

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. Thus we increase the current amounts by 2.1 percent to \$31 and \$59 for 2004.

National Average Wage Index for 2002

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 exempt amounts under the retirement earnings test; (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 2002 is based on the 2001 national average wage index of \$32,921.92 announced in the **Federal Register** on October 25, 2002 (67 FR 65620), along with the percentage increase in average wages from 2001 to 2002 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 \$31,581.97 and \$31,898.70 for 2001 and

2002, respectively. To determine the national average wage index for 2002 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 2001 national average wage index of \$32,921.92 by the percentage increase in average wages from 2001 to 2002 (based on SSA-tabulated wage data) as follows (with the result rounded to the nearest cent).

Amount

The national average wage index for 2002 is \$32,921.92 times \$31,898.70 divided by \$31,581.97, which equals \$33,252.09. Therefore, the national average wage index for calendar year 2002 is \$33,252.09.

OASDI Contribution and Benefit Base

General

The OASDI contribution and benefit base is \$87,900 for remuneration paid in 2004 and self-employment income earned in taxable years beginning in 2004.

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 2004 is 6.2 percent for employees and employers, each. The OASDI tax rate for self-employment income earned in taxable years beginning in 2004 is 12.4 percent. (The Hospital Insurance tax is due on remuneration, without limitation, paid in 2004, at the rate of 1.45 percent for employees and employers, each, and on self-employment income earned in taxable years beginning in 2004, 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 2004 shall be the larger of: (1) The 1994 base of \$60,600 multiplied by the ratio of the national average wage index for 2002 to that for 1992; or (2) the current base (\$87,000). If the resulting amount is not a multiple of \$300, it shall be rounded to the nearest multiple of \$300.

Amount

Multiplying the 1994 OASDI contribution and benefit base amount (\$60,600) by the ratio of the national average wage index for 2002 (\$33,252.09 as determined above) to that for 1992 (\$22,935.42) produces the amount of

\$87,858.72. We round this amount to \$87,900. Because \$87,900 exceeds the current base amount of \$87,000, the OASDI contribution and benefit base is \$87,900 for 2004.

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 12 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 2004, the lower monthly exempt amount for 2004 shall be the larger of: (1) The 1994 monthly exempt amount multiplied by the ratio of the national average wage index for 2002 to that for 1992; or (2) the 2003 monthly exempt amount (\$960). 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 2004, the higher monthly exempt amount for 2004 shall be the larger of: (1) The 2002 monthly exempt amount multiplied by the ratio of the national average wage index for 2002 to that for 2000; or (2) the 2003 monthly exempt amount (\$2,560). 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