

is treated, to the extent practicable, as a "State."

*Modification*—A change to the agreement between the Commissioner of Social Security and a State which provides coverage of the services of employees not previously covered or which alters the agreement in some other respect.

*Political subdivision*—A separate legal entity of a State which usually has specific governmental functions. The term ordinarily includes a county, city, town, village, or school district, and in many States, a sanitation, utility, reclamation, drainage, flood control, or similar district. A political subdivision includes an instrumentality of a State, one or more political subdivisions of a State, or a State and one or more of its political subdivisions.

*Proprietary function*—A business engaged in by a State or political subdivision such as a public amusement park or public parking lot.

*Retirement system*—A pension, annuity, retirement, or similar fund or system established by a State or political subdivision.

*SSA*—The Social Security Administration.

*State*—Includes the fifty States, Puerto Rico, and the Virgin Islands. It does not include the District of Columbia, Guam, the Commonwealth of the Northern Mariana Islands, or American Samoa. "State" also refers to an interstate instrumentality where applicable.

*We*—The Social Security Administration.

(c) *Contributions, wage reporting, and adjustment terms—for wages paid prior to 1987:*

*Allowance of a credit or refund*—The written notice to a State of the determination by SSA of the amount owed to the State by SSA, the period involved, and the basis for the determination.

*Assessment*—The written notice to a State of the determination by SSA of the amount (contributions or accrued interest) owed to SSA by the State, the period involved, and the basis for the determination.

*Contributions*—Payments made under an agreement which the State deposits

in a Federal Reserve bank. The amounts are based on the wages paid to employees whose services are covered under an agreement. These amounts are equal to the taxes imposed under the Internal Revenue Code on employers and employees in private employment.

*Contribution return*—Form used to identify and account for all contributions actions.

*Disallowance of a State's claim for credit or refund*—The written notice to a State of the determination by SSA that the State's claim for credit or refund is denied, the period involved, and the basis for the determination.

*Overpayment*—A payment of more than the correct amount of contributions or interest.

*Underpayment*—A payment of less than the correct amount of contributions or interest.

*Wage Reports*—Forms used to identify employees who were paid wages for covered employment and the amounts of those wages paid. This includes corrective reports.

[53 FR 32976, Aug. 29, 1988, as amended at 62 FR 38450, July 18, 1997; 69 FR 51556, Aug. 20, 2004]

**§ 404.1203 Evidence—for wages paid prior to 1987.**

(a) *State's responsibility for submitting evidence.* The State, under the provisions of the agreement, is responsible for accurately reporting the wages paid employees for services covered by the agreement and for paying the correct amount of contributions due on those wages. This responsibility includes submitting evidence to verify the accuracy of the reports and payments.

(b) *Failure to submit requested evidence.* The State is required to submit information timely to SSA. If we request additional evidence to verify the accuracy of reports and payments, we specify when that evidence must be submitted. If we do not receive the evidence timely, and the State provides no satisfactory explanation for its failure to submit the evidence timely, we may proceed, if appropriate, on the basis of the information we have. Proceeding on the basis of the information we have permits us to credit the wage records of employees properly, where

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possible, while continuing to work with the State to resolve remaining discrepancies.

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[53 FR 32976, Aug. 29, 1988, as amended at 66 FR 28836, May 25, 2001]

### § 404.1204 Designating officials to act on behalf of the State.

(a) Each State which enters into an agreement shall designate the official or officials authorized to act on the State's behalf in administering the agreement. Each State shall inform SSA of the name, title, and address of the designated official(s) and the extent of each official's authority. For example, a State may indicate that the State official is authorized:

(1) To enter into an agreement and execute modifications to the agreement; and

(2) To carry out the ministerial duties necessary to administer the agreement.

For wages paid prior to 1987:

(3) To enter into agreements to extend or re-extend the time limit for assessment or credit;

(4) To make arrangements in connection with onsite reviews; and

(5) To request administrative review of an assessment, an allowance of a credit or refund, or a disallowance of a credit or refund.

(b) Each State shall inform SSA timely of changes in designated officials or changes in their authority.

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[53 FR 32976, Aug. 29, 1988, as amended at 66 FR 28836, May 25, 2001]

### WHAT GROUPS OF EMPLOYEES MAY BE COVERED

#### § 404.1205 Absolute coverage groups.

(a) *General.* An absolute coverage group is a permanent grouping of employees, e.g., all the employees of a city or town. It is a coverage group for coverage and reporting purposes. When used for coverage purposes, the term refers to groups of employees whose positions are not under a retirement system. An absolute coverage group may include positions which were formerly

under a retirement system and, at the State's option, employees who are in positions under a retirement system but who are ineligible (see § 404.1208) to become members of that system.

(b) *What an absolute coverage group consists of.* An absolute coverage group consists of one of the following employee groups:

(1) State employees performing services in connection with the State's governmental functions;

(2) State employees performing services in connection with a single proprietary function of the State;

(3) Employees of a State's political subdivision performing services in connection with that subdivision's governmental functions;

(4) Employees of a State's political subdivision performing services in connection with a single proprietary function of the subdivision;

(5) Civilian employees of a State's National Guard units; and

(6) Individuals employed under an agreement between a State and the U.S. Department of Agriculture as agricultural products inspectors.

(c) *Designated coverage groups.* A State may provide coverage for designated (*i.e.*, selected) absolute coverage groups of the State or a political subdivision. When coverage is extended to these designated groups, the State must specifically identify each group as a designated absolute coverage group and furnish the effective date of coverage and any optional exclusion(s) for each group. Where a State has provided coverage to designated absolute coverage groups, the State may, by modifying its agreement, extend that coverage to any absolute coverage group in the State.

#### § 404.1206 Retirement system coverage groups.

(a) *General.* Section 218(d) of the Act authorizes coverage of services of employees in positions under a retirement system. For purposes of obtaining coverage, a system may be considered a separate retirement system authorized by sections 218(d)(6) (A) or (B) or 218(l) of the Act. Under these sections of the Act a State may designate the positions of any one of the following