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AGREEMENT ON SOCIAL SECURITY BETWEEN THE UNITED STATES AND HUNGARY

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE AGREEMENTS ON SOCIAL SECURITY BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF HUNGARY THAT WERE SIGNED IN BUDAPEST, HUNGARY, ON FEBRUARY 3, 2015, PURSUANT TO 42 U.S.C. 433(e)(1); AUG. 14, 1935, CH. 531, TITLE II, SEC. 233(e)(1) (AS AMENDED BY PUBLIC LAW 95–216, SEC. 317(a)); (91 STAT. 1539)

FEBRUARY 2, 2016.—Message and accompanying papers referred to the Committee on Ways and Means and ordered to be printed

U.S. GOVERNMENT PUBLISHING OFFICE

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To the Congress of the United States:

Pursuant to section 233(e)(1) of the Social Security Act, as amended by the Social Security Amendments of 1977 (Public Law 95–216, 42 U.S.C. 433(e)(1)), I transmit herewith a social security totalization agreement with Hungary, titled, "Agreement on Social Security between the Government of the United States of America and the Government of Hungary," and a related agreement titled, "Administrative Arrangement for the Implementation of the Agreement on Social Security between the United States of America and the Government of Hungary" (collectively the "Agreements"). The Agreements were signed in Budapest, Hungary, on February 3, 2015.

The Agreements are similar in objective to the social security agreements already in force with most European Union countries, Australia, Canada, Chile, Japan, Norway, the Republic of Korea, and Switzerland. Such bilateral agreements provide for limited coordination between the United States and foreign social security systems to eliminate dual social security coverage and taxation, and to help prevent the lost benefit protection that can occur when workers divide their careers between two countries.

The Agreements contain all provisions mandated by section 233 of the Social Security Act and the provisions that I deem appropriate to carry out the purposes of section 233, pursuant to section 233(c)(4) of the Social Security Act.

I also transmit for the information of the Congress a report required by section 233(e)(1) of the Social Security Act on the estimated number of individuals who will be affected by the Agreements and the estimated cost effect. The Department of State and the Social Security Administration have recommended the Agreements to me.

I commend the Agreements and related documents.

BARACK OBAMA.

THE WHITE HOUSE, *February 1, 2016.*

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

AGREEMENT ON SOCIAL SECURITY BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF HUNGARY

The Government of the United States of America and

the Government of Hungary,

Hereinafter referred to as "the Contracting States," being desirous of regulating the relationship between their two countries in the field of Social Security, have agreed as follows:

PART I

General Provisions

Article 1
Definitions

Article 1 defines key terms used in this Agreement.

1. For the purposes of this Agreement:

(a) "national" means,

as regards the United States, a national of the United States as defined in Section 101, Immigration and Nationality Act, as amended, and

Under section 101(a)(22) of the Immigration and Nationality Act, "[t]he term 'national of the United States' means (A) a citizen of the United States, or (B) a person who, though not a citizen of the United States, owes permanent allegiance to the United States." Those in category (B) include natives of American Samoa.

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as regards Hungary, natural persons who are considered nationals of Hungary, within the meaning of the law on Hungarian citizenship;	The law on Hungarian citizenship is Act XLIV of 2010, amending Act LV of 1993 on Hungarian Nationality. The current law entered into force January 1, 2011. Hungarian law confers citizenship based on Hungarian ancestry and language, or on naturalization. A Hungarian national is any person accorded nationality by Hungary, including, but not limited to, a person carrying a valid Hungarian passport or other valid identity document designating the person as a Hungarian national.
(b) "laws" means the laws and regulations specified in Article 2 of this Agreement;	The term "laws," as used in this Agreement, refers to each country's social security laws and regulations as set forth in Article 2.
(c) "Competent Authority" means, as regards the United States, the Commissioner of Social Security, and as regards Hungary, the ministers, ministries or other relevant authorities responsible for social security schemes and systems regulated by the laws designated in Article 2 of this Agreement;	"Competent Authority," wherever it appears in this Agreement, refers to the government official or body in each country with ultimate responsibility for administering the social security program and the provisions of this Agreement.
(d) "agency" means, as regards the United States, the Social Security Administration, and as regards Hungary, the institution or the authority responsible for the implementation of the laws specified in the material scope (Article 2) of this Agreement;	"Agency," as used in this Agreement, refers to the administrative body in each country responsible for taking and processing claims and making coverage determinations under each country's social security laws.

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	The Social Security Administration (SSA) is the agency for the United States. However, the U.S. Internal Revenue Service (IRS) retains its responsibility for determining Social Security tax liability based on SSA coverage determinations under this Agreement. The Central Administration of National Pension Insurance (ONYF) and the National Health Insurance Fund (OEP) are the agencies for Hungary.
(e) "liaison agencies" means the institution or institutions responsible for ensuring the coordination and exchange of information between the agencies of the two Contracting States and for maintaining relations for the purposes of implementing the Agreement;	Article 2 of the Administrative Arrangement designates the agencies in each country that will coordinate implementation and administration of this Agreement's coverage and benefit provisions. SSA is the designated liaison agency for the United States. The counterpart liaison agencies for Hungary are the ONYF and the OEP.
(f) "period of coverage" means a period of payment of contributions or a period of earnings from employment or self-employment, as defined or recognized as a period of coverage by the laws under which such period has been completed, or any similar period insofar as it is recognized by such laws as equivalent to a period of coverage;	"Period of coverage" means any period credited under the social security laws of either country for purposes of determining benefit eligibility, including periods of covered employment and self-employment. For the United States, this includes any contributions paid under the Federal Insurance Contributions Act (FICA), or the Self Employment Contributions Act (SECA), as well as any periods considered equivalent to such payments under the Social Security Act (U.S. Act). For Hungary, this includes any credited periods under the laws described in Article 2 of this Agreement.

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(g) "benefit" means, as regards the United States, any benefit provided for in the laws specified in Article 2 of this Agreement, and as regards Hungary, any pension or any other cash benefit provided for in the laws specified in Article 2 of this Agreement; and	"Benefit" refers to old age, survivors, and disability benefits provided under the social security laws of either country. With respect to the United States, the term also includes the lump sum death payment under section 202(i) of the U.S. Act. It excludes special age 72 payments provided for certain uninsured persons under section 228 of the U.S. Act.
(h) "personal data" means any information relating to a specific (identified or identifiable) person, as well as any information which can be used to distinguish or trace an individual's identity. This includes, but is not limited to, the following: any individual identifier; citizenship, nationality, statelessness or refugee status; benefits, eligibility or other claims information; contact information; medical information or lay information used in a medical determination; information about marital, familial or personal relationships; and information pertaining to work, financial or economic status.	"Personal data" refers to personally identifiable information. Since there is no definition of "personal data" in the U.S. Act, this term incorporates and expands upon essential elements of the definition of "information" applying to SSA at 20 C.F.R. § 401.25.
2. Any term not defined in this Article shall have the meaning assigned to it in the applicable laws.	If this Agreement does not define a term, that term has the same meaning as it does under each country's national laws.
Article 2 **Material Scope**	
1. For the purposes of this Agreement, the applicable laws are:	Article 2.1 specifies the laws to which this Agreement applies.

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(a) as regards the United States, the laws governing the Federal old-age, survivors, and disability insurance program: -- Title II of the Social Security Act and regulations pertaining thereto, except sections 226, 226A, and 228 of that title, and regulations pertaining to those sections, and -- Chapters 2 and 21 of the Internal Revenue Code of 1986 and regulations pertaining to those chapters;	For the United States, this Agreement applies to title II of the U.S. Act. It also applies to the corresponding tax laws (FICA and SECA) and any regulations pertaining to those laws. This Agreement does not apply to Medicare provisions (sections 226 and 226A of the U.S. Act). It also does not apply to provisions for special payments to uninsured individuals age 72 or over under section 228 of the U.S. Act. Persons to whom this Agreement applies who qualify for Medicare hospital insurance or age-72 payments without application of this Agreement may still receive such benefits. Although this Agreement does not apply for the purposes of entitlement to Medicare, a worker who has coverage only under the Hungarian system because of Article 5 of this Agreement will be exempt from health insurance contributions under FICA and SECA. This is in addition to the worker's exemption from U.S. retirement, survivors, and disability insurance contributions.
(b) as regards Hungary, the laws concerning the insurance obligation and the payment of contributions covering social insurance benefits (pensions, health insurance, and unemployment), as well as the social insurance pension benefits and benefits for persons with changed working capacity.	For Hungary, this Agreement applies to the Act LXXX of 1997 on the Eligibility for Social Security Benefits and Private Pensions and the Funding for These Services as well as the Act LXXXI of 1997 on Social Insurance Pensions and the Act CXCI of 2011 on Benefits for Persons with Changed Working Capacity.

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	The Act on the Eligibility for Social Security Benefits and Private Pensions and the Funding for These Services governs old age, survivors and disability (OASDI), unemployment, and health insurance contributions. The Act on Social Insurance Pensions and the Act on Benefits for Persons with Changed Working Capacity govern OASDI benefits. A worker and his or her employer subject only to U.S. laws under the coverage provisions of this Agreement will be exempt from making contributions for Hungarian OASDI, health and unemployment insurance programs.
2. Unless otherwise provided in this Agreement, the laws referred to in paragraph 1 of this Article shall not include treaties or other international agreements or supranational legislation on Social Security concluded between one Contracting State and a third State, or laws or regulations promulgated for their specific implementation.	Except as this Agreement itself provides, the laws to which this Agreement applies do not include treaties and other international agreements. This includes either country's bilateral social security agreements with third countries or multilateral agreements. This provision ensures that if a person has periods of coverage in the United States and Hungary and periods of coverage in a third country with which either country has a social security agreement, SSA cannot combine periods from all three countries to meet U.S. benefit eligibility requirements.
3. Except as provided in the following sentence, this Agreement shall also apply to legislation which amends, supplements or consolidates the laws specified in paragraph 1. This Agreement shall apply to future legislation of a Contracting State which creates new categories of beneficiaries or new benefits under the laws of that Contracting State unless the Competent Authority of that Contracting State notifies the Competent Authority of the other Contracting State in writing within three months of the date of the official publication of the new legislation that no such extension of the Agreement is intended.	Article 2.3 provides that this Agreement will automatically apply to any future U.S. or Hungarian legislation that amends or supplements the laws set forth in paragraph 1. This includes legislation that creates new categories of beneficiaries or new benefits. The country enacting the legislation may exclude it from the scope of this Agreement by giving written notice to the other country within 3 months of the legislation's official publication.

Article 3
Personal Scope

This Agreement shall apply to persons who are or have been subject to the laws specified in paragraph 1 of Article 2 of this Agreement, and to other persons deriving rights under those laws.

Article 3 specifies the persons to whom this Agreement applies. These include persons currently or previously covered under U.S. or Hungarian laws. This Agreement also applies to persons who, under the laws of either Contracting State, may derive rights by virtue of their relationship to a persón subject to the laws of the United States or Hungary.

Article 4
Equality of Treatment and Portability of Benefits

1. A person who is or has been subject to the laws of one Contracting State and who resides in the territory of the other Contracting State, as well as the person's dependents or survivors who reside in the territory of the other Contracting State, shall receive equal treatment with nationals of the other Contracting State in the application of the laws of the other Contracting State regarding entitlement to or payment of benefits.

Article 4.1 provides that persons to whom this Agreement applies who reside in the United States or Hungary will receive the same treatment regarding benefit rights as that country gives its own nationals. The intent of this provision is to eliminate discrimination with respect to benefits based on a person's nationality. It would not affect restrictions on benefit eligibility or payment because a person is not lawfully present in that country or did not have permission to work in that country. The provision also does not affect the coverage provisions of either country's laws, since Part II of this Agreement deals with social security coverage.

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2. Unless otherwise provided in this Agreement, any provision of the laws of a Contracting State which restricts entitlement to or payment of benefits solely because the person resides outside or is absent from the territory of that Contracting State shall not be applicable to persons who reside in the territory of the other Contracting State.

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Article 4.2 provides that where the laws of either country require residence in that country in order to qualify for or receive social security benefits, a person may also qualify for and receive those benefits while residing in the other country. By virtue of SSA's March 17, 1999 published finding about Hungary's social security system (see 64 Fed. Reg. 13243), the United States currently pays benefits to Hungarian citizens who do not satisfy U.S. residency requirements for benefit payment contained in section 202(t)(1) of the U.S. Act. However, the nonpayment exception is subject to other U.S. payment restrictions based on residency requirements for dependents and survivors; e.g., section 202(t)(11) of the U.S. Act.

Further, both countries intend that, under this Agreement, nationals of either country may qualify for or receive benefits while residing in the other country. Accordingly, under section 233(c)(2) of the U.S. Act, this Agreement will permit the United States to pay dependents and survivors currently subject to such residency requirements as well as certain persons who are third country nationals residing in Hungary.

3. As regards Hungary, this Article shall not apply to benefits payable by virtue of agreements concluded between Hungary and third States that are based on the territorial principle.

Hungary has a series of older agreements on social security, including treaties with the former Soviet Union and Romania based on the territorial principle. These agreements required each country to calculate and pay benefits under its own laws to its residents who had coverage under the other country's social security system, as if they had coverage only under the paying country's system. Beneficiaries remain eligible for these benefits even if the social security treaty or agreement is no longer in force. However, if a beneficiary under a territorial principle treaty or agreement leaves Hungary, then his or her benefit payments stop. Article 4.3 provides that Hungary will not apply the equality of treatment or portability of benefits provisions of this Agreement to persons asserting rights under territorial principle agreements.

PART II

Provisions Concerning Applicable Laws

Article 5
Coverage Provisions

Part II eliminates dual social security coverage, which occurs when a worker must pay social security taxes to both countries for the same earnings. This Agreement complies with the existing coverage provisions under the laws of both countries except when necessary to prevent payment of social security taxes to both countries for the same earnings. The provisions in this Part retain the worker's social security coverage and taxation in the country to whose economy he or she has the more direct connection, while exempting the worker from coverage and taxation under the other country's system.

1. Except as otherwise provided in this Article, a person employed or self-employed within the territory of one of the Contracting States shall, with respect to that employment or self-employment, be subject to the laws of only that Contracting State. This shall also be applied if the place of business of the employer is in the territory of the other Contracting State.

