

History of the Social Security Number

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History of the Social Security Number and Its Uses

The original Social Security Act (P.L. 74-271, August 14, 1935) imposed two taxes to finance the program of retirement and survivor benefits to be administered by the Social Security Board. One was a tax as a percentage of wages imposed on employees; the second was a matching tax on employers. To finance the Federal contribution to State programs of unemployment compensation required by the same Act, a tax as a percentage of wages was imposed on employers.

Section 807 of that Act charged the Bureau of Internal Revenue in the Treasury Department with collecting all three taxes. Section 807(b) provided Such taxes shall be collected and paid in such manner . . . (either by making and filing returns, or by stamps, coupons, tickets, books, or other reasonable devices or methods necessary or helpful in securing a complete and proper collection and payment of the tax or in securing proper identification of the taxpayer), as may be prescribed by the Commissioner of Internal Revenue

The first mention of the SSN in a law or regulation is in a Bureau of Internal Revenue regulation of November 5, 1936 under which an identifying number, called an "account number," was to be applied for by each employee, and assigned by the Postmaster General or the Social Security Board. Each employee was directed to report his number to his employer. Employers were directed to keep records showing the name and number of each employee and to enter employee account numbers on all required tax returns. The regulation provided that "Any employee may have his account number changed at any time by applying to the Social Security Board and showing good reasons for a change. With that exception, only one account number will be assigned to an employee."⁶

It is ironic to discover-though logical and understandable in retrospect-that the first step in the process of extending the use of the Social Security number beyond the purposes of the Social Security program was taken by the Social Security Board itself on January 15, 1937. After the Social Security Act was passed, a question arose about an account numbering system to be used by State agencies established to administer the State unemployment insurance programs. The Board decided that the Social Security number should be used for all workers insured under these programs, rather than have each State agency develop its own identification system. As a result of this decision, many workers not covered by the Social Security program received SSNs for use in State unemployment insurance programs

For some years after its inception in 1936, there was no substantial use of the SSN other than that required for the Social Security and unemployment compensation programs. Most Americans had not been issued a number, and few organizations felt the need of a numeric identifier for purposes of data processing.

Although many people are under the impression that use of the SSN for other than Social Security program purposes is forbidden by law, this is not the case and never has been. The impression may in part have arisen from the fact that, for many years, the card bearing one's Social Security Account Number has carried the legend, "NOT FOR IDENTIFICATION." The purpose of this legend is to notify anyone to whom a card might be presented that it cannot be relied upon, by itself, as evidence of the identity of the person presenting it.

In 1943, the Civil Service Commission decided that there should be a numerical identification system for all Federal employees and proposed to the Bureau of the Budget that use of the SSN

be authorized for this purpose. This led to the issuance of Executive Order 9397. That order, which is still in effect, provides in part as follows:

WHEREAS certain Federal agencies from time to time require in the administration of their activities a system of numerical identification of accounts of individual persons; and...

WHEREAS it is desirable in the interest of economy and orderly administration that the Federal Government move towards the use of a single, unduplicated numerical identification system of accounts and avoid the unnecessary establishment of additional systems;

NOW, THEREFORE, . . . it is hereby ordered as follows:

1. Hereafter any Federal department, establishment, or agency shall, whenever the head thereof finds it advisable to establish a new system of permanent account numbers pertaining to individual persons, utilize exclusively the Social Security account numbers

The order directs the Social Security Board, the predecessor agency of the Social Security Administration, to provide for the assignment of an account number to any person required by any Federal agency to have one, and to furnish the number, or the name and identifying data, pertaining to any person or account number upon request of any Federal agency using the SSAN for a numerical identification system of accounts under the order. The order also directs that

The Social Security Board and each Federal agency shall maintain the confidential character of information relating to individuals obtained pursuant to the provisions of this Order.

Finally, the order provides for the costs of services rendered thereunder by the Social Security Board to be reimbursed by the agency receiving such services.

Most civil servants had never applied for SSNs because their employment was not covered by the Social Security Act. Since they were not being assigned numbers for Social Security program purposes, the costs had to be paid from funds appropriated for the Civil Service Commission.

