fees are charged to the members, the caddie then becomes an employee of the club and his fees are considered a part of the general payroll and are, therefore, taxable. However, if the members pay the caddie direct, they are considered as independent contractors selling their services direct to the individual members, and hence are not employees of the club and, therefore, their fees are not taxable. When you realize that caddie fees each year run into millions of dollars, you can readily see that a great saving can be made by the individual club if they can be excluded from the payroll.

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Clinton K. Bradley Heads MSC Alumni Association of Greenkeepers

CLINTON K. BRADLEY, supt. of the Passaic County GC, was elected president of the Massachusetts State College Greenkeepers' Alumni assn. at its annual meeting recently. Bradley is founder of the organization. Wm. F. Nye and Marston Burnett were elected vice-president's. Miss Elfreide Klauke, asst. to Prof. Dickinson of MSC, was made an honorary member of the greenkeepers' alumni and elected sec.-treas.

Class representatives on the general committee were elected as follows:

Arthur Anderson, '27; Richard Finnerty, '28; G. Moquin, '29; Joseph Johnston, '30; Joseph Whitehead, '31; Arthur McLain, '32; Richard Mansfield, '33; Roger Henry, '34; P. C. Terry, Jr., '35; Elmer Schact, '36.

Shop Has Adding Machine.—Wilshire CC (Los Angeles district) has installed an adding machine in its golf shop for assistance in determining handicaps.