Article 5.1 establishes a basic territoriality rule, stating that ordinarily, only the country in which a person is working will compulsorily cover the worker's employment (or self-employment) in that country. Employment (or self-employment) that both countries would otherwise cover will remain covered exclusively under the system of the country where the worker is working. Such employment (or self-employment) will be exempt from coverage under the other country's system.

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2. Where a person who is normally employed in the territory of one Contracting State by an employer in that territory is sent by that employer to the territory of the other Contracting State for a temporary period, the person shall be subject to the laws of only the first Contracting State as if the person were employed in the territory of the first Contracting State, provided that the period of employment in the territory of the other Contracting State is not expected to exceed five years. For purposes of applying this paragraph in the case of an employee who is sent from the territory of the United States by an employer in that territory to the territory of Hungary, that employer and an affiliated company of the employer (as defined under the laws of the United States) shall be considered one and the same, provided that the employment would have been covered under United States laws absent this Agreement.

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Under Article 5.2, an employee who normally works for an employer located in the United States or in Hungary who temporarily transfers to work in the other country for the same employer will continue to pay social security taxes to the system of the country from which the employee transferred. This rule will apply only if the employer expects the period of transfer to be 5 years or less.

Article 5.2 also applies to certain workers whose employers in the United States send them to work for a subsidiary or other affiliate of that employer in Hungary. U.S. law allows American companies to extend U.S. Social Security coverage to U.S. citizens and resident aliens employed by an affiliated company in another country. To do this, the parent company in the United States must enter into an agreement with the IRS to pay Social Security contributions on behalf of all U.S. citizens and residents the foreign affiliate employs. Under Article 5.2, U.S. citizens or resident aliens an American employer sends to work for a Hungarian affiliate for 5 years or less will continue to have coverage in the United States and be exempt from Hungarian coverage and contributions, if an IRS agreement covers the affiliate.

In determining the length of a transfer for workers whose employer sent them from one country to the other before this Agreement entered into force, both countries will ignore any period of work before this Agreement's entry into force. (See Article 23.5 of this Agreement).

3. Paragraph 2 of this Article shall apply where a person who has been sent by his or her employer from the territory of a Contracting State to the territory of a third State, and who is compulsorily covered under the laws of that Contracting State while employed in the territory of the third State, is subsequently sent by that employer from the territory of the third State to work for that employer in the territory of the other Contracting State.

Under Article 5.3, the provisions of Article 5.2 will apply even if an employee did not transfer directly from one country to the other, but first transferred to work in a third country.

4. A person who is normally self-employed in the territory of one Contracting State and who temporarily transfers his or her self-employment activity to the territory of the other Contracting State shall be subject to the laws of only the first Contracting State, provided that the period of self-employment activity in the territory of the other Contracting State is not expected to exceed five years.

Article 5.4 provides that a person who is self-employed in one country who transfers his or her trade or business to the other country for a period of 5 years or less will remain covered only by the country from which he or she moved. This rule will apply only if the self-employed person expects the period of transfer to last 5 years or less.

In determining the duration of such a transfer for a person who moves his or her business to the other country before this Agreement enters into force, Article 23.5 of this Agreement provides that both countries will ignore any period of self-employment before this Agreement's entry into force.

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5. (a) A person who is employed as an officer or member of a crew on a vessel which flies the flag of one Contracting State and who would be covered under the laws of both Contracting States shall be subject to the laws of only the Contracting State whose flag the vessel flies. For purposes of the preceding sentence, a vessel which flies the flag of the United States is one defined as an American vessel under the laws of the United States.	Article 5.5(a) states that an employee on a U.S. or Hungarian ship, who would otherwise have coverage in both countries, will have coverage only in the country whose flag the ship flies. U.S. law considers a ship to fly the flag of the United States if the U.S. Act defines it as an American vessel. Section 210(c) of the U.S. Act defines an American vessel as one that is, "documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State."
(b) Traveling employees of air transportation companies who perform work in the territories of both Contracting States and who would otherwise be covered under the laws of both Contracting States shall, with respect to that work, be subject to the laws of only the Contracting State in the territory of which the company has its headquarters. However, if such employees reside in the territory of the other Contracting State, they shall be subject to the laws of only that Contracting State.	Under Article 5.5(b), a member of the flight crew of an aircraft operating between the United States and Hungary who would otherwise have coverage in both countries will have coverage only in the country in which the company employing the person has its headquarters. However, if the employee resides in the other country, he or she will only have coverage in that country.

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6. (a) This Agreement shall not affect the provisions of the Vienna Convention on Diplomatic Relations of April 18, 1961, or of the Vienna Convention on Consular Relations of April 24, 1963.	Article 5.6(a) specifies that the coverage provisions of this Agreement will not affect the persons to whom the Vienna Conventions on diplomatic and consular relations apply. The Vienna Conventions, to which both the United States and Hungary are parties, apply to members of the staff of a diplomatic or consular mission. This includes the diplomatic, consular, administrative, and technical staffs; family members of such staff who form part of their households; the domestic service staff of the mission; and private servants whom the members of such missions employ. The Vienna Conventions usually exempt such persons from social security coverage and contributions in the host country unless specific arrangements waive their immunity from taxation. Persons whose immunity such arrangements waive would be subject to the laws of the host country and the coverage provisions of this Agreement.
(b) Nationals of one of the Contracting States who are employed by the Government of that Contracting State in the territory of the other Contracting State but who are not exempt from the laws of the other Contracting State by virtue of the Conventions mentioned in subparagraph (a) shall be subject to the laws of only the first Contracting State. For the purpose of this paragraph, employment by the United States Government includes employment by an instrumentality thereof. For the purpose of this paragraph, employment by the Hungarian Government includes the employment of civil servants, public employees and other persons treated as such, together with their family members and Hungarian citizens who are employed by Hungarian institutions in the territory of the United States.	Under Article 5.6(b), if a U.S. or Hungarian national works for his or her country's government in the other country, but the Vienna Conventions do not apply to this person, the person will be subject only to his or her country's laws. This provision applies to U.S. Government and Hungarian Government employees, as well as to persons working for a U.S. Government instrumentality.

7. At the request of an employee and his or her employer or a self-employed person, the Competent Authorities of the two Contracting States or agencies designated by them may agree to grant an exception to the provisions of this Part with respect to particular persons or categories of persons, provided that any affected person shall be subject to the laws of one of the Contracting States.

Under Article 5.7, either country may grant an exception to the coverage rules of this Agreement if the other country agrees and the person involved retains coverage in one of the countries. Either country may grant such an exception to an individual worker or to all workers under similar circumstances, e.g., in the same profession or working for the same employer. This provision allows the Competent Authorities to resolve anomalous coverage situations that are unfavorable to workers or to eliminate dual coverage in unforeseen circumstances.

PART III

Provisions on Benefits

Article 6
Mutual Provisions

Part III establishes the basic rules for determining social security benefit entitlement when an individual has coverage in both countries. It sets out the rules for determining benefit amounts when entitlement is possible only with combined work credits. Articles 6 and 10 contain rules applicable to the social security systems of both countries, Article 7 contains rules applicable to the U.S. system, and Articles 8 and 9 contain rules applicable to the Hungarian system.

1. Subject to other provisions of this Part, if, under the laws of one Contracting State, eligibility for benefits is conditional upon having completed periods of coverage, the agency of that Contracting State shall take into account periods of coverage completed under the laws of the other Contracting State, unless such periods of coverage overlap with periods of coverage completed under the laws of the first Contracting State.

Article 6.1 provides that where the social security laws of one of the countries require that a worker accrue periods of coverage in order to establish eligibility, that country shall take into account any periods of coverage credited under the other country's laws insofar as these periods do not coincide with periods of coverage already credited under the first country's laws. The subsequent provisions of Part III further explain this precept.

2. An agency of a Contracting State shall not apply the provisions of paragraph 1 of this Article if the person on whose account benefits are claimed has sufficient periods of coverage to satisfy the requirements for entitlement to benefits under the laws of that Contracting State.

Under Article 6.2, if a worker has enough periods of coverage in one country to qualify for entitlement to a benefit, then the agency of that country will not combine his or her periods of coverage in that country with periods of coverage earned under the laws of the other country.

3. For purpose of crediting periods of coverage in establishing entitlement to benefits under this Agreement, one quarter of United States coverage and 90 days of Hungarian coverage shall be treated as equivalent, and four quarters of United States coverage and one year of Hungarian coverage shall be treated as equivalent.

Article 6.3 establishes how each country will convert periods of coverage under the other country's system into equivalent periods under its own system. The U.S. system measures periods of coverage in terms of calendar quarters while the Hungarian system measures periods of coverage in days. Beginning in 1978, SSA bases quarters of coverage on the amount of a person's annual earnings (e.g., for 2015, $1,220 in earnings equals one quarter of coverage).

Under Article 6.3, the two countries will treat one quarter of U.S. coverage in a calendar year and every 90 days of coverage that the Hungarian liaison agency certifies in a calendar year as equivalent. Similarly, the two countries will treat as equivalent four quarters of U.S. coverage SSA certifies in a calendar year and a calendar year of coverage that the Hungarian liaison agency certifies. SSA will not credit days of coverage under Hungarian laws that fall within a calendar quarter that SSA already credited as a U.S. quarter of coverage.

4. The agency of one Contracting State shall take into account periods of coverage creditable under the laws of the other Contracting State exclusively in accordance with the laws of the first Contracting State.

Article 6.4 provides that in crediting the other country's periods of coverage as Article 6.1 describes, the paying country will apply its own laws with respect to the types of coverage it will credit. Section 233(b)(2) of the U.S. Act defines a period of coverage as a "period of payment of contributions or a period of earnings based on wages for employment or self-employment income, or any similar period recognized as equivalent thereto under this title or under the social security system of a country which is a party to an agreement entered into under this section." In calculating pro rata benefits under this Agreement, SSA will not consider periods of Hungarian coverage not related to work or contributions, nor will SSA credit more than four quarters of coverage for any calendar year.

Article 7
United States Benefits

The following provisions shall apply to the United States:

1. Where a person has completed at least six quarters of coverage under United States laws, but does not have sufficient periods of coverage to satisfy the requirements for entitlement to benefits under United States laws, the agency of the United States shall take into account, for the purpose of establishing entitlement to benefits under this Article, periods of coverage which are credited under Hungarian laws. The total number of quarters of coverage to be credited for a year shall not exceed four.

Article 7 contains rules for using combined coverage to determine U.S. benefit eligibility and amounts. If a person has at least six U.S. quarters of coverage, but not enough quarters to qualify for U.S. benefits, SSA will take into account any periods of coverage that Hungarian laws credit, if these periods do not coincide with quarters of coverage that the United States already credited. Under Article 6.1 of this Agreement, in conjunction with Articles 8 and 9 of this Agreement, the Hungarian agencies will consider periods of coverage completed under the U.S. Social Security system for purposes of Hungarian benefit eligibility. SSA will also not credit more than 4 quarters of coverage for any calendar year.

2. Where entitlement to a benefit under United States laws is established according to the provisions of paragraph 1 of this Article, the agency of the United States shall compute a pro rata Primary Insurance Amount in accordance with United States laws based on (a) the person's average earnings credited exclusively

Article 7.2 describes the method of computing U.S. benefit amounts when SSA establishes entitlement by totalizing (i.e., combining) U.S. and Hungarian coverage. Persons whose U.S. coverage alone qualifies them for U.S. benefits will not receive U.S. totalization benefits.

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under United States laws and (b) the ratio of the duration of the person's periods of coverage completed under United States laws to the duration of a coverage lifetime as determined in accordance with United States laws. Benefits payable under United States laws shall be based on the pro rata Primary Insurance Amount.	Under Article 7.2, the amount of the worker's benefit depends on both the worker's earnings and the duration of his or her U.S. Social Security coverage. SSA regulations (20 C.F.R. § 404.1918) describe this computation procedure in detail. The first step in the procedure is to compute a theoretical Primary Insurance Amount (PIA) as though the worker had spent a full career under U.S. Social Security at the same level of earnings as during his or her actual periods of U.S. covered work. SSA then prorates the theoretical PIA to reflect the proportion of a coverage lifetime completed under the U.S. program. The regulations define a coverage lifetime as the number of years used in determining a worker's average earnings under the regular U.S. national computation method.
3. Entitlement to a benefit from the United States which results from paragraph 1 of this Article shall terminate with the acquisition of sufficient periods of coverage under United States laws to establish entitlement to an equal or higher benefit without the need to invoke the provision of paragraph 1 of this Article.	Article 7.3 provides that if a worker entitled to a U.S. totalization benefit earns additional U.S. coverage that enables the worker to qualify for an equal or higher benefit based only on his or her U.S. coverage, SSA will pay the regular national law benefit rather than the totalization benefit.

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Article 8
Hungarian Old-Age and Survivors Benefits

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The benefit provisions in Article 8 apply to old-age and survivors benefits under the Hungarian social security system. For disability benefits under the Hungarian social security system, please see Article 9.

Hungary pays social security benefits to workers who meet the applicable eligibility standards, including minimum length-of-coverage and other requirements. Under Article 8, Hungary will add a person's U.S. coverage to his or her Hungarian coverage, if necessary, to meet eligibility rules. If the person meets the requirements based on combined U.S. and Hungarian credits, Hungary will pay a partial benefit proportional to the amount of coverage credited under the Hungarian system.

HUNGARIAN RETIREMENT AND SURVIVORS BENEFITS

In 1997, reform laws created a two-pillar social security program, replacing the traditional pay-as-you-go (PAYG) defined benefit system then in place. Starting in January 1998, the new program consists of two main social security systems: a first pillar unfunded PAYG contributory system, and a second pillar fully funded individual account Mandatory Pension Fund (MPF) system. Under the new rules, all workers new to the workforce or age 42 or younger had to participate in both systems. Workers older than age 42 on June 30, 1998, and those having Hungarian coverage before that date, could choose whether to contribute only to the PAYG system or contribute to both. However, on December 13, 2010, the Hungarian Parliament passed a law moving workers out of the MPF and transferring their entire account balances to the PAYG pension system. Workers could choose through January 31, 2011 to remain in the MPF.

Retirement Benefits

Hungarian retirement benefits are payable at normal retirement age to workers who have at least 15 years of coverage. Normal retirement age is currently set at age 62, but began gradually increasing from 62 to 65 in steps of six months per year beginning in 2014.

