

Calendar No. 431

103^D CONGRESS
2^D SESSION

H. R. 4278

AN ACT

To make improvements in the old-age, survivors,
and disability insurance program under title II of
the Social Security Act.

May 19 (legislative day, May 16), 1994

Read twice and placed on the calendar

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IN THE SENATE OF THE UNITED STATES

MAY 16, 1994

Received

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AN ACT

To make improvements in the old-age, survivors, and disability insurance program under title II of the Social Security Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Social Security Act
5 Amendments of 1994”.

1 **SEC. 2. SIMPLIFICATION OF EMPLOYMENT TAXES ON**
2 **DOMESTIC SERVICES.**

3 (a) COORDINATION OF COLLECTION OF DOMESTIC
4 SERVICE EMPLOYMENT WITH COLLECTION OF INCOME
5 TAXES.—

6 (1) IN GENERAL.—Chapter 25 of the Internal
7 Revenue Code of 1986 (relating to general provi-
8 sions relating to employment taxes) is amended by
9 adding at the end thereof the following new section:

10 **“SEC. 3510. COORDINATION OF COLLECTION OF DOMESTIC**
11 **SERVICE EMPLOYMENT TAXES WITH COLLEC-**
12 **TION OF INCOME TAXES.**

13 “(a) GENERAL RULE.—Except as otherwise provided
14 in this section—

15 “(1) returns with respect to domestic service
16 employment taxes shall be made on a calendar year
17 basis,

18 “(2) any such return for any calendar year
19 shall be filed on or before the 15th day of the fourth
20 month following the close of the employer’s taxable
21 year which begins in such calendar year, and

22 “(3) no requirement to make deposits (or to
23 pay installments under section 6157) shall apply
24 with respect to such taxes.

25 “(b) DOMESTIC SERVICE EMPLOYMENT TAXES SUB-
26 JECT TO ESTIMATED TAX PROVISIONS.—

1 “(1) IN GENERAL.—Solely for purposes of sec-
2 tion 6654, domestic service employment taxes im-
3 posed with respect to any calendar year shall be
4 treated as a tax imposed by chapter 2 for the tax-
5 able year of the employer which begins in such cal-
6 endar year.

7 “(2) ANNUALIZATION.—Under regulations pre-
8 scribed by the Secretary, appropriate adjustments
9 shall be made in the application of section
10 6654(d)(2) in respect of the amount treated as tax
11 under paragraph (1).

12 “(3) TRANSITIONAL RULE.—For purposes of
13 applying section 6654 to a taxable year beginning in
14 1994, the amount referred to in clause (ii) of section
15 6654(d)(1)(B) shall be increased by 90 percent of
16 the amount treated as tax under paragraph (1) for
17 such taxable year.

18 “(c) DOMESTIC SERVICE EMPLOYMENT TAXES.—
19 For purposes of this section, the term ‘domestic service
20 employment taxes’ means—

21 “(1) any taxes imposed by chapter 21 or 23 on
22 remuneration paid for domestic service in a private
23 home of the employer, and

1 “(2) any amount withheld from such remunera-
2 tion pursuant to an agreement under section
3 3402(p).

4 For purposes of this subsection, the term ‘domestic service
5 in a private home of the employer’ does not include service
6 described in section 3121(g)(5).

7 “(d) EXCEPTION WHERE EMPLOYER LIABLE FOR
8 OTHER EMPLOYMENT TAXES.—To the extent provided in
9 regulations prescribed by the Secretary, this section shall
10 not apply to any employer for any calendar year if such
11 employer is liable for any tax under this subtitle with re-
12 spect to remuneration for services other than domestic
13 service in a private home of the employer.

14 “(e) GENERAL REGULATORY AUTHORITY.—The Sec-
15 retary shall prescribe such regulations as may be nec-
16 essary or appropriate to carry out the purposes of this
17 section. Such regulations may treat domestic service em-
18 ployment taxes as taxes imposed by chapter 1 for purposes
19 of coordinating the assessment and collection of such em-
20 ployment taxes with the assessment and collection of do-
21 mestic employers’ income taxes.

22 “(f) AUTHORITY TO ENTER INTO AGREEMENTS TO
23 COLLECT STATE UNEMPLOYMENT TAXES.—

24 “(1) IN GENERAL.—The Secretary is hereby
25 authorized to enter into an agreement with any

1 State to collect, as the agent of such State, such
2 State's unemployment taxes imposed on remunera-
3 tion paid for domestic service in a private home of
4 the employer. Any taxes to be collected by the Sec-
5 retary pursuant to such an agreement shall be treat-
6 ed as domestic service employment taxes for pur-
7 poses of this section.

8 “(2) TRANSFERS TO STATE ACCOUNT.—Any
9 amount collected under an agreement referred to in
10 paragraph (1) shall be transferred by the Secretary
11 to the account of the State in the Unemployment
12 Trust Fund.

13 “(3) SUBTITLE F MADE APPLICABLE.—For
14 purposes of subtitle F, any amount required to be
15 collected under an agreement under paragraph (1)
16 shall be treated as a tax imposed by chapter 23.

17 “(4) STATE.—For purposes of this subsection,
18 the term ‘State’ has the meaning given such term by
19 section 3306(j)(1).’.

20 (2) CLERICAL AMENDMENT.—The table of sec-
21 tions for chapter 25 of such Code is amended by
22 adding at the end thereof the following:

“Sec. 3510. Coordination of collection of domestic service employ-
ment taxes with collection of income taxes.”.

23 (3) EFFECTIVE DATE.—The amendments made
24 by this subsection shall apply to remuneration paid

1 in calendar years beginning after December 31,
2 1994.