The Commission, however, was unable to obtain the necessary funds, and so it was not until November, 1961 that the assignment of numbers to Civil Service employees was initiated as an adjunct of the Internal Revenue Service's taxpayer identification program (see below).

The issuance of Executive Order 9397 in 1943 theoretically may have provided the basis for a change in conception of the role of the SSN. However, there is no evidence that it had any practical significance until after the 1961 decision to use the SSN as an individual identifier for Federal tax purposes. It has been suggested that Executive Order 9397 was intended to apply only to instances when Federal agencies seek to number records of financial transactions, and not to numbering other kinds of records, such as employment, attendance, performance, or medical records. The fiscal interpretation follows from the wording of the order which speaks of the efficiency to be gained from "a single . . . system of accounts" To interpret the order as applying to all kinds of Federal agency record systems is arguably beyond the meaning of its language. In any case, it appears that Federal agencies are free to use the SSN in any way they wish, and no instance has come to our attention in which the order has been invoked to compel or limit an agency's use of the SSN.

What many regard as the single most substantial impetus to use the SSN for purposes other than the Social Security program occurred in 1961, when the Internal Revenue Service, after discussions with the Social Security Administration, decided to use the SSN for taxpayer

identification. This decision was implemented by an amendment to the Internal Revenue Code that authorized the Secretary of the Treasury to require each person making "a return, statement, or other document" under the Internal Revenue Code to "include such identifying number as may be prescribed for securing proper identification of such person." The Secretary was also authorized "to require such information as may be necessary to assign an identifying number to any person."⁷ The Secretary delegated his authority to the Commissioner of Internal Revenue, who has issued a number of regulations, the combined effect of which may be summarized as follows.

- The taxpayer's identification number for use by individuals (except as employers in a trade or business) is the SSN.
- The SSN for each individual taxpayer and each beneficiary of an estate or trust must be furnished on all tax returns and related statements and documents filed in connection with every tax imposed by the Internal Revenue Code. (A failure to include the number as required on a return gives rise to a civil penalty of \$5, unless the failure to provide the number is due to "reasonable cause." Int. Rev. Code of 1954, Sec. 6676.)
- An individual is obliged to obtain an SSN from the Social Security Administration and furnish it when requested, for purposes of complying with Internal Revenue Service regulations, by any of the following: employers; estates and trusts; corporations and other entities paying dividends; banks, mutual savings and savings and loan institutions; insurance companies; stockbrokers and securities dealers; other entities paying interest; and nominees receiving dividends or interest.

Many other actions of the Federal government have expanded the areas of use of the SSN beyond its original purposes.

- The Treasury Department further expanded use of the SSN in 1963 by requiring its use in registration of all United States transferable and non-transferable securities other than U.S. savings bonds. The following year the requirement for such use of the SSN was applied to Series H savings bonds. The Treasury Department has announced that as of October 1, 1973, the inscriptions on Series E bonds must also include the SSN. (Meanwhile the Treasury has modified its earlier rule that the names of women on savings bond inscriptions be preceded by "Miss," "Mrs.," or other title, by permitting omission of the title if the woman's SSN is included.)
- In a decision dated April 16, 1964, the Commissioner of Social Security approved the issuance of SSNs to pupils in the ninth grade and above, if a school requests such issuance and indicates willingness to cooperate in the effort. The Social Security Administration Claims Manual explains that this decision was made (1) to accommodate requests from school systems "desiring to use the SSN for both automatic data processing and control purposes, so that the progress of pupils could be traced throughout their school lives across district, county, and State lines", and (2) because issuance of SSNs to school children in groups is more orderly, efficient, less costly to the Social Security Administration, and gives better assurance of identification of the children than if students eventually apply for numbers one at a time.
- In June 1965 the Commissioner of Social Security authorized the issuance of an SSN to every recipient of State old-age assistance benefits who did not already have one, in order to establish a more efficient process for exchange of information between these agencies

and the Social Security Administration. When the Social Security Act was amended in 1965, to provide hospital and medical insurance (Medicare) administered by the Social Security Administration, it became necessary for most individuals aged 65 and over who did not already have an SSN to obtain one.