Survivors Benefits

For survivors benefits to be payable, the deceased worker must have met the coverage requirements for entitlement to either a retirement or disability benefit at the time of death. Hungary reduces the survivor benefits of a beneficiary who is also entitled to social security benefits on his or her own.

A surviving spouse may generally receive benefits for one year. After the first year, Hungary only pays benefits to a surviving spouse who is retired, disabled, or caring for two or more children. Surviving minor children are eligible if they were dependent on the worker at the time of death. A surviving cohabitant seeking to qualify must have lived with the worker 10 years without interruption, or must have lived with the worker 1 year without interruption and have in care a child of the worker. Divorced survivors and surviving cohabitants qualify for benefits on the account of the deceased only if they received maintenance from the worker until his or her death, or if a court ordered such maintenance.

An orphan's benefit is paid to children under the age of 16 or until they complete full-time education up to the age of 25. Surviving parents and grandparents who were dependent on the deceased worker may also receive benefits under certain circumstances.

Cost of Living Adjustments

Cost of living adjustments apply in January each year and are based upon changes in the Consumer Price Index.

The following provisions shall apply to Hungary:

1. If a Hungarian benefit has been awarded, accumulation of additional periods of coverage under United States laws shall not result in any revision or recalculation of the Hungarian benefit.

In taking into account U.S. coverage for benefit purposes, the Hungarian system evaluates Hungarian coverage in relation to total coverage in both Hungary and the United States. This calculation method may cause a benefit amount to decrease if the Hungarian system takes into account additional periods of U.S. coverage after entitlement to Hungarian benefits. To preclude this possibility, paragraph 1 specifies that the Hungarian system will not revise or recalculate Hungarian benefits to take into account additional periods of U.S. coverage earned after entitlement to Hungarian benefits.

2. Where a person is entitled to benefits under Hungarian laws only with regard to periods of coverage completed under United States laws, the Hungarian agency shall calculate the amount payable (in accordance with paragraph 3 of Article 6 of this Agreement) as if all periods of coverage completed by the person concerned under the laws of both Contracting States were completed in Hungary. The Hungarian agency shall pay only the proportion of the benefit calculated by this method that corresponds to the ratio of periods of coverage completed under Hungarian laws to the total periods of coverage under the laws of both Contracting States.

As Article 8.2 describes, the Hungarian agency will compute benefit amounts in three steps. Initially, it will combine periods of coverage in Hungary and in the United States. If the combined coverage meets length of coverage requirements under Hungarian law, the Hungarian agency will compute a theoretical benefit amount as if the worker's U.S. periods of coverage had been completed under Hungarian law. Finally, it will determine a pro rata benefit amount by multiplying the theoretical amount by the ratio of the periods of coverage completed under Hungarian laws to the total periods completed in both countries.

3. Under Hungarian laws, where benefits are calculated on the basis of income and contributions, the Hungarian agency shall take into account only income or contributions paid under Hungarian laws.

4. Where the total period of coverage completed under Hungarian laws is less than 365 days, provided that no eligibility to benefits is established only on the basis of this period of coverage, the Hungarian agency shall not apply the provisions of this Article.

Article 9
Hungarian Benefits for Persons with Changed Working Capacity

Article 8.3 provides that Hungary will base a pro rata benefit amount resulting from the calculation described in Article 8.2 only on periods of coverage and earnings under the Hungarian system.

Under Article 8.4, the Hungarian system will not take U.S. periods of coverage into account under this Agreement if the worker has fewer than 365 days of Hungarian coverage and cannot establish entitlement to Hungarian benefits based on Hungarian coverage alone. (In limited circumstances, it is possible to qualify for Hungarian benefits with less than one year of coverage.) This is similar to the six quarters of coverage U.S. threshold requirement for a totalized U.S. benefit described in Article 7.1. The intent of the Hungarian provision is to avoid the considerable administrative burden that would result from processing claims for very small benefits based on minimal periods of coverage.

HUNGARIAN DISABILITY BENEFITS

Effective January 1, 2012, Hungary significantly revamped its existing disability benefit program. Under the new rules, many workers who previously qualified for a long term disability benefit now qualify instead for a short term rehabilitation benefit. Workers who first suffer a disability within 5 years of retirement age or who suffer at least a 60% loss of work capacity with no prognosis for recovery will receive a disability benefit. All other workers will instead receive a rehabilitation benefit.

Hungary has three classes of disabled workers, Class I, Class II, and Class III. Class III disabled workers have lost 50-79% of their work capacity. Class II disabled workers have lost at least 80% of their work capacity. Class I disabled workers also have lost at least 80% of their work capacity, but also require personal care by another

person. Hungary pays rehabilitation benefits in two classes – workers with a better prognosis for recovery and workers with a worse prognosis for recovery.

Hungary's disability system has both age and length of work requirements.

Age of disability onset	Years of coverage required
Less than 22	2
22-24	4
25-29	6
30-34	8
35-44	10
45-54	15
55 or older	20

Workers can qualify by meeting the coverage requirement for persons of their age, or by meeting the coverage requirement for a previous age and length of service category, if their coverage is continuous. Additionally, Hungary considers the entire period of a worker's full time higher education as coverage for purposes of determining eligibility for disability benefits. If a worker's period of coverage is insufficient to calculate a benefit amount, Hungary can calculate the benefit based on the worker's average monthly earnings during the shorter coverage period.

1. Where entitlement to a benefit for persons with changed working capacity can be established with periods of coverage completed solely under the Hungarian laws, the benefit shall be calculated as follows:

Articles 9.1 and 9.2 describe the process by which Hungary will calculate disability benefits if a person has sufficient periods of coverage in Hungary to qualify for a benefit without the need to combine U.S. and Hungarian coverage and is also receiving a U.S. benefit.

PRINCIPAL AGREEMENT	ANNOTATIONS AND COMMENTS
(a) the Hungarian agency shall calculate the benefit payable under the Hungarian laws and subtract from that half of the amount of the old-age or disability benefit awarded by the agency of the other Contracting State up to half of the amount of the Hungarian benefit calculated; and	Article 9.1(a) provides that Hungary will calculate the benefit under its own national laws and subtract from that amount one half of the person's U.S. benefit. This offset cannot result in a reduction of greater than one half of the original Hungarian benefit.
(b) the Hungarian agency shall calculate the benefit payable under the Hungarian laws multiplied by the ratio of periods of coverage completed under the Hungarian laws to the total periods of coverage completed under the laws of both Contracting States.	Article 9.1(b) requires Hungary to calculate the benefit under its own national laws and then multiply this result by the ratio of periods of coverage completed under Hungarian laws to the ratio of periods of coverage completed in both countries.
2. The Hungarian agency shall pay the higher of the amounts calculated under paragraphs 1 (a) and (b).	Under Article 9.2, Hungary will pay a worker the higher result of the two methods described in Articles 9.1(a) and 9.1(b).
3. Where entitlement to a benefit can be established exclusively by taking into account periods of coverage completed under the laws of both Contracting States, the Hungarian agency shall calculate the theoretical benefit amount which would be awarded if all periods of coverage under the laws of both Contracting States were completed under the laws of Hungary, and multiplying the result by the ratio of periods of coverage completed under Hungarian laws to the total periods of coverage under the laws of both Contracting States. The Hungarian agency shall pay only the proportion of the benefit calculated by this method.	Article 9.3, the disability counterpart provision to Article 8.2, describes the process by which Hungary will pay totalized disability benefits. The Hungarian agency will compute benefit amounts in three steps. Initially, it will combine periods of coverage in Hungary and in the United States. If the combined coverage meets length of coverage requirements under Hungarian law, the Hungarian agency will compute a theoretical benefit amount as if the worker's U.S. periods of coverage had been completed under Hungarian law. Finally, it will determine a pro rata benefit amount by multiplying the theoretical amount by the ratio of the periods of coverage completed under Hungarian laws to the total periods completed in both countries.

4. Where the total period of coverage completed under the laws of Hungary is less than 365 days, the Hungarian agency shall not award a benefit under the scope of this Article.

Identical in intent to Article 8.4, Article 9.4 provides that the Hungarian system will not take U.S. periods of coverage into account under this Agreement if the worker has fewer than 365 days of Hungarian coverage and cannot establish entitlement to Hungarian benefits based on Hungarian coverage alone.

5. Entitlement to a rehabilitation benefit can be established exclusively in the case of Hungarian residence.

Under Article 9.5, Hungary will only pay rehabilitation benefits to residents of Hungary. Rehabilitation benefits are small, short term payments intended to return workers to the Hungarian workforce. Since foreign residents cannot return to the Hungarian workforce, Hungary does not export these benefits.

Article 10
Miscellaneous Benefit Provisions

Where the laws of either Contracting State provide for a reduction in a person's benefit amount solely because the person receives a benefit from the other Contracting State, such reduction shall not apply in the case of a benefit payable exclusively under Articles 7, 8, or paragraph 1(b) or paragraph 3 of Article 9 of this Agreement.

Article 10 applies when a person receives a benefit from both countries. Under this provision, neither country will offset its benefit if the beneficiary receives a benefit from either country based on combined coverage from both countries. This reflects SSA's current practice pursuant to Section 215 (a)(7)(A)(II) of the U.S. Act.

PART IV

Miscellaneous Provisions

Article 11
Administrative Arrangements

1. The Competent Authorities of the two Contracting States shall:

   (a) make all necessary administrative arrangements for the implementation of this Agreement and designate liaison agencies;

   (b) communicate to each other information concerning the measures taken for the application of this Agreement; and

   (c) communicate to each other, as soon as possible, information concerning all changes in their respective laws which may affect the application of this Agreement.

Article 11.1 outlines various duties of the Competent Authorities under this Agreement. Paragraph (a) authorizes and requires the Competent Authorities to conclude an Administrative Arrangement and take all necessary administrative measures to implement this Agreement. Paragraph (b) requires the Competent Authorities to notify each other of steps each takes unilaterally to implement this Agreement. Paragraph (c) obligates the Competent Authorities to notify each other of any changes in their social security laws that may affect the application of this Agreement.

2. The liaison agencies shall be authorized, with the involvement of the Competent Authorities, to agree on appropriate measures required for the implementation of this Agreement.

Under Article 11.2, the liaison agencies of the two countries may work with their respective Competent Authorities to agree on measures to implement this Agreement. For the United States, since the Competent Authority is the Commissioner of Social Security and the liaison agency is SSA, these two bodies are effectively one and the same.

Article 12
Mutual Assistance

The Competent Authorities and the agencies of the Contracting States, within the scope of their respective authorities, shall assist each other in implementing this Agreement. This assistance shall be free of charge, subject to exceptions to be agreed upon in an administrative arrangement.

Article 12 authorizes the two countries to furnish each other non-reimbursable assistance in administering this Agreement. Such assistance may include taking benefit applications and the gathering and exchange, including the electronic exchange, of information relevant to claims filed and benefits paid under this Agreement. Although Article 12 establishes a general principle that mutual administrative assistance will be free of charge, the provision authorizes the two sides to agree to exceptions, such as the exceptions in Article 7 of the Administrative Arrangement.

Article 13
Confidentiality of Exchanged Personal Data

1. Unless otherwise required by the national statutes of a Contracting State, personal data transmitted in accordance with this Agreement to one Contracting State by the other Contracting State shall be used for purposes of administering this Agreement and the laws in Article 2 of this Agreement. The receiving Contracting State's national statutes for the protection of privacy and confidentiality of personal data and the provisions of this Agreement shall govern such use.

Both the United States and Hungary recognize the great importance of ensuring the integrity of personal data, as well as a person's rights pertaining thereto. Accordingly, both countries have statutes and regulations that govern disclosure and provide strict safeguards for maintaining the confidentiality of personal data in the possession of their respective governments. In the United States, these statutes include the Freedom of Information Act, the Privacy Act, section 6103 of the Internal Revenue Code, and pertinent provisions of the U.S. Act and other related statutes. In Hungary, the applicable laws include Act LXIII of 1992 on the Protection of Personal Data and Disclosure of Data of Public Interest (as amended) and European Union (EU) Directive 95/46/EC (with which Hungary, as a member of the EU, complies).

PRINCIPAL AGREEMENT	ANNOTATIONS AND COMMENTS
	Article 13.1 provides that both countries will protect personal data furnished under this Agreement in accordance with the applicable provisions of the privacy and confidentiality laws of the country that receives the personal data.
2. The Competent Authorities of the Contracting States shall inform each other about all amendments to their national statutes regarding the protection of privacy and confidentiality of personal data that affect the transmission of personal data.	Article 13.2 provides that if either country modifies any of its statutes that regulate the privacy or confidentiality of personal data transmitted between the countries, the Competent Authority of the Contracting State that modified its statute must notify the Competent Authority of the other Contracting State.
3. A person may request, and the Competent Authority or agency requesting or transmitting personal data must disclose to that person upon such request, the content, receiving agency, and duration of use of his or her personal data and the purpose and legal grounds for which such personal data were used or requested.	Article 13.3 protects a person's right to request particular information about any of his or her personal data requested from or transmitted to either country under this Agreement. Article 13.3 also provides that when a person requests such information about his or her personal data from a country, that country must provide the requested information to the person.
4. The agencies shall take all reasonable steps to ensure that transmitted personal data are accurate and limited to data required to fulfill the receiving agency's request. In accordance with their respective national statutes, the agencies shall correct or delete any inaccurate transmitted personal data and any data not required to fulfill the receiving agency's request, and immediately notify the other agency of such correction or deletion. This shall not limit a person's right to request such correction of his or her personal data directly from the agencies.	Article 13.4 provides that both countries will take reasonable steps to ensure the accuracy of personal data transmitted between the two countries and will limit the transmission of personal data to only that information necessary to satisfy the other country's request. However, if one country later discovers that it transmitted or received inaccurate personal data or personal data not required to satisfy a country's request, the country that discovers the discrepancy will correct or delete the personal data in question and immediately notify the agency of the other country. The countries will perform such correction or deletion in accordance with their respective statutes governing alteration and destruction of data.

Article 13.4 also recognizes the right of a person to ask either agency directly to correct or delete any of his or her own personal data that he or she discovers to be inaccurate or not required to satisfy a Contracting State's request.

5. Both the transmitting and the receiving agencies shall effectively protect personal data against unauthorized or illegal access, alteration, or disclosure.

Both the United States and Hungary agree to protect the integrity, privacy, and confidentiality of personal data under their respective laws when receiving or transmitting such data under this Agreement.

