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Fact Sheet

Social Security

UNITED STATES/MEXICO TOTALIZATION AGREEMENT

(Aquí en Español)

Totalization

- Since the late 1970's, the U.S. has established international social security agreements that coordinate the U.S. Social Security program with the comparable programs of other countries.
- These international social security agreements are called "totalization agreements" and have two main purposes:
  - Eliminate dual social security taxation that occurs when a worker from one country works in another country and is required to pay social security taxes to both countries on the same earnings. As a result of existing totalization agreements, U.S. workers and employers currently are saving about $800 million annually in foreign taxes they do not have to pay.
  - Help fill gaps in benefit protection for workers who have divided their careers between the U.S. and another country, but who have not worked long enough in one or both countries to qualify for social security benefits. With totalization, workers are allowed to combine work credits from both countries to become eligible for benefits. The benefit amount paid is proportional to the amount of credits earned in the paying country.

An agreement with Mexico

- An agreement with Mexico would save U.S. workers and their employers about $140 million in Mexican social security and health insurance taxes over the first 5 years of the agreement.
- An agreement would also fill the gaps in benefit protection for U.S. workers who have worked in both countries, but not long enough in one or both countries to qualify for benefits.
- Mexico is the second largest trading partner with the U.S. Agreements are already in effect with Canada, the largest trading partner with the U.S., and 19 other countries.

- With Mexico, the U.S. now has signed agreements with eight of its top ten trading partners. Many of these agreements have been in effect for nearly two decades. The two exceptions are China and Taiwan. By law, the U.S. could not enter into agreements with these two countries because they do not have generally applicable social security systems that pay periodic benefits or the actuarial equivalent.

Costs of an agreement with Mexico

- Social Security actuaries estimate that a totalization agreement with Mexico would have a negligible long-range effect on the Trust Funds.

- Costs to the U.S. Social Security system are estimated to average about $105 million per year over the first five years. These costs are for additional benefits to eligible U.S. and Mexican workers and reduced Social Security tax contributions under the dual taxation exemption.

- To put this in perspective, in 2002, costs to the U.S. system for the existing agreement with Canada were about $197 million.

Effective date of an agreement with Mexico

- In the United States, once the agreement is signed, the President will submit the agreement to Congress where it must sit in review for 60 session days. If Congress takes no action during this time, the agreement can move forward.

- In Mexico, once the agreement is signed, the Mexican Senate must approve it.

Countries already having totalization agreements with the U.S.

- The United States currently has Social Security agreements with Canada, Chile, South Korea, Australia and most of Western Europe.

Country	Effective Date	Country	Effective Date
Italy	November 1, 1978	Portugal	August 1, 1989
Germany	December 1, 1979	Netherlands	November 1, 1990
Switzerland	November 1, 1980	Austria	November 1, 1991
Belgium	July 1, 1984	Finland	November 1, 1992
Norway	July 1, 1984	Ireland	September 1, 1993
Canada	August 1, 1984	Luxembourg	November 1, 1993
United Kingdom	January 1, 1985	Greece	September 1, 1994
Sweden	January 1, 1987	South Korea	April 1, 2001
Spain	April 1, 1988	Chile	December 1, 2001
France	July 1, 1988	Australia	October 1, 2002

- More detailed information about these totalization agreements can be found at http://www.socialsecurity.gov/international/.

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