

receive in a calendar year for domestic service in the private home of your employer, or service not in the course of your employer's trade or business;

(3) Payments for agricultural labor excluded under § 404.1055;

(4) Remuneration, cash and non-cash, for service as a home worker even though the cash remuneration you received is less than the amount stipulated in § 404.1058(a) in a calendar year;

(5) Services performed outside the United States in the Armed Forces of the United States.

(d) *Presumptions concerning wages.* For purposes of this section, when reports received by us show that you received wages (as defined in paragraph (c) of this section) during a taxable year, it is presumed that they were paid to you for services rendered in that year unless you present evidence to our satisfaction that the wages were paid for services you rendered in another taxable year. If a report of wages shows your wages for a calendar year, your taxable year is presumed to be a calendar year for purposes of this section unless you present evidence to our satisfaction that your taxable year is not a calendar year.

8. Section 404.430 is revised to read as follows:

§ 404.430 Monthly and annual exempt amounts defined; excess earnings defined.

(a) *Monthly and annual exempt amounts.* (1) The earnings test monthly and annual exempt amounts are the amounts of wages and self-employment income which you, as a Social Security beneficiary, may earn in any month or year without part or all of your monthly benefit being deducted because of excess earnings. The monthly exempt amount, (which is 1/12 of the annual exempt amount), applies only in a beneficiary's grace year or years. (See § 404.435(a) and (b)). The annual exempt amount applies to the earnings of each non-grace taxable year prior to the year of FRAfull retirement age, as defined in § 404.409. A larger "annual" exempt amount applies to the total earnings of the months in the taxable year that precedes the month in which you attain FRAfull retirement age. The full annual exempt amount applies to the earnings of these pre-FRAfull retirement age FRAmonths, even though they are earned in less than a year. For beneficiaries using a fiscal year as a taxable year, the exempt amounts applicable at the end of the ends of their fiscal year apply.

(2) We determine the monthly exempt amounts for each year by a method that depends on the type of exempt amount.:

(i) For the lower exempt amount (the one applicable before the calendar year of reaching the FRAfull retirement age), we multiply \$670 (the lower exempt amount for 1994) by the ratio of the national average wage index for the second prior year to that index for 1992. If the amount so calculated is not a multiple of \$10, we round it to the nearest multiple of \$10 (*i.e.*, if the amount ends in \$5 or more, we round up, otherwise we round down). The annual exempt amount is then 12 times the rounded monthly exempt amount.

(ii) The higher exempt amount (the one applicable in months of the year of attaining full retirement age FRA that precede such attainment) was set by legislation (Pub. L. 104-121) for years 1996-2002. To calculate the higher exempt amount for any year after 2002, we will multiply \$2,500 (the higher exempt amount for 2002) by the ratio of the national average wage index for the second prior year to that index for 2000. We round the result as described in paragraph (a)(2)(i) of this section for the lower exempt amount.

(iii) The following are the annual and monthly exempt amounts for taxable years 2000 through 2003.

Year	For years through taxable year preceding year of reaching full retirement age		Months of taxable year prior to month of full retirement age	
	Reduction: \$1 for every \$2 over the exempt amount		Reduction: \$1 for every \$3 over the exempt amount	
	Annual	Monthly	Annual	Monthly
2000	\$10,080	\$840	\$17,000	\$1,417
2001	10,680	890	25,000	2,084
2002	11,280	940	30,000	2,500
2003	11,520	960	30,720	2,560

(b) *Method of determining excess earnings for years after December 1999.* If you have not yet reached your year of full retirement ageFRA, your excess earnings for a taxable year are 50 percent of your earnings (as described in § 404.429) that are above the exempt amount. After December 31, 1999, in the taxable year you will reach full retirement age, the annual (and monthly, if applicable) earnings limit applies to the earnings of the months prior to the month in which you reach full retirement age. Excess earnings are 33⅓% of the earnings above the annual exempt amount. Your earnings after reaching the month of FRAfull retirement age are not subject to the earnings test.

9. Section 404.434 is revised to read as follows:

§ 404.434 Excess earnings; method of charging.

(a) *Months charged.* If you have not yet reached your year of full retirement age, and if your estimated earnings for a year result in estimated excess earnings (as described in § 404.430), we will charge these excess earnings to your full benefit each month from the beginning of the year, until all of the estimated excess earnings have been charged. Excess earnings, however, are not charged to any month described in §§ 404.435 and 404.436.

(b) *Amount of excess earnings charged.* (1) *Insured individual's excess earnings.* For each \$1 of your excess

earnings we will decrease by \$1 the benefits to which you and all others are entitled (or deemed entitled—see § 404.420) on your earnings record. (See § 404.439 where the excess earnings for a month are less than the total benefits payable for that month.)

(2) *Excess earnings of beneficiary other than insured individual.* We will charge a beneficiary, other than the insured, \$1 for each \$1 of the beneficiary's excess earnings (see § 404.437). These excess earnings, however, are charged only against that beneficiary's own benefits.

(3) *You, the insured individual, and a person entitled (or deemed entitled) on your earnings record both have excess earnings.* If both you and a person