Article 14
Confidentiality of Exchanged Employers' Information

Unless otherwise required by the national statutes of a Contracting State, employers' information transmitted between Contracting States in accordance with this Agreement shall be used for purposes of administering this Agreement and the laws in Article 2 of this Agreement. The receiving Contracting State's national statutes for the protection and confidentiality of employers' information and the provisions of this Agreement shall govern such use.

Article 14 provides protections for employers' confidential information. It provides to any business-related information exchanged under this Agreement similar protections to those provided for personal data under this Agreement and under each country's national statutes.

Article 15
Documents

1. Where the laws of a Contracting State provide that any document which is submitted to the Competent Authority or an agency of that Contracting State shall be exempted, wholly or partly, from fees or charges, including consular and administrative fees, the exemption shall also apply to corresponding documents which are submitted to the Competent Authority or an agency of the other Contracting State in the application of this Agreement.

Article 15.1 states that if the laws of one country exempt documents submitted in connection with a social security claim from fees or charges, that exemption will also apply if a country sends such documents to the other country by or on behalf of a claimant or beneficiary.

PRINCIPAL AGREEMENT	ANNOTATIONS AND COMMENTS
2. Documents and certificates which are presented for purposes of this Agreement shall be exempted from requirements for authentication by diplomatic or consular authorities.	Some countries require that a diplomatic, consular, or other official representative in the other country certify the authenticity of documents submitted to their social security authorities by or on behalf of persons in another country. Both the United States and Hungary are parties to the Hague Convention Abolishing the Requirement for Legalisation for Foreign Public Documents. Article 15.2 reaffirms that neither country will require such authentication of documents submitted under this Agreement.
3. Copies of documents which are certified as true and exact copies by an agency of one Contracting State shall be accepted as true and exact copies by an agency of the other Contracting State, without further certification. The agency of each Contracting State shall be the final judge of the probative value of the evidence submitted to it from whatever source.	If the agency of one country certifies that a copy of a document it furnishes to the agency of the other country is a true and exact copy of an original document, the other country will accept this certification. Nevertheless, each country will remain the final judge of the probative value of any documents submitted to it.
Article 16 **Correspondence and Language**	
1. The Competent Authorities and agencies of the Contracting States may correspond directly with each other and with any person wherever the person may reside, whenever it is necessary for the administration of this Agreement.	Article 16.1 authorizes direct correspondence between the Competent Authorities and agencies of the two countries and between these bodies and any person with whom they may need to communicate.
2. An application or document may not be rejected by a Competent Authority or agency of a Contracting State solely because it is in the language of the other Contracting State.	The Competent Authorities and agencies of each country may not reject an application or document because it is in the language of the other country. SSA already accepts applications and documents written in any language.

3. Decisions of the Hungarian agencies may be mailed using return receipt, and other documents may be sent by registered mail directly to persons in the territory of the United States.

Hungary requested the inclusion of this paragraph. Article 16.3 specifies delivery modes for decisions and other documents that Hungarian agencies send to persons in the United States. This provision applies only to Hungarian agency decisions and other Hungarian documents, and not to U.S. agency decisions or documents.

Article 17
Applications

1. A written application for benefits filed with an agency of one Contracting State shall protect the rights of the claimants under the laws of the other Contracting State if the applicant requests that it be considered an application under the laws of the other Contracting State.

Article 17.1 provides for situations in which an application filed for benefits from one country will also be an application for benefits from the other country.

2. If an applicant has filed a written application for benefits with an agency of one Contracting State and has not explicitly requested that the application be restricted to benefits under the laws of that Contracting State, the application shall also protect the rights of the claimants under the laws of the other Contracting State if the applicant provides information at the time of filing indicating that the person on whose record benefits are claimed has completed periods of coverage under the laws of the other Contracting State.

An applicant who files an application with the agency of one country may not always know about his or her benefit rights in the other country. Article 17.2 provides that even if an application states no intention to file for benefits in the other country, the application will also protect the claimants' rights under the other country's laws if the applicant indicates at the time of filing that the worker had coverage in the other country.

3. The provisions of Part III shall apply only to benefits for which an application is filed on or after the date this Agreement enters into force.

Article 17.3 requires that a person claiming benefits under this Agreement file an application on or after the date this Agreement enters into force.

Article 18
Appeals and Time Limits

1. A written appeal of a determination made by an agency of one Contracting State may be validly filed with an agency of either Contracting State. The appeal shall be decided according to the procedure and laws of the Contracting State whose decision is being appealed.

Both the United States and Hungary have formal procedures for appealing the determinations of their agencies. Under Article 18.1, a claimant may file a written appeal of a decision by the agency of one country with the agency of either country. The appropriate agency of the country whose decision an individual is appealing will consider the appeal under its own laws and procedure.

2. Any claim, notice, or written appeal which, under the laws of one Contracting State, must have been filed within a prescribed period with an agency of that Contracting State, but which is instead filed within the same period with an agency of the other Contracting State, shall be considered to have been filed on time.

Article 18.2 provides that when the laws of one country require the submission of a claim, notice, or written appeal within a set time limit, the agency of that country will consider it filed on time if the claimant files it with the agency of the other country within that prescribed time limit.

Article 19
Transmittal of Claims, Notices, and Appeals

1. In any case to which the provisions of Article 18 of this Agreement apply, the agency to which the claim, notice, or written appeal has been submitted shall indicate the date of receipt on the document and transmit it without delay to the liaison agency of the other Contracting State.

The agency with which an applicant files a claim, notice, or written appeal under Article 18 of this Agreement shall transmit it immediately to the agency of the other country. The sending agency will indicate the date on which it received the document.

2. In accordance with measures to be agreed upon in an administrative arrangement, the agency of one Contracting State shall, upon request of the agency of the other Contracting State, furnish available information relating to the claim of any specified individual for the purpose of administering this Agreement.

Article 19.2 provides that the agency of one country will, upon request, furnish claims-related information to the agency of the other country in accordance with agreed upon procedures. The agencies will agree upon such procedures, consistent with the governing statutes of both countries.

3. Upon request, the liaison agency of either Contracting State shall furnish without cost to the liaison agency of the other Contracting State any medical information and documentation in its possession relevant to the disability of the claimant or beneficiary.

When the liaison agency in one country requests medical information from the liaison agency in the other country, the other liaison agency will provide the requesting liaison agency with any pertinent medical records it has in its possession free of charge.

Article 20
Currency

1. Payments under this Agreement shall be made in the currency of the Contracting State making the payments.

The agencies may pay benefits under this Agreement in the currency of either country. SSA pays benefits in U.S. dollars. Hungary pays benefits in Forints.

2. In case provisions designed to restrict the exchange or exportation of currencies are introduced by either Contracting State, the Governments of both Contracting States shall immediately take measures necessary to ensure the transfer of sums owed by either Contracting State under this Agreement.

Should either country restrict the exchange of its currency, both Contracting States will take steps to assure the payment of amounts due under this Agreement.

3. Payments made under this Agreement shall be carried out on the basis of the respective rules in force in the territory of the paying Contracting State at the date of such payments.

Banking rules in one country may not provide for payment by international interbank direct deposit in the other. Under Article 20.3, the paying country's banking rules in effect at the time of payment determine how the country will make benefit payments.

Article 21
Settlement of Disputes

1. Any dispute between the Contracting States concerning the interpretation or the application of this Agreement shall be, by mutual agreement, resolved by the Competent Authorities of the

Article 21.1 requires the Competent Authorities to attempt to resolve any dispute between them regarding this Agreement through consultation or negotiation.

Contracting States.

2. Any difficulties which have not been resolved in accordance with paragraph 1 of this Article shall be resolved through diplomatic channels.

If the Competent Authorities cannot resolve any dispute through consultation or negotiation, Article 21.2 says that they will pursue a settlement through diplomatic channels.

Article 22
Supplementary Agreements

This Agreement may be amended in the future by supplementary agreements which, from their entry into force, shall be considered an integral part of this Agreement. Such agreements may be given retroactive effect if they so specify, provided that it is advantageous to persons affected.

Article 22 provides that future supplementary agreements may amend this Agreement. After a supplementary agreement becomes effective, it will become an integral part of this Agreement.

PART V

Transitional and Final Provisions

Article 23
Miscellaneous Provisions

1. This Agreement shall not establish any claim to payment of a benefit for any period before the date of entry into force of this Agreement, or to a lump-sum death benefit if the person died before the entry into force of this Agreement.

The agencies will pay benefits based on this Agreement no earlier than the effective date of this Agreement. Additionally, the United States will not pay a lump-sum death benefit under this Agreement if the person on whose record a claimant files for benefits died prior to this Agreement's entry into force.

PRINCIPAL AGREEMENT	ANNOTATIONS AND COMMENTS
2. In determining the right to benefits under this Agreement, consideration shall be given to periods of coverage under the laws of both Contracting States and other events which occurred before the entry into force of this Agreement.	In determining benefit eligibility and amounts under this Agreement, Article 23.2 provides that the agencies will consider periods of coverage earned before this Agreement enters into force. The agencies will also consider events relevant to the determination of benefit rights, such as marriage, death, disability, or attainment of a certain age, which happened prior to this Agreement's effective date. However, the United States will not consider periods of Hungarian coverage credited prior to 1937, the earliest date for which U.S. law permits crediting periods of coverage.
3. Determinations concerning entitlement to benefits which were made before the entry into force of this Agreement shall not affect rights arising under it.	A decision to award or deny a claim either agency renders prior to the effective date of this Agreement will not prevent a person from filing a new application for benefits that may be payable because of this Agreement.
4. The application of this Agreement shall not result in any reduction in the amount of a benefit to which entitlement was established prior to its entry into force.	Article 23.4 guarantees that the entry into force of this Agreement will not result in a reduction in benefits already payable at the time this Agreement becomes effective.
5. In applying paragraph 2 or 4 of Article 5 of this Agreement in the case of persons whose detachment or self-employment referred to in those paragraphs commenced prior to the date of entry into force of this Agreement, the period of such detachment or self-employment referred to in these paragraphs shall be considered to begin on that date.	Article 23.5 provides that the agencies will measure the five year period to which paragraphs 2 and 4 of Article 5 of this Agreement refer beginning no earlier than the date the Agreement enters into force. Thus, for persons to whom Articles 5.2 or 5.4 of this Agreement applies who were working in the other country before this Agreement's effective date, the prior period will not count for purposes of the five year limit.

Article 24
Special Obligations of Hungary Regarding this Agreement

The present Agreement shall in no way prejudice the obligations of Hungary as a member state of the European Union. Consequently, the provisions of the present Agreement shall not be invoked or interpreted in such a way as to invalidate or otherwise affect the obligations of Hungary imposed by the Treaties on which the European Union is founded.

This Article applies exclusively to Hungary. It provides that this Agreement does not prejudice the obligations of Hungary as a member state of the European Union. As a result, this Agreement's provisions shall not be interpreted in such a way to affect its obligations under the treaties to which the Article refers.

Article 25
Duration and Termination

1. This Agreement shall remain in force and effect until the expiration of one calendar year following the year in which written notice of its termination is given by one of the Contracting States to the other Contracting State.

This Agreement will remain effective without any limit on its duration, unless one of the countries terminates it. Either country can terminate this Agreement by giving written notice of termination to the other. If either country takes actions to terminate this Agreement, it will remain in effect until the expiration of one calendar year after the year in which one of the Contracting States gives written notice of termination to the other Contracting State.

2. If this Agreement is terminated, rights regarding entitlement to or payment of benefits acquired under it shall be retained. The Contracting States shall make arrangements dealing with rights in the process of being acquired.

If either country terminates this Agreement, a person will retain benefit rights acquired before termination. Special arrangements would dictate the extent to which each country would recognize benefit rights in the process of being acquired at the time of termination—for example, periods of coverage which had not yet resulted in fully insured status.

Article 26
Entry into Force

The Governments of both Contracting States shall notify each other in writing of the completion of their respective statutory and constitutional procedures required for the entry into force of this Agreement. This Agreement shall enter into force on the first day of the second month following the date of the last notification.

Once each country completes its internal approval process, the two governments will exchange written notifications to that effect. This Agreement will enter into force on the first day of the second month after the month in which both governments have received the other government's written notification.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement.

The U.S. Ambassador to Hungary, Colleen Bradley Bell, and the Hungarian Minister of Human Resources, Zoltán Balog, signed this Agreement on February 3, 2015 in Budapest.

DONE at Budapest on the 3rd of February, 2015 in duplicate in the English and Hungarian languages, the two texts being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:	FOR THE GOVERNMENT OF HUNGARY:
Colleen Bradley Bell	Zoltán Balog

ADMINISTRATIVE ARRANGEMENT

Administrative Arrangement
for the Implementation of the Agreement
on Social Security
between the Government of the United States of America
and the Government of Hungary

The Competent Authority of the United States of America and

the Competent Authority of Hungary,

In conformity with Article 11.1(a) of the Agreement on Social Security between the Government of the United States of America and the Government of Hungary of this date, hereinafter referred to as the "Agreement," have agreed as follows:

CHAPTER I

General Provisions

Article 1
Definitions

Where terms which appear in the Agreement are used in this Administrative Arrangement, they shall have the same meaning as they have in the Agreement.

ANNOTATIONS AND COMMENTS

Article 1 provides that terms have the same meaning in this Administrative Arrangement as they do in the Agreement.

ADMINISTRATIVE ARRANGEMENT

Article 2
Liaison Agencies

The liaison agencies referred to in Article 11.1(a) of the Agreement shall be:

(a) for the United States, the Social Security Administration;

(b) for Hungary,

- in respect of benefits for old age and survivors, the Central Administration of National Pension Insurance,
- in respect of benefits for persons with changed working capacity, the National Office for Rehabilitation and Social Affairs, and
- in all other respects, the National Health Insurance Fund.

Article 3
Duties of the Liaison Agencies

1. The liaison agencies designated in Article 2 shall agree upon the joint procedures and methods necessary for the implementation of the Agreement and this Administrative Arrangement.

ANNOTATIONS AND COMMENTS

Article 2 designates the agencies in each country responsible for implementing and administering the coverage and benefit provisions of the Agreement. The United States designates the Social Security Administration as its liaison agency. Hungary designates the Central Administration of National Pension Insurance, the National Office for Rehabilitation and Social Affairs, and the National Health Insurance Fund as its counterpart liaison agencies for old-age and survivors, disability, and health insurance, respectively.