- In June 1965 the Civil Service Commission began to add SSNs to the retirement records of their annuitants. This represented an extension of the SSN issuance system started in 1961 for civil service employees.
- Effective January 1, 1966, after consultation with the Social Security Administration, the Veterans Administration began using the SSN as a hospital admission number, and for other record-keeping purposes.
- On April 7, 1966, the Commissioner of Social Security approved the test usage of the SSN by the Division of Indian Health of the Public Health Service to facilitate development and maintenance of comprehensive health histories of Indians from birth to death.
- By memorandum dated January 30, 1967, the Secretary of Defense advised the Social Security Administration of his decision to use the SSN as the service number of all military personnel.
- Pursuant to the Currency and Foreign Transactions Reporting Act (the so-called Bank Secrecy Act), P.L. 91508, October 26, 1970; 31 U.S.C. 1051-1122, the Treasury Department issued regulations in 1972 requiring banks, savings and loan associations, credit unions, and brokers and dealers in securities to obtain the SSNs of all their customers. The Act requires these financial organizations to maintain records of certain large transactions to facilitate criminal, tax, and regulatory investigations with respect to currency and foreign transactions. The SSNs of individuals required for account records under the regulations will already have been obtained in almost all cases by these financial organizations under regulations of the Internal Revenue Service governing tax reporting. A notable impact has been the requirement to furnish one's SSN to open a checking account.
- Use of the SSN is being promoted by the National Driver Register of the U.S. Department of Transportation. Although the Department of Transportation lacks authority to *require* it, use of the SSN is encouraged by the Register to facilitate matching the records of reports and inquiries it receives. This has led most State motor vehicle departments to collect SSNs from all drivers, and some to shift to the SSN for their driver license identification number.
- The Social and Rehabilitation Service of the Department of Health, Education, and Welfare has for some time been promoting the use of the SSN by States for the identification of individual applicants and beneficiaries under all welfare and social services programs.
- The Congress, in Section 137 of the Social Security Amendments of 1972,⁸ has required the Secretary of HEW to take affirmative measures to issue SSNs to the maximum extent practicable to aliens entitled to work in the United States and "to any individual who is an applicant for or recipient of benefits under any program financed in whole or in part from Federal funds including any child on whose behalf such benefits are claimed by another person." The quoted language of this requirement appears to call for the issuance of an SSN to virtually everyone in America who does not already have one, but the legislative history clearly indicates that such universal enumeration was not intended. The Senate Finance Committee had proposed a requirement of affirmative measures for the assignment of SSNs to all children at the time they first enter school, as well as to aliens and all applicants for and recipients of benefits under Federally supported programs. However, the bill was amended in conference. Instead of requiring the Secretary to take affirmative measures to enumerate children at their entrance into school, the Act makes such measures optional, but the Act retains the requirement that numbers be assigned to

aliens, and to applicants and recipients of benefits. Although the legislation does not specify any uses to be made of SSNs issued pursuant to its mandate, the legislative history indicates that Congress intended them to be available for use in preventing aliens from working illegally and public assistance beneficiaries from receiving duplicate or excessive payments.

Review of the Federal actions described above (which do not by any means constitute an exhaustive list makes it clear that the Federal government itself has been in the forefront of expanding the use of the SSN. All these actions have actively promoted the tendency to depend more and more on the SSN as an identifier-of workers, taxpayers, automobile drivers, students, welfare beneficiaries, civil servants, servicemen, veterans, pensioners, and so on.

If use of the SSN as an identifier continues to expand, the incentives to link records and to broaden access to them are likely to increase. Until safeguards such as we have recommended in Chapters IV, V and VI have been implemented, and demonstrated to be effective, there can be no assurance that the consequences for individuals of such linking and accessibility will be benign. At best, individuals may be frustrated and annoyed by unwarranted exchanges of information about them. At worst, they may be threatened with denial of status and benefits without due process, since at the present time record linking and access are, in the main, accomplished without any provision for the data subject to protest, interfere, correct, comment, and, in most instances, even to know what linking of which records is taking place for what purposes.

<http://aspe.hhs.gov/datacncl/1973privacy/c7.htm>