

amounts of earnings that can be earned by retirement and survivor beneficiaries without the earnings causing a reduction in their benefits. It then also delineates the reduction if these earning limits are exceeded, as a proportion of the amount of earnings that are above those limits.

We propose to revise this section by changing the section heading to "Monthly and annual exempt amounts defined; excess earnings defined," and deleting obsolete material. This section would also reflect the changes in the annual earnings test and full retirement test, and display annual earnings test exempt amounts for 2000 through 2003.

Section 404.434 Excess earnings; method of charging. This section describes the method of charging estimated excess earnings of an insured person and also the excess earnings of a beneficiary. Although the excess earnings may not completely eliminate the benefits to be paid on the insured's record, all the estimated earnings of the calendar (or fiscal) year are charged to the earlier months of the year. This may eliminate benefits for those earlier months, and may allow full benefits in the later months of the year.

This section also clarifies that the excess earnings of a person receiving benefits on another's record only diminish or eliminate the benefits of that beneficiary; they do not affect the benefits of the insured or those of others receiving benefits on the insured's record.

This section also states that if both the insured and other(s) receiving benefits on an insured's record have excess earnings, the excess earnings of the insured are first charged to the total family benefits payable (or deemed payable), and then the excess earnings of the secondary beneficiary are charged against the insured's remaining benefits. We propose to rewrite this section in plain language.

Section 404.435 Excess earnings; months to which excess earnings cannot be charged. This section lists the situations in which one's excess earnings in a month are not counted to cause reductions in benefits. The section defines the grace year and the termination grace year, and delineates the circumstances where an individual can have more than one grace year. The section cites examples to clarify these concepts.

This section also states the presumption that an individual was

engaged in self-employment and/or performing services for wages each month in a taxable year in which such earnings are reported, until the individual provides evidence to us about non-earning months in that year.

We propose to rewrite this section in plain language, change the heading to "Excess earnings; months to which excess earnings can or cannot be charged; grace year defined," to reflect the change in the full retirement age, update outdated examples, and delete obsolete material.

Section 404.437 Excess earnings; benefit rate subject to deductions because of excess earnings. This section delineates the various benefit reduction factors to which a beneficiary may be subjected. We propose to rewrite the section by using simpler, clearer language. We also propose to revise the section heading to "Excess earnings; benefits subject to deductions because of excess earnings."

Section 404.452 Reports to Social Security Administration of earnings; wages; net earnings from self-employment. This section contains the reporting requirements and conditions under which Social Security survivor and retirement beneficiaries who have not yet reached full retirement age, are required to report earnings to the Social Security Administration. The purpose of these reports are: (1) To enable the Social Security Administration to adjust the monthly benefit amounts that may have been affected by the earnings test; and (2) to establish whether a grace year has occurred because the earnings of a beneficiary fell below the earnings test amount. This section also conveys what reporting formats are acceptable, the filing deadlines and possible extensions, and the reporting requirements of persons receiving benefits on behalf of others (representative payees).

We propose to rewrite this section to reflect changes in the full retirement age, to reflect section 309(c) of Public Law 103-296, which eliminates any exceptions to the requirement to file an annual report for beneficiaries under age 70 receiving auxiliary or survivors benefits when there are auxiliary or survivor beneficiaries living in a separate household and to delete obsolete material.

Regulatory Procedures

Clarity of These Regulations

Executive Order 12866, as amended by Executive Order 13258, requires each

agency to write all rules in plain language. In addition to your substantive comments on these proposed rules, we invite your comments and suggestions on how to make these proposed rules yet easier to understand.

For example:

- Have we organized the material to suit your needs?
- Are the requirements in the rules clearly stated?
- Do the rules contain technical language or jargon that is unclear?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the rules easier to understand?
- Would more (but shorter) sections be better?
- Could we improve clarity by adding tables, lists, or diagrams?
- What else could we do to make the rules easier to understand?

Executive Order 12866

We have consulted with the Office of Management and Budget (OMB) (OMB) and determined that these proposed rules meet the requirements for a significant regulatory action under E.O. Executive Order 12866, as amended by Executive Order 13258. Thus, they were subject to OMB review.

Regulatory Flexibility Act

We certify that these proposed regulations will not have a significant economic impact on a substantial number of small entities because they affect only individuals. Therefore, a regulatory flexibility analysis, as provided in the Regulatory Flexibility Act, as amended, is not required.

Paperwork Reduction Act

These proposed rules contain reporting requirements as shown in the table below. Where the public reporting burden is accounted for in Information Collection Requests for the various forms that the public uses to submit the information to the Social Security Administration and the Internal Revenue Service, a 1-hour placeholder burden is being assigned to the specific reporting requirement(s) contained in these rules. We are seeking clearance of the burden referenced in these rules because the rules were not considered during the clearance of the forms.