Article 3 authorizes and requires the liaison agencies of both countries to agree upon those procedures, methods, and forms they will use for the implementation of the Agreement and this Administrative Arrangement as well as to provide mutual administrative support.

ADMINISTRATIVE ARRANGEMENT

2. The liaison agencies shall support each other during implementation of the Agreement.

CHAPTER II

Provisions on Coverage

Article 4
Certificates of Coverage

1. Where the laws of one Contracting State are applicable in accordance with any of the provisions of Article 5 of the Agreement, the agency of that Contracting State, upon request of the employer or self-employed person, shall issue the employer, the employee, or the self-employed person a certificate stating that the employee or self-employed person is subject to those laws and indicating the duration for which the certificate shall be valid. This certificate shall be proof that the employee or self-employed person is exempt from the laws on compulsory coverage of the other Contracting State.

2. The certificate referred to in paragraph 1 of this Article shall be issued:

   (a) in the United States, by the Social Security Administration; and

   (b) in Hungary, by the National Health Insurance Fund.

ANNOTATIONS AND COMMENTS

Under Article 4.1, the agency of the country whose social security coverage laws will continue to apply to a person in accordance with the rules in Part II of the Agreement will issue a certificate to that effect when an employer and employee or a self-employed person requests one. Employers and self-employed persons should request certificates before work begins in the other country, whenever possible. The certificate will serve as evidence of the exemption of the person from the coverage laws of the other country when provided to the agency of the other country.

Article 4.2 designates the agencies in each country responsible for issuing certificates of coverage.

ADMINISTRATIVE ARRANGEMENT	ANNOTATIONS AND COMMENTS
3. The agency of a Contracting State which issues a certificate referred to in paragraph 1 of this Article shall furnish a copy of the certificate or agreed upon information from the certificate to the liaison agency of the other Contracting State as needed by the agency of the other Contracting State.	Article 4.3 provides that the agency issuing a coverage certificate will furnish a copy of the certificate or information from the certificate to the liaison agency in the other country when needed.

CHAPTER III

Provisions on Benefits

Article 5
Processing Claims

1. Applications for benefits under the Agreement shall be submitted on forms to be agreed upon by the liaison agencies of the two Contracting States.	The U.S. and Hungarian liaison agencies will agree on special application forms that people who wish to file for benefits based on the Agreement will use.
2. The agency of the Contracting State with which an application for benefits is first filed in accordance with Article 17 of the Agreement shall provide the liaison agency of the other Contracting State with such evidence and other information in its possession as may be required to complete action on the claim.	Articles 5.2 and 5.3 outline the procedures both countries will follow for the exchange of evidence and information they need to process claims filed under the Agreement.
3. The agency of a Contracting State which receives an application that was first filed with an agency of the other Contracting State shall without delay provide the liaison agency of the other Contracting State with such evidence and other available information in its possession as may be required for it to complete action on the claim.	

ADMINISTRATIVE ARRANGEMENT	ANNOTATIONS AND COMMENTS
4. The agency of the Contracting State with which an application for benefits has been filed shall verify the information pertaining to the applicant and the applicant's family members. The types of information to be verified shall be agreed upon by the liaison agencies of both Contracting States.	Article 5.4 deals with the verification of claims information. Both U.S. and Hungarian laws require verification of certain information about individuals claiming benefits (e.g., age and family relationship to the worker) before either of the respective countries can approve the claim. Article 5.4 provides that when a person files a claim for benefits under the Agreement in one country, the agency of that country will verify the relevant information and inform the agency of the other country of its findings. The liaison agencies will agree upon the specific types of information requiring verification. This provision expedites the claims process by avoiding duplicate verification of the same information.
CHAPTER IV	
Miscellaneous Provisions	
Article 6 **Exchange of Information**	
1. For the purpose of facilitation of the implementation of the Agreement and this Administrative Arrangement, the liaison agencies may agree on measures for the provision and transmission of the electronic exchange of data.	Under Article 6.1, the liaison agencies of both countries may agree to implement electronic data exchanges to facilitate administration of the Agreement and this Administrative Arrangement. Such exchanges must comply with the laws of each country governing the protection of privacy and confidentiality of personal data.
2. The liaison agencies of the two Contracting States shall exchange statistics on the number of certificates issued under Article 4 of this Administrative Arrangement and on the payments made to beneficiaries under the Agreement. These statistics shall be furnished annually in a manner to be agreed upon.	Article 6.2 provides for an exchange of statistics concerning benefit payments and certificates of coverage made by both countries. This information will include the total number of beneficiaries paid under the Agreement and total payments to these beneficiaries.

ADMINISTRATIVE ARRANGEMENT	ANNOTATIONS AND COMMENTS
Article 7 **Costs and Medical Examinations**	
1. Where administrative assistance is requested under Article 12 of the Agreement, expenses other than regular personnel and operating costs of the agency providing the assistance shall be reimbursed, except as may be agreed to by the Competent Authorities or liaison agencies of the Contracting States.	In accordance with Article 12 of the Agreement, the agencies of the two countries will provide each other with administrative assistance required to implement the Agreement. Under Article 7.1, the requesting agency will pay expenses the other agency incurs in responding to requests for administrative assistance that require it to go outside its own organization unless the two countries agree on a different arrangement. This includes hiring interpreters, conducting special field investigations, or arranging medical examinations. The agencies will not reimburse expenses for regular personnel and operating costs.
2. Where the agency of a Contracting State requires that a person in the territory of the other Contracting State who is receiving or applying for benefits under the Agreement submit to a medical examination, such examination, if requested by that agency, shall be arranged by the liaison agency of the other Contracting State in accordance with the rules of the agency making the arrangements and at the expense of the agency which requests the examination. There shall be no reimbursement of costs if the medical examination is carried out for the purpose of implementing the laws of both Contracting States or for the use of both their agencies.	Article 7.2 provides that where a medical examination is necessary to establish eligibility for or continuing entitlement to a country's benefits that are payable under the Agreement, and the claimant or beneficiary is in the other country, the liaison agency of the other country, upon request, will arrange for the examination at the expense of the agency requesting the examination.
3. The liaison agency of one Contracting State shall reimburse amounts owed under paragraph 1 or 2 of this Article upon presentation of a statement of expenses by the liaison agency of the other Contracting State.	In order to receive reimbursement for the cost of administrative assistance, the liaison agency that provides the assistance must provide the requesting liaison agency with a detailed statement of expenses.

ADMINISTRATIVE ARRANGEMENT

Article 8
Entry into Force

This Administrative Arrangement shall enter into force on the date of entry into force of the Agreement and shall have the same period of validity.

DONE at Budapest on the 3rd of February, 2015, in duplicate in the English and Hungarian languages, the two texts being equally authentic.

For the Competent Authority of the United States of America:	For the Competent Authority of Hungary:
Colleen Bradley Bell	Zoltán Balog

ANNOTATIONS AND COMMENTS

Article 8 provides that this Administrative Arrangement will enter into force on the same date as the Agreement and will remain in effect for the same period as the Agreement.

The U.S. Ambassador to Hungary, Colleen Bradley Bell, and the Hungarian Minister of Human Resources, Zoltán Balog, signed this Administrative Arrangement on February 3, 2015 in Budapest.

AGREEMENT ON SOCIAL SECURITY
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF HUNGARY

The Government of the United States of America and

the Government of Hungary,

Hereinafter referred to as "the Contracting States," being desirous of regulating the relationship between their two countries in the field of Social Security, have agreed as follows:

PART I

General Provisions

Article 1
Definitions

1. For the purposes of this Agreement:

(a) "national" means,

as regards the United States, a national of the United States as defined in Section 101, Immigration and Nationality Act, as amended, and

as regards Hungary, natural persons who are considered nationals of Hungary, within the meaning of the law on Hungarian citizenship;

(b) "laws" means the laws and regulations specified in Article 2 of this Agreement;

(c) "Competent Authority" means,

as regards the United States, the Commissioner of Social Security, and

as regards Hungary, the ministers, ministries or other relevant authorities responsible for social security schemes and systems regulated by the laws designated in Article 2 of this Agreement;

(d) "agency" means,

as regards the United States, the Social Security Administration, and

as regards Hungary, the institution or the authority responsible for the implementation of the laws specified in the material scope (Article 2) of this Agreement;

(e) "liaison agencies" means the institution or institutions responsible for ensuring the coordination and exchange of information between the agencies of the two Contracting States and for maintaining relations for the purposes of implementing the Agreement;

(f) "period of coverage" means a period of payment of contributions or a period of earnings from employment or self-employment, as defined or recognized as a period of coverage by the laws under which such period has been completed, or any similar period insofar as it is recognized by such laws as equivalent to a period of coverage;

(g) "benefit" means,

as regards the United States, any benefit provided for in the laws specified in Article 2 of this Agreement, and

as regards Hungary, any pension or any other cash benefit provided for in the laws specified in Article 2 of this Agreement; and

(h) "personal data" means any information relating to a specific (identified or identifiable) person, as well as any information which can be used to distinguish or trace an individual's identity. This includes, but is not limited to, the following: any individual identifier; citizenship, nationality, statelessness or refugee status; benefits, eligibility or other claims information; contact information; medical information or lay information used in a medical determination; information about marital, familial or personal relationships; and information pertaining to work, financial or economic status.

2. Any term not defined in this Article shall have the meaning assigned to it in the applicable laws.

Article 2
Material Scope

1. For the purposes of this Agreement, the applicable laws are:

(a) as regards the United States, the laws governing the Federal old-age, survivors, and disability insurance program:

-- Title II of the Social Security Act and regulations pertaining thereto, except sections 226, 226A, and 228 of that title, and regulations pertaining to those sections, and

-- Chapters 2 and 21 of the Internal Revenue Code of 1986 and regulations pertaining to those chapters;

(b) as regards Hungary,

the laws concerning the insurance obligation and the payment of contributions covering social insurance benefits (pensions, health insurance, and unemployment), as well as the social insurance pension benefits and benefits for persons with changed working capacity.

2. Unless otherwise provided in this Agreement, the laws referred to in paragraph 1 of this Article shall not include treaties or other international agreements or supranational legislation on Social Security concluded between one Contracting State and a third State, or laws or regulations promulgated for their specific implementation.

3. Except as provided in the following sentence, this Agreement shall also apply to legislation which amends, supplements or consolidates the laws specified in paragraph 1. This Agreement shall apply to future legislation of a Contracting State which creates new categories of beneficiaries or new benefits under the laws of that Contracting State unless the Competent Authority of that Contracting State notifies the Competent Authority of the other Contracting State in writing within three months of the date of the official publication of the new legislation that no such extension of the Agreement is intended.

Article 3
Personal Scope

This Agreement shall apply to persons who are or have been subject to the laws specified in paragraph 1 of Article 2 of this Agreement, and to other persons deriving rights under those laws.

Article 4
Equality of Treatment and Portability of Benefits

1. A person who is or has been subject to the laws of one Contracting State and who resides in the territory of the other Contracting State, as well as the person's dependents or survivors who reside in the territory of the other Contracting State, shall receive equal treatment with nationals of the other Contracting State in the application of the laws of the other Contracting State regarding entitlement to or payment of benefits.

2. Unless otherwise provided in this Agreement, any provision of the laws of a Contracting State which restricts entitlement to or payment of benefits solely because the person resides outside or is absent from the territory of that Contracting State shall not be applicable to persons who reside in the territory of the other Contracting State.

3. As regards Hungary, this Article shall not apply to benefits payable by virtue of agreements concluded between Hungary and third States that are based on the territorial principle.

PART II

Provisions Concerning Applicable Laws

Article 5
Coverage Provisions

1. Except as otherwise provided in this Article, a person employed or self-employed within the territory of one of the Contracting States shall, with respect to that employment or self-employment, be subject to the laws of only that Contracting State. This shall also be applied if the place of business of the employer is in the territory of the other Contracting State.

2. Where a person who is normally employed in the territory of one Contracting State by an employer in that territory is sent by that employer to the territory of the other Contracting State for a temporary period, the person shall be subject to the laws of only the first Contracting State as if the person were employed in the territory of the first Contracting State, provided that the period of employment in the territory of the other Contracting State is not expected to exceed five years. For purposes of applying this paragraph in the case of an employee who is sent from the territory of the United States by an employer in that territory to the territory of Hungary, that employer and an affiliated company of the employer (as defined under the laws of the United States) shall be considered one and the same, provided that the employment would have been covered under United States laws absent this Agreement.

3. Paragraph 2 of this Article shall apply where a person who has been sent by his or her employer from the territory of a Contracting State to the territory of a third State, and who is compulsorily covered under the laws of that Contracting State while employed in the territory of the third State, is subsequently sent by that employer from the territory of the third State to work for that employer in the territory of the other Contracting State.

4. A person who is normally self-employed in the territory of one Contracting State and who temporarily transfers his or her self-employment activity to the territory of the other Contracting State shall be subject to the laws of only the first Contracting State, provided that the period of self-employment activity in the territory of the other Contracting State is not expected to exceed five years.

5. (a) A person who is employed as an officer or member of a crew on a vessel which flies the flag of one Contracting State and who would be covered under the laws of both Contracting States shall be subject to the laws of

only the Contracting State whose flag the vessel flies. For purposes of the preceding sentence, a vessel which flies the flag of the United States is one defined as an American vessel under the laws of the United States.

(b) Traveling employees of air transportation companies who perform work in the territories of both Contracting States and who would otherwise be covered under the laws of both Contracting States shall, with respect to that work, be subject to the laws of only the Contracting State in the territory of which the company has its headquarters. However, if such employees reside in the territory of the other Contracting State, they shall be subject to the laws of only that Contracting State.

6. (a) This Agreement shall not affect the provisions of the Vienna Convention on Diplomatic Relations of April 18, 1961, or of the Vienna Convention on Consular Relations of April 24, 1963.

(b) Nationals of one of the Contracting States who are employed by the Government of that Contracting State in the territory of the other Contracting State but who are not exempt from the laws of the other Contracting State by virtue of the Conventions mentioned in subparagraph (a) shall be subject to the laws of only the first Contracting State. For the purpose of this paragraph, employment by the United States Government includes employment by an instrumentality thereof. For the purpose of this paragraph, employment by the Hungarian Government includes the employment of civil servants, public employees and other persons treated as such, together with their family members and Hungarian citizens who are employed by Hungarian institutions in the territory of the United States.

7. At the request of an employee and his or her employer or a self-employed person, the Competent Authorities of the two Contracting States or agencies designated by them may agree to grant an exception to the provisions of this Part with respect to particular persons or categories of persons, provided that any affected person shall be subject to the laws of one of the Contracting States.

PART III

Provisions on Benefits

Article 6
Mutual Provisions

1. Subject to other provisions of this Part, if, under the laws of one Contracting State, eligibility for benefits is conditional upon having completed periods of coverage, the agency of that Contracting State shall take into account periods of coverage completed under the laws of the other Contracting State, unless such periods of coverage overlap with periods of coverage completed under the laws of the first Contracting State.

2. An agency of a Contracting State shall not apply the provisions of paragraph 1 of this Article if the person on whose account benefits are claimed has sufficient periods of coverage to satisfy the requirements for entitlement to benefits under the laws of that Contracting State.

3. For purpose of crediting periods of coverage in establishing entitlement to benefits under this Agreement, one quarter of United States coverage and 90 days of Hungarian coverage shall be treated as equivalent, and four quarters of United States coverage and one year of Hungarian coverage shall be treated as equivalent.

4. The agency of one Contracting State shall take into account periods of coverage creditable under the laws of the other Contracting State exclusively in accordance with the laws of the first Contracting State.

Article 7
United States Benefits

The following provisions shall apply to the United States:

1. Where a person has completed at least six quarters of coverage under United States laws, but does not have sufficient periods of coverage to satisfy the requirements for entitlement to benefits under United States laws, the agency of the United States shall take into account, for the purpose of establishing entitlement to benefits under this Article, periods of coverage which are credited under Hungarian laws. The total number of quarters of coverage to be credited for a year shall not exceed four.

2. Where entitlement to a benefit under United States laws is established according to the provisions of paragraph 1 of this Article, the agency of the United States shall compute a pro rata Primary Insurance Amount in accordance with United States laws based on (a) the person's average earnings credited exclusively under United States laws and (b) the ratio of the duration of the person's periods of coverage completed under United States laws to the duration of a coverage lifetime as determined in accordance with United States laws. Benefits payable under United States laws shall be based on the pro rata Primary Insurance Amount.

3. Entitlement to a benefit from the United States which results from paragraph 1 of this Article shall terminate with the acquisition of sufficient periods of coverage under United States laws to establish entitlement to an equal or higher benefit without the need to invoke the provision of paragraph 1 of this Article.

Article 8
Hungarian Old-Age and Survivors Benefits

The following provisions shall apply to Hungary:

1. If a Hungarian benefit has been awarded, accumulation of additional periods of coverage under United States laws shall not result in any revision or recalculation of the Hungarian benefit.

2. Where a person is entitled to benefits under Hungarian laws only with regard to periods of coverage completed under United States laws, the Hungarian agency shall calculate the amount payable (in accordance with paragraph 3 of Article 6 of this Agreement) as if all periods of coverage completed by the person concerned under the laws of both Contracting States were completed in Hungary. The Hungarian agency shall pay only the proportion of the benefit calculated by this method that corresponds to the ratio of periods of coverage completed under Hungarian laws to the total periods of coverage under the laws of both Contracting States.

3. Under Hungarian laws, where benefits are calculated on the basis of income and contributions, the Hungarian agency shall take into account only income or contributions paid under Hungarian laws.

4. Where the total period of coverage completed under Hungarian laws is less than 365 days, provided that no eligibility to benefits is established only on the basis of this period of coverage, the Hungarian agency shall not apply the provisions of this Article.

Article 9
Hungarian Benefits for Persons with Changed Working Capacity

1. Where entitlement to a benefit for persons with changed working capacity can be established with periods of coverage completed solely under the Hungarian laws, the benefit shall be calculated as follows:

(a) the Hungarian agency shall calculate the benefit payable under the Hungarian laws and subtract from that half of the amount of the old-age or disability benefit awarded by the agency of the other Contracting State up to half of the amount of the Hungarian benefit calculated; and

(b) the Hungarian agency shall calculate the benefit payable under the Hungarian laws multiplied by the ratio of periods of coverage completed under the Hungarian laws to the total periods of coverage completed under the laws of both Contracting States.

2. The Hungarian agency shall pay the higher of the amounts calculated under paragraphs 1 (a) and (b).

3. Where entitlement to a benefit can be established exclusively by taking into account periods of coverage completed under the laws of both Contracting States, the Hungarian agency shall calculate the theoretical benefit amount which would be awarded if all periods of coverage under the laws of both Contracting States were completed under the laws of Hungary, and multiplying the result by the ratio of periods of coverage completed under Hungarian laws to the total periods of coverage under the laws of both Contracting States. The Hungarian agency shall pay only the proportion of the benefit calculated by this method.

4. Where the total period of coverage completed under the laws of Hungary is less than 365 days, the Hungarian agency shall not award a benefit under the scope of this Article.

5. Entitlement to a rehabilitation benefit can be established exclusively in the case of Hungarian residence.

Article 10
Miscellaneous Benefit Provisions

Where the laws of either Contracting State provide for a reduction in a person's benefit amount solely because the person receives a benefit from the other Contracting State, such reduction shall not apply in the case of a benefit payable exclusively under Articles 7, 8, or paragraph 1(b) or paragraph 3 of Article 9 of this Agreement.

PART IV

Miscellaneous Provisions

Article 11
Administrative Arrangements

1. The Competent Authorities of the two Contracting States shall:

   (a) make all necessary administrative arrangements for the implementation of this Agreement and designate liaison agencies;

   (b) communicate to each other information concerning the measures taken for the application of this Agreement; and

   (c) communicate to each other, as soon as possible, information concerning all changes in their respective laws which may affect the application of this Agreement.

2. The liaison agencies shall be authorized, with the involvement of the Competent Authorities, to agree on appropriate measures required for the implementation of this Agreement.

Article 12
Mutual Assistance

The Competent Authorities and the agencies of the Contracting States, within the scope of their respective authorities, shall assist each other in implementing this Agreement. This assistance shall be free of charge, subject to exceptions to be agreed upon in an administrative arrangement.

Article 13
Confidentiality of Exchanged Personal Data

1. Unless otherwise required by the national statutes of a Contracting State, personal data transmitted in accordance with this Agreement to one Contracting State by the other Contracting State shall be used for purposes of administering this Agreement and the laws in Article 2 of this Agreement. The receiving Contracting State's national statutes for the protection of privacy and confidentiality of personal data and the provisions of this Agreement shall govern such use.

2. The Competent Authorities of the Contracting States shall inform each other about all amendments to their national statutes regarding the protection of privacy and confidentiality of personal data that affect the transmission of personal data.

3. A person may request, and the Competent Authority or agency requesting or transmitting personal data must disclose to that person upon such request, the content, receiving agency, and duration of use of his or her personal data and the purpose and legal grounds for which such personal data were used or requested.

4. The agencies shall take all reasonable steps to ensure that transmitted personal data are accurate and limited to data required to fulfill the receiving agency's request. In accordance with their respective national statutes, the agencies shall correct or delete

any inaccurate transmitted personal data and any data not required to fulfill the receiving agency's request, and immediately notify the other agency of such correction or deletion. This shall not limit a person's right to request such correction of his or her personal data directly from the agencies.

5. Both the transmitting and the receiving agencies shall effectively protect personal data against unauthorized or illegal access, alteration, or disclosure.

Article 14
Confidentiality of Exchanged Employers' Information

Unless otherwise required by the national statutes of a Contracting State, employers' information transmitted between Contracting States in accordance with this Agreement shall be used for purposes of administering this Agreement and the laws in Article 2 of this Agreement. The receiving Contracting State's national statutes for the protection and confidentiality of employers' information and the provisions of this Agreement shall govern such use.

Article 15
Documents

1. Where the laws of a Contracting State provide that any document which is submitted to the Competent Authority or an agency of that Contracting State shall be exempted, wholly or partly, from fees or charges, including consular and administrative fees, the exemption shall also apply to corresponding documents which are submitted to the Competent Authority or an agency of the other Contracting State in the application of this Agreement.

2. Documents and certificates which are presented for purposes of this Agreement shall be exempted from requirements for authentication by diplomatic or consular authorities.

3. Copies of documents which are certified as true and exact copies by an agency of one Contracting State shall be accepted as true and exact copies by an agency of the other Contracting State, without further certification. The agency of each Contracting State shall be the final judge of the probative value of the evidence submitted to it from whatever source.

Article 16
Correspondence and Language

1. The Competent Authorities and agencies of the Contracting States may correspond directly with each other and with any person wherever the person may reside, whenever it is necessary for the administration of this Agreement.

2. An application or document may not be rejected by a Competent Authority or agency of a Contracting State solely because it is in the language of the other Contracting State.

3. Decisions of the Hungarian agencies may be mailed using return receipt, and other documents may be sent by registered mail directly to persons in the territory of the United States.

Article 17
Applications

1. A written application for benefits filed with an agency of one Contracting State shall protect the rights of the claimants under the laws of the other Contracting State if the applicant requests that it be considered an application under the laws of the other Contracting State.

2. If an applicant has filed a written application for benefits with an agency of one Contracting State and has not explicitly requested that the application be restricted to benefits under the laws of that Contracting State, the application shall also protect the rights of

the claimants under the laws of the other Contracting State if the applicant provides information at the time of filing indicating that the person on whose record benefits are claimed has completed periods of coverage under the laws of the other Contracting State.

3. The provisions of Part III shall apply only to benefits for which an application is filed on or after the date this Agreement enters into force.

Article 18
Appeals and Time Limits

1. A written appeal of a determination made by an agency of one Contracting State may be validly filed with an agency of either Contracting State. The appeal shall be decided according to the procedure and laws of the Contracting State whose decision is being appealed.

2. Any claim, notice, or written appeal which, under the laws of one Contracting State, must have been filed within a prescribed period with an agency of that Contracting State, but which is instead filed within the same period with an agency of the other Contracting State, shall be considered to have been filed on time.

Article 19
Transmittal of Claims, Notices, and Appeals

1. In any case to which the provisions of Article 18 of this Agreement apply, the agency to which the claim, notice, or written appeal has been submitted shall indicate the date of receipt on the document and transmit it without delay to the liaison agency of the other Contracting State.

2. In accordance with measures to be agreed upon in an administrative arrangement, the agency of one Contracting State shall, upon request of the agency of the other Contracting State, furnish available information relating to the claim of any specified individual for the purpose of administering this Agreement.

3. Upon request, the liaison agency of either Contracting State shall furnish without cost to the liaison agency of the other Contracting State any medical information and documentation in its possession relevant to the disability of the claimant or beneficiary.

Article 20
Currency

1. Payments under this Agreement shall be made in the currency of the Contracting State making the payments.

2. In case provisions designed to restrict the exchange or exportation of currencies are introduced by either Contracting State, the Governments of both Contracting States shall immediately take measures necessary to ensure the transfer of sums owed by either Contracting State under this Agreement.

3. Payments made under this Agreement shall be carried out on the basis of the respective rules in force in the territory of the paying Contracting State at the date of such payments.

Article 21
Settlement of Disputes

1. Any dispute between the Contracting States concerning the interpretation or the application of this Agreement shall be, by mutual agreement, resolved by the Competent Authorities of the Contracting States.

2. Any difficulties which have not been resolved in accordance with paragraph 1 of this Article shall be resolved through diplomatic channels.

Article 22
Supplementary Agreements

This Agreement may be amended in the future by supplementary agreements which, from their entry into force, shall be considered an integral part of this Agreement. Such agreements may be given retroactive effect if they so specify, provided that it is advantageous to persons affected.

PART V

Transitional and Final Provisions

Article 23
Miscellaneous Provisions

1. This Agreement shall not establish any claim to payment of a benefit for any period before the date of entry into force of this Agreement, or to a lump-sum death benefit if the person died before the entry into force of this Agreement.

2. In determining the right to benefits under this Agreement, consideration shall be given to periods of coverage under the laws of both Contracting States and other events which occurred before the entry into force of this Agreement.

3. Determinations concerning entitlement to benefits which were made before the entry into force of this Agreement shall not affect rights arising under it.

4. The application of this Agreement shall not result in any reduction in the amount of a benefit to which entitlement was established prior to its entry into force.

5. In applying paragraph 2 or 4 of Article 5 of this Agreement in the case of persons whose detachment or self-employment referred to in those paragraphs commenced prior to the date of entry into force of this Agreement, the period of such detachment or self-employment referred to in these paragraphs shall be considered to begin on that date.

Article 24
Special Obligations of Hungary Regarding this Agreement

The present Agreement shall in no way prejudice the obligations of Hungary as a member state of the European Union. Consequently, the provisions of the present Agreement shall not be invoked or interpreted in such a way as to invalidate or otherwise affect the obligations of Hungary imposed by the Treaties on which the European Union is founded.

Article 25
Duration and Termination

1. This Agreement shall remain in force and effect until the expiration of one calendar year following the year in which written notice of its termination is given by one of the Contracting States to the other Contracting State.

2. If this Agreement is terminated, rights regarding entitlement to or payment of benefits acquired under it shall be retained. The Contracting States shall make arrangements dealing with rights in the process of being acquired.

Article 26
Entry into Force

The Governments of both Contracting States shall notify each other in writing of the completion of their respective statutory and constitutional procedures required for the entry into force of this Agreement. This Agreement shall enter into force on the first day of the second month following the date of the last notification.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement.

DONE at Budapest on the 3rd of February, 2015 in duplicate in the English and Hungarian languages, the two texts being equally authentic.

For the Government of The United States of America:

Colleen Bradley Bell

For the Government of Hungary:

ADMINISTRATIVE ARRANGEMENT FOR THE IMPLEMENTATION OF THE AGREEMENT ON SOCIAL SECURITY BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF HUNGARY

The Competent Authority of the United States of America and

the Competent Authority of Hungary,

In conformity with Article 11.1(a) of the Agreement on Social Security between the Government of the United States of America and the Government of Hungary of this date, hereinafter referred to as the "Agreement," have agreed as follows:

CHAPTER I

General Provisions

Article 1
Definitions

Where terms which appear in the Agreement are used in this Administrative Arrangement, they shall have the same meaning as they have in the Agreement.

Article 2
Liaison Agencies

The liaison agencies referred to in Article 11.1(a) of the Agreement shall be:

(a) for the United States, the Social Security Administration;

(b) for Hungary,

- in respect of benefits for old age and survivors, the Central Administration of National Pension Insurance,

- in respect of benefits for persons with changed working capacity, the National Office for Rehabilitation and Social Affairs, and

- in all other respects, the National Health Insurance Fund.

Article 3
Duties of the Liaison Agencies

1. The liaison agencies designated in Article 2 shall agree upon the joint procedures and methods necessary for the implementation of the Agreement and this Administrative Arrangement.

2. The liaison agencies shall support each other during implementation of the Agreement.

CHAPTER II

Provisions on Coverage

Article 4
Certificates of Coverage

1. Where the laws of one Contracting State are applicable in accordance with any of the provisions of Article 5 of the Agreement, the agency of that Contracting State, upon request of the employer or self-employed person, shall issue the employer, the employee, or the self-employed person a certificate stating that the employee or self-employed person is subject to those laws and indicating the duration for which the certificate shall be valid. This certificate shall be proof that the employee or self-employed person is exempt from the laws on compulsory coverage of the other Contracting State.

2. The certificate referred to in paragraph 1 of this Article shall be issued:

   (a) in the United States, by the Social Security Administration; and

(b) in Hungary, by the National Health Insurance Fund.

3. The agency of a Contracting State which issues a certificate referred to in paragraph 1 of this Article shall furnish a copy of the certificate or agreed upon information from the certificate to the liaison agency of the other Contracting State as needed by the agency of the other Contracting State.

CHAPTER III

Provisions on Benefits

Article 5
Processing Claims

1. Applications for benefits under the Agreement shall be submitted on forms to be agreed upon by the liaison agencies of the two Contracting States.

2. The agency of the Contracting State with which an application for benefits is first filed in accordance with Article 17 of the Agreement shall provide the liaison agency of the other Contracting State with such evidence and other information in its possession as may be required to complete action on the claim.

3. The agency of a Contracting State which receives an application that was first filed with an agency of the other Contracting State shall without delay provide the liaison agency of the other Contracting State with such evidence and other available information in its possession as may be required for it to complete action on the claim.

4. The agency of the Contracting State with which an application for benefits has been filed shall verify the information pertaining to the applicant and the applicant's family members. The types of information to be verified shall be agreed upon by the liaison agencies of both Contracting States.

CHAPTER IV

Miscellaneous Provisions

Article 6
Exchange of Information

1. For the purpose of facilitation of the implementation of the Agreement and this Administrative Arrangement, the liaison agencies may agree on measures for the provision and transmission of the electronic exchange of data.

2. The liaison agencies of the two Contracting States shall exchange statistics on the number of certificates issued under Article 4 of this Administrative Arrangement and on the payments made to beneficiaries under the Agreement. These statistics shall be furnished annually in a manner to be agreed upon.

Article 7
Costs and Medical Examinations

1. Where administrative assistance is requested under Article 12 of the Agreement, expenses other than regular personnel and operating costs of the agency providing the assistance shall be reimbursed, except as may be agreed to by the Competent Authorities or liaison agencies of the Contracting States.

2. Where the agency of a Contracting State requires that a person in the territory of the other Contracting State who is receiving or applying for benefits under the Agreement submit to a medical examination, such examination, if requested by that agency, shall be arranged by the liaison agency of the other Contracting State in accordance with the rules of the agency making the arrangements and at the expense of the agency which requests the examination. There shall be no reimbursement of costs if the medical examination is carried out for the purpose of implementing the laws of both Contracting States or for the use of both their agencies.

3. The liaison agency of one Contracting State shall reimburse amounts owed under paragraph 1 or 2 of this Article upon presentation of a statement of expenses by the liaison agency of the other Contracting State.

Article 8
Entry into Force

This Administrative Arrangement shall enter into force on the date of entry into force of the Agreement and shall have the same period of validity.

DONE at Budapest on the 3rd of February 2015, in duplicate in the English and Hungarian languages, the two texts being equally authentic.

For the Competent Authority of the United States of America:

Colleen Bradley Bell

For the Competent Authority of Hungary:

REPORT TO CONGRESS
TO ACCOMPANY THE SOCIAL SECURITY AGREEMENT
BETWEEN
THE UNITED STATES OF AMERICA AND HUNGARY

I. INTRODUCTION

The social security agreement between the United States and Hungary would provide limited coordination of the social insurance systems of the two countries for old-age, survivors, and disability benefits. The agreement is similar in content and objective to social security agreements already in force between the United States and 25 other countries, including most European Union countries, Australia, Canada, Chile, Japan, Norway, South Korea, and Switzerland. Section 233 of the Social Security Act provides the authority to conclude U.S. social security agreements.

Like earlier U.S. agreements, the U.S.-Hungarian agreement has two main purposes. First, the agreement eliminates dual coverage and taxation of the same work, the situation that occurs when a person from one country works in the other country and is required to pay social security taxes to both countries on the same earnings. The agreement includes rules that assign a worker's social security coverage and tax liability to just one country. Second, the agreement helps fill gaps in social security benefit protection for workers who divide their careers between the two countries. Under the agreement, it would be possible for workers and their family members who would not otherwise qualify for benefits to qualify for partial U.S. or Hungarian benefits based on combined work credits from both countries.

The U.S.-Hungarian agreement consists of two separate instruments: (1) a principal agreement setting forth the basic rules for coordinating the two countries' systems; and (2) an administrative arrangement establishing policies and procedures to implement the principal agreement. Congress receives these two documents, which Ambassador Bell and a Hungarian counterpart signed on February 3, 2015, in accordance with section 233(e) of the Social Security Act.

Accompanying this report are paragraph-by-paragraph explanations of the provisions of the principal agreement (Annex A) and related administrative arrangement (Annex B). Also included is a report required by section 233(e)(1) of the Social Security Act on the effect of the agreement on the estimated income and expenditures of the U.S. Social Security programs and the estimated number of individuals whom the agreement will affect (Annex C).

II. STATUTORY REQUIREMENTS

Section 233(c)(1) of the Social Security Act requires that international agreements concluded pursuant to that section provide for the elimination of dual coverage of the same work under the social security systems of the United States and the other country party to the agreement, and for combining credits earned by a worker under the two systems for purposes of determining benefit entitlements and payment amounts. In addition, the law requires that when a person is entitled to U.S. Social Security benefits based on such combined credits, the basis for the amount of the U.S. benefit payable must be the proportion of the worker's periods of coverage completed under title II of the Social Security Act. The U.S.-Hungarian agreement includes these required provisions.

III. COVERAGE PROVISIONS

In conformity with section 233(c)(1)(B) of the Social Security Act, Part II of the principal agreement sets forth rules designed to eliminate dual coverage and taxation of the same work under the U.S. and Hungarian systems.

A. Rules Governing Employees

The rules that apply to employed persons would generally eliminate dual social security coverage under the laws of the United States and Hungary by maintaining an employee's coverage under the laws of the country where the employee performs the work and exempting the employee from compulsory coverage under the laws of the other country.

Special rules would apply, however, for employees whose employers in one country transfer them to work in the other country for a temporary period. In this situation, an employee who had coverage under the system of one country before the transfer would continue to have coverage under that country's laws and would be exempt from coverage in the host country. Thus, a person working for a U.S. employer that temporarily transfers him or her to Hungary would only have coverage under and pay contributions to the U.S. Social Security program, and the employer and employee would be exempt from Hungarian social security, health insurance, and unemployment insurance contribution requirements.

Other rules set forth in the agreement would apply to persons employed by the governments of the two countries and to persons employed in international air and maritime transportation.

B. Rules Governing Self-Employed Persons

Part II also contains rules applicable to persons whose earnings from self-employment are subject to compulsory coverage and contributions under the laws of both countries absent the agreement. Under these rules, a self-employed person may opt to transfer his or her own work activity to the other country for a temporary period, retaining coverage in the country from which he or she transferred his or her work.

IV. BENEFIT PROVISIONS

Part III of the principal agreement establishes the basic rules for determining entitlement to, and the amount of, U.S. and Hungarian benefits for persons who have worked in both countries. These benefit provisions are included pursuant to sections 233(c)(1)(A) and (C) of the Social Security Act.

A. Provisions Applicable to the United States

1. Totalization of Periods of Coverage

Under the rules that apply to the United States, if a worker has credit for at least 6 quarters of coverage under the U.S. Social Security program but not enough credits for the worker or his or her survivors or dependents to qualify for benefits, the worker's coverage credits from both the United States and Hungary could be totalized (i.e., combined) to permit the claimant to qualify for a partial U.S. benefit. Since the Hungarian social security system measures periods of coverage in terms of days, the United States would credit one quarter of coverage for every 90 days of coverage certified by the Hungarian social security system in a calendar year. The United States would not, however, credit periods of coverage under Hungarian law if they fall within a calendar quarter in which a worker has already earned a U.S. quarter of coverage under the U.S. system.

2. Computation of U.S. Totalization Benefit Amounts

The amount of a U.S. benefit for which a person may qualify based on totalized periods of coverage depends on both the duration of the worker's coverage under the U.S. Social Security system and the level of his or her earnings. A detailed description of the totalization benefit computation procedure is contained in the regulations of the Social Security Administration (20 CFR 404.1918). Generally, the first step in the procedure is to compute a theoretical primary insurance amount (PIA). The Social Security Administration then determines the pro rata PIA from the theoretical PIA to reflect the proportion of the worker's coverage lifetime completed under the U.S. program. The definition of a coverage lifetime is the number of years used to calculate a worker's average monthly wage or average indexed monthly earnings under the regular U.S. national computation methods.

B. Provisions Applicable to Hungary

1. Hungarian Benefits

In 1997, reform laws created a two-pillar social security program, replacing the traditional pay-as-you-go (PAYG) defined benefit system then in place. Since January 1998, the new program consists of two main social security systems: a first pillar unfunded PAYG contributory system, and a second pillar fully funded individual account Mandatory Pension Fund (MPF) system. Under the new rules, all workers new to the workforce or age 42 or younger on June 30, 1998 had to participate in both systems. Workers older than age 42 on June 30, 1998, and those having Hungarian coverage before that date, could choose whether to contribute only to the PAYG system or contribute to both. However, on December 13, 2010, the Hungarian Parliament passed a law moving workers out of the MPF and transferring their entire account balances to the PAYG pension system. Workers could choose through January 31, 2011 to remain in the MPF. Hungary bases first pillar PAYG benefits on a worker's age, average income, and length of work activity.

2. Totalization of Periods of Coverage

The totalization provisions of the agreement apply to the Hungarian social security laws, which govern the payment of retirement, survivors, changed working capacity (disability), and other benefits. Under the agreement, if a worker had at least 365 days of Hungarian coverage, but not enough Hungarian coverage to qualify for a benefit, Hungary will combine periods of coverage in Hungary and the United States. If the combined coverage meets length of coverage requirements under Hungarian law, Hungary would compute a theoretical benefit as if the worker's U.S. periods of coverage had been completed under Hungarian law. Next, the Hungarian agency would prorate the theoretical amount by multiplying it by the ratio of the periods of coverage credited under Hungarian law to the total periods credited in both countries.

C. Benefit Portability

Section 233(c)(2) of the Social Security Act permits agreements to contain provisions precluding the application of the alien nonpayment provisions of the Social Security Act (section 202(t)) for persons residing in a foreign country with which the United States has an agreement in force. The U.S.-Hungarian agreement would provide an exemption from these nonpayment provisions for insured persons and their dependents or survivors, regardless of their citizenship, if they reside in Hungary.

V. OTHER PROVISIONS

Section 233(c)(4) of the Social Security Act authorizes agreements to contain other provisions not inconsistent with title II of the Act, which are appropriate to carry out the purposes of the agreements. In accordance with this provision, the principal agreement and administrative arrangement contain a number of articles designed to permit the United States and Hungary to render free or reimbursable assistance to the other country in implementing the agreement. Such assistance could include, for example, an electronic data exchange arrangement.

SOCIAL SECURITY

MEMORANDUM

Date: May 6, 2015 Refer To: TCC

To: Stephen C. Goss, Chief Actuary

From: Chris Chaplain, Actuary
Nettie Barrick, Actuary

Subject: Estimated Effects of a Potential Totalization Agreement between Hungary and the United States—**INFORMATION**

This memorandum and the attached tables present estimates of the effects of implementing a potential totalization agreement with Hungary assuming an effective date of July 1, 2016.

Table 1 shows the estimated net additional program costs to the Social Security systems of the United States (OASDI) and Hungary under the potential agreement for fiscal years 2016 through 2023, the end of the short-range projection period under the 2014 Trustees Report. In each case, these net additional program costs arise under the respective systems due to: (1) benefits payable because of the agreement; and (2) tax contributions for temporary foreign workers eliminated under the agreement.

Table 2 shows estimates of the numbers of persons (as of mid-year) who would receive "totalized" benefits from each system and the number of Hungarian citizens living outside the U.S., and Hungarian residents who are citizens of a third country, affected by removing the 5-year U.S. residency requirement for survivor or dependent benefits. The table also shows estimates of the numbers of temporary foreign workers in the respective countries exempt from taxation by the local Social Security system under a totalization agreement. Under the agreement, U.S. workers working for a U.S. firm in Hungary for a period expected to last 5 years or less would pay Social Security taxes only to the United States. Hungarian workers working for a Hungarian firm in the U.S. for a period expected to last 5 years or less would pay Social Security taxes only to the Hungarian system. We base estimates shown in the tables on the intermediate set of assumptions of the 2014 OASDI Trustees Report. The exchange rate used in these estimates is 278.073 Hungarian forints per U.S. dollar (1 HUF = $0.00359618), the exchange rate as of April 1, 2015. To provide a frame of reference, the average daily exchange rate over the past 5 years is about 221.779 HUF per U.S. dollar, with a low of about 177.831 HUF per U.S. dollar and a high of about 291.120 HUF per U.S. dollar.

These estimates are subject to much uncertainty. Many of the estimates are based on limited data for Hungary and the assumption that certain relationships that apply on average for other countries where totalization agreements already exist will apply for Hungary as well.

To estimate the numbers of totalized beneficiaries under the U.S. Social Security system resulting from an agreement with Hungary, we use two data sources for 21 of the existing agreement countries in a regression analysis.[1] From Census Bureau files, we estimate immigration and emigration. From counts of nonimmigrant visas issued by U.S. Foreign Service posts in each country to persons traveling to the U.S., over a 5-year period roughly 30 years ago when 2016-2023 retirees potentially receiving benefits under the totalization agreement were in their prime working years, we estimate the influx of temporary workers. This analysis yields an estimate of about 1,400 totalized beneficiaries under the U.S. Social Security system at the end of the 5th year of the potential agreement with Hungary. For 10 of these existing-agreement countries, the predicted number of beneficiaries from the regression is higher than the actual number at the end of 5 years, by a median value of about 71 percent of the actual number. For 11 of these existing-agreement countries, the predicted number of beneficiaries from the regression is lower than the actual number, by a median value of about 30 percent of the actual number. Therefore, the number of OASDI beneficiaries at the end of the 5th year of implementation would be: (1) about 800, if the median relationship for countries with fewer beneficiaries than predicted by the regression analysis applies to Hungary; and (2) about 2,000, if the median relationship for countries with more beneficiaries than predicted by the regression applies to Hungary.

To estimate the number of totalized Hungarian beneficiaries under the agreement, we use Census Bureau immigration data to make an initial estimate of the number of beneficiaries who will receive totalized benefits under the Hungarian system. We then adjust this estimate based on a comparison of the number of beneficiaries under the U.S. system estimated using the same data, and the regression estimate for the U.S. system described in the previous paragraph.

Totalization agreements provide OASDI benefits mainly to three groups. The first group is Hungarian non-immigrants (temporary visa holders) who work in the U.S. for less than 10 years. These workers would have coverage under the U.S. Social Security system (unless they work for a Hungarian firm in the U.S. for 5 years or less after a totalization agreement becomes effective), and may be eligible for U.S. totalized benefits when their work in Hungary is also considered. The second group is legal immigrants (generally permanent) from Hungary to the U.S. who work in the U.S. for less than 10 years, frequently because they immigrate later in their working careers. The third group is emigrants from the U.S. to Hungary (Hungarian-born or U.S. born) who worked in the U.S. for less than 10 years, frequently because they emigrated relatively early in their careers.

A totalization agreement between Hungary and the United States precludes OASDI disability benefits for Hungarian workers employed by a Hungarian employer in the U.S. for 5 years or less who become disabled while working in the U.S. or shortly thereafter. However, temporary workers from Hungary are unlikely to work long enough to qualify for U.S. disability benefits

[1] We excluded 4 totalization agreement countries from the analysis—the Slovak Republic because the agreement has not been in effect long enough for us to have five full years of data available, South Korea because work before 1986 in South Korea would not be counted as coverage in determining eligibility for totalized benefits, Luxembourg because of lack of data, and Canada because it is a border country with emigrant and immigrant patterns that would likely vary widely from those of Hungary.

(generally at least 5 years), and are expected to be relatively healthy at the time they come to the U.S. to work. Therefore, we believe that reductions in OASDI disability benefits due to eliminating double taxation under a totalization agreement between Hungary and the United States would be minimal. Similarly, we believe the reductions in disability benefits under the Hungarian system would be very small, relative to removing taxation to the Hungarian system for temporary U.S. workers in Hungary.

5-Year Residency Requirement

In addition to estimates of the number of persons who would receive totalized OASDI benefits, we also estimate the number of alien dependents and survivors who do not meet the 5-year U.S. residency requirement for receipt of Social Security benefits. These individuals would receive OASDI benefits under a totalization agreement because this requirement does not apply to totalization countries.

Effects Related to Other US. Social Insurance Programs

The principal financial effects of a totalization agreement apply to the Social Security programs of the countries involved. Totalization agreements do not cover Medicare benefits. Thus, the U.S. cannot use credits for work in Hungary to establish entitlement under the Medicare program. However, the tax side of the U.S. Medicare program would be affected because of the removal of double taxation for Hungarian workers who temporarily work in the U.S. for a Hungarian firm. We do not expect corresponding reduced Medicare outlays, because attainment of Medicare entitlement by these workers is highly unlikely. Medicare eligibility is largely restricted to individuals who either: (1) are at least age 65 and eligible for U.S. Social Security benefits; or (2) were entitled to U.S. Social Security disability benefits (as a disabled worker, disabled widow(er), or disabled adult child) for at least 24 months. Furthermore, Medicare reimbursement is generally restricted to services provided in the U.S. Because it is unlikely that temporary workers from Hungary would (a) work enough to qualify for Medicare and (b) live in the U.S. when they might avail themselves of Medicare services, we believe a totalization agreement between Hungary and the United States would reduce Medicare benefits very minimally.

By law, totalization agreements do not affect payroll taxes paid for work injury (workers' compensation) and unemployment programs administered by the United States. Therefore, Hungarian temporary workers employed by Hungarian firms in the U.S., and their employers would still be required to pay any applicable workers' compensation and unemployment payroll taxes. These programs generally operate at the state, and not the federal, level.

Effects Related to Other Hungarian Social Insurance Programs

Under a totalization agreement, the Hungarian system would no longer require U.S. temporary workers in Hungary (and their U.S. based employers) to pay into Hungary's national health and sickness insurance systems. The reduction in contributions increases from an estimated $2.3 million in fiscal year (FY) 2017 to $3.1 million in FY 2023. These estimates assume the current contribution rates of 5% to the Hungarian national health insurance system (1% employer, 4% employee) and 4% to the Hungarian sickness insurance system (1% employer, 3% employee) continue through this period. By eliminating contributions to the Hungarian national health and sickness insurance systems for these temporary U.S. workers in Hungary, a totalization agreement would result in these workers no longer being eligible for services under those systems. These foregone health and sickness insurance services represent a savings to the Hungarian system.

The value of foregone national health and sickness insurance services for U.S. temporary workers in Hungary is extremely difficult to estimate, but is expected to be small. It is very likely that U.S. temporary workers in Hungary are relatively healthy and do not need much in the way of health services. Due to the assumed healthiness of the U.S. temporary worker population and the propensity to use health providers outside the Hungarian system, we estimate, very roughly, that the value of benefits currently provided to U.S. workers by the Hungarian national health and sickness insurance systems is about one-tenth of the amount of their contributions to those systems. Table 1 shows the estimates of net costs to the Hungarian health and sickness insurance systems, which range from $2.1 million in FY 2017 to $2.8 million in FY 2023—over three times the estimated net cost to the U.S. Medicare system for those years.

In addition, the Hungarian system would lose unemployment payroll tax contributions from workers affected under a totalization agreement. The Hungarian unemployment program pays benefits if the person has registered with the Hungarian labor center as looking for work and was employed for at least 365 days in the past 3 years. However, we believe that very few temporary U.S. workers (working for U.S. employers) in Hungary lose their jobs, and the few that do lose their jobs most likely move back to the United States and do not look for other work in Hungary. Under a potential totalization agreement, U.S. temporary workers in Hungary would no longer be eligible for Hungarian unemployment benefits. Because payment of unemployment benefits to temporary U.S. workers in Hungary is unlikely, we expect the value of *unemployment* benefits no longer paid by Hungary's system, under a totalization agreement, to be very small.

Long-Range Financial Effects

Implementing the potential totalization agreement between the U.S. and Hungary would decrease the long-range (75-year) actuarial balance of the OASDI program by an amount that is estimated to be negligible (that is, by less than 0.005 percent of taxable payroll).

Table 3 displays the components of the estimated net cost to the OASDI Trust Funds for years 2014 through 2088 on a "CPI-indexed to 2014" basis, i.e., indexing the amounts back to the year

2014 by assumed changes in the consumer price index (CPI). In addition, the table displays total estimated OASDI net costs on an annual and cumulative present-value basis, i.e., indexing the amounts back to January 1, 2014 by projected interest rates earned by the OASDI Trust Funds on special-issue U.S. Government bonds.

Chris Chaplain

Chris Chaplain

Nettie J. Barrick

Nettie Barrick

Attachments: 3

Table 1.--Estimated program costs for the U.S. and Hungarian Social Security (and other) systems under a potential totalization agreement between the two countries, fiscal years 2016-2023
(In millions)

	Fiscal year								
	2016	2017	2018	2019	2020	2021	2022	2023	Total, FY 2016-23
Financial Effects for the U.S. Social Security system:									
Increase in OASDI benefit payments	1/	$2	$3	$4	$4	$5	$6	$6	$30
Reduction in OASDI tax contributions	1	3	3	3	3	3	3	4	22
Net OASDI cost	$1	5	6	6	7	8	9	10	52
Net cost to the Medicare system	1/	1	1	1	1	1	1	1	6
Net costs to the Social Security System of Hungary:									
Increase in benefit payments	1/	2	4	8	11	14	16	18	73
Reduction in OASDI tax contributions	2	10	10	11	11	12	13	13	82
Total	2	11	14	18	22	26	29	31	155
Net cost to the Hungarian national health insurance system 2/	1/	2	2	2	2	3	3	3	18
Net cost for other Hungarian payroll tax contributions 3/	1/	1/	1/	1/	1/	1/	1	1	3

1/ Less than $500,000.
2/ Includes health insurance payroll tax contributions that the totalization agreement with Hungary would eliminate.
3/ Includes unemployment payroll tax contributions that the totalization agreement with Hungary would eliminate.

Notes:
1. The agreement is assumed to become effective on July 1, 2016.
2. The estimates are based on the intermediate assumptions of the 2014 Trustees Report.
3. Totals may not equal the sums of the components due to rounding.
4. Estimates are in U.S. dollars. The assumed exchange rate is 278.073 HUF per U.S. dollar.

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Office of the Chief Actuary
May 6, 2015

Table 2.—Estimated number of persons affected by a potential totalization agreement between the United States and Hungary, fiscal years 2016-2023
(In thousands)

	Fiscal year							
	2016	2017	2018	2019	2020	2021	2022	2023
Number of persons receiving a totalized OASDI benefit based in part on employment in Hungary (in current-pay status at mid-year)	1/	0.2	0.4	0.8	1.1	1.3	1.5	1.7
Number of persons receiving a totalized Hungarian benefit based in part on employment in the United States (in current-pay status at mid-year)	0.1	.9	2.3	3.9	5.5	6.8	7.8	8.6
Number of persons receiving both a totalized OASDI benefit and a totalized benefit from Hungary (in current-pay status at mid-year)	1/	1/	.1	.2	.2	.3	.3	.3
Number of residents of Hungary, or Hungarian citizens living outside the U.S., who would now be able to receive OASDI dependent or survivor benefits because the 5-year residency requirement would no longer apply (in current-pay status at mid-year)	.3	.3	.3	.3	.3	.3	.3	.3
Number of U.S. employees in Hungary who, along with their employers, would no longer make tax contributions during the year to the Social Security system of Hungary	.3	.3	.3	.3	.3	.3	.3	.3
Number of Hungarian employees in the U.S who, along with their employers, would no longer make tax contributions during the year to the OASDHI trust funds	.3	.3	.3	.3	.3	.3	.3	.3

1/ Fewer than 50.

Notes:
1. The agreement is assumed to become effective on July 1, 2016.
2. For fiscal year 2016, estimate are as of the midpoint of the period for which agreement is in effect (August 15, 2016), not mid-year.
3. The estimates are based on the intermediate assumptions of the 2014 Trustees Report.

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May 6, 2015

Table 3--Projected Net OASDI Cost of Implementing Proposed Totalization Agreement Between U.S. and Hungary

Year	Additional OASDI Net Benefits For Year 1/	Change in OASDI Payroll Taxes For Year	Additional OASDI Net Cost For Year 2/	Additional OASDI Net Cost For Year 2/	Cumulative Additional OASDI Net Cost 2/
	(Millions of CPI-Indexed 2014$)			(Millions of $, Present Value as of 1-1-14)	
2014	0	0	0	0	0
2015	0	0	0	0	0
2016	1	-1	2	2	2
2017	2	-2	5	4	6
2018	3	-3	5	5	11
2019	3	-3	6	5	17
2020	4	-3	7	6	23
2021	4	-3	7	6	29
2022	5	-3	8	7	36
2023	5	-3	8	7	42
2024	5	-3	8	7	49
2025	5	-3	8	7	56
2026	6	-3	9	7	64
2027	6	-3	9	7	71
2028	6	-3	9	7	78
2029	6	-3	9	7	85
2030	6	-3	9	7	92
2031	6	-3	10	7	99
2032	7	-3	10	7	105
2033	7	-3	10	7	112
2034	7	-3	10	7	119
2035	7	-3	10	7	126
2036	7	-4	11	7	132
2037	7	-4	11	7	139
2038	7	-4	11	6	145
2039	7	-4	11	6	151
2040	8	-4	11	6	158
2041	8	-4	12	6	164
2042	8	-4	12	6	170
2043	8	-4	12	6	176
2044	8	-4	12	6	182
2045	8	-4	12	6	188
2046	8	-4	12	6	194
2047	8	-4	13	6	199
2048	9	-4	13	6	205
2049	9	-4	13	6	211
2050	9	-4	13	6	216
2051	9	-4	13	5	222
2052	9	-5	14	5	227
2053	9	-5	14	5	232
2054	9	-5	14	5	237
2055	10	-5	14	5	243
2056	10	-5	15	5	248
2057	10	-5	15	5	253
2058	10	-5	15	5	258
2059	10	-5	15	5	263
2060	11	-5	16	5	268
2061	11	-5	16	5	273
2062	11	-5	16	5	277
2063	11	-5	16	5	282
2064	11	-5	17	5	287
2065	12	-6	17	5	291
2066	12	-6	17	5	296
2067	12	-6	18	5	300
2068	12	-6	18	4	305
2069	12	-6	18	4	309
2070	13	-6	19	4	314
2071	13	-6	19	4	318
2072	13	-6	19	4	322
2073	13	-6	20	4	326
2074	14	-6	20	4	331
2075	14	-6	20	4	335
2076	14	-7	21	4	339
2077	14	-7	21	4	343
2078	14	-7	21	4	347
2079	15	-7	22	4	351
2080	15	-7	22	4	354
2081	15	-7	22	4	358
2082	15	-7	23	4	362
2083	16	-7	23	4	366
2084	16	-7	23	4	369
2085	16	-8	24	4	373
2086	16	-8	24	4	376
2087	17	-8	25	4	380
2088	17	-8	25	3	384

Based on Intermediate Assumptions of the 2014 Trustees Report.
1/ Additional benefits less revenue to OASDI from taxes on benefits.
2/ Additional net benefit payments minus change in payroll-tax re

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