3 (4) EXPANDED INFORMATION TO EMPLOY-
4 ERS.—The Secretary of the Treasury or his delegate
5 shall prepare and make available information on the
6 Federal tax obligations of employers with respect to
7 employees performing domestic service in a private
8 home of the employer. Such information shall also
9 include a statement that such employers may have
10 obligations with respect to such employees under
11 State laws relating to unemployment insurance and
12 workers compensation.

13 (b) THRESHOLD REQUIREMENT FOR SOCIAL SECU-
14 RITY TAXES.—

15 (1) AMENDMENTS OF INTERNAL REVENUE
16 CODE.—

17 (A) Subparagraph (B) of section
18 3121(a)(7) of the Internal Revenue Code of
19 1986 (defining wages) is amended to read as
20 follows:

21 “(B) cash remuneration paid by an em-
22 ployer in any calendar year to an employee for
23 domestic service in a private home of the em-
24 ployer (within the meaning of subsection (y)), if
25 the cash remuneration paid in such year by the

1 employer to the employee for such service is less
2 than the applicable dollar threshold (as defined
3 in subsection (y)) for such year;”.

4 (B) Section 3121 of such Code is amended
5 by adding at the end thereof the following new
6 subsection:

7 “(y) DOMESTIC SERVICE IN A PRIVATE HOME.—For
8 purposes of subsection (a)(7)(B)—

9 “(1) EXCLUSION FOR CERTAIN FARM SERV-
10 ICE.—The term ‘domestic service in a private home
11 of the employer’ does not include service described
12 in subsection (g)(5).

13 “(2) APPLICABLE DOLLAR THRESHOLD.—The
14 term ‘applicable dollar threshold’ means \$1,250. In
15 the case of calendar years after 1995, the Secretary
16 of Health and Human Services shall adjust such
17 \$1,250 amount at the same time and in the same
18 manner as under section 215(a)(1)(B)(ii) of the So-
19 cial Security Act with respect to the amounts re-
20 ferred to in section 215(a)(1)(B)(i) of such Act, ex-
21 cept that, for purposes of this paragraph, 1993 shall
22 be substituted for the calendar year referred to in
23 section 215(a)(1)(B)(ii)(II) of such Act. If the
24 amount determined under the preceding sentence is

1 not a multiple of \$50, such amount shall be rounded
2 to the nearest multiple of \$50.”.

3 (C) The second sentence of section 3102(a)
4 of such Code is amended—

5 (i) by striking “calendar quarter”
6 each place it appears and inserting “cal-
7 endar year”, and

8 (ii) by striking “\$50” and inserting
9 “the applicable dollar threshold (as defined
10 in section 3121(y)(2)) for such year”.

11 (2) AMENDMENT OF SOCIAL SECURITY ACT.—
12 Subparagraph (B) of section 209(a)(6) of the Social
13 Security Act (42 U.S.C. 409(a)(6)(B)) is amended
14 to read as follows:

15 “(B) Cash remuneration paid by an employer in
16 any calendar year to an employee for domestic serv-
17 ice in a private home of the employer, if the cash re-
18 muneration paid in such year by the employer to the
19 employee for such service is less than the applicable
20 dollar threshold (as defined in section 3121(y)(2) of
21 the Internal Revenue Code of 1986) for such year.
22 As used in this subparagraph, the term ‘domestic
23 service in a private home of the employer’ does not
24 include service described in section 210(f)(5).”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to remuneration paid
3 in calendar years beginning after December 31,
4 1994.

5 (4) RELIEF FROM LIABILITY FOR CERTAIN
6 UNDERPAYMENT AMOUNTS.—

7 (A) IN GENERAL.—On and after the date
8 of the enactment of this Act, an underpayment
9 to which this paragraph applies (and any pen-
10 alty, addition to tax, and interest with respect
11 to such underpayment) shall not be assessed
12 (or, if assessed, shall not be collected).

13 (B) UNDERPAYMENTS TO WHICH PARA-
14 GRAPH APPLIES.—This paragraph shall apply
15 to an underpayment to the extent of the
16 amount thereof which would not be an
17 underpayment if—

18 (i) the amendments made by para-
19 graph (1) had applied to calendar years
20 1993 and 1994, and

21 (ii)(I) the applicable dollar threshold
22 for calendar year 1993 were \$1,150, and

23 (II) the applicable dollar threshold for
24 calendar year 1994 were \$1,200.

1 **SEC. 3. ALLOCATIONS TO FEDERAL DISABILITY INSURANCE**

2 **TRUST FUND.**

3 (a) ALLOCATION WITH RESPECT TO WAGES.—Sec-
4 tion 201(b)(1) of the Social Security Act (42 U.S.C.
5 401(b)(1)) is amended by striking “(O) 1.20 per centum”
6 and all that follows through “December 31, 1999, and so
7 reported,” and inserting “(O) 1.20 per centum of the
8 wages (as so defined) paid after December 31, 1989, and
9 before January 1, 1994, and so reported, (P) 1.88 per
10 centum of the wages (as so defined) paid after December
11 31, 1993, and before January 1, 2000, and so reported,
12 and (Q) 1.80 per centum of the wages (as so defined) paid
13 after December 31, 1999, and so reported,”.

14 (b) ALLOCATION WITH RESPECT TO SELF-EMPLOY-
15 MENT INCOME.—Section 201(b)(2) of such Act (42 U.S.C.
16 401(b)(2)) is amended striking “(O) 1.20 per centum”
17 and all that follows through “December 31, 1999,” and
18 inserting “(O) 1.20 per centum of the amount of self-em-
19 ployment income (as so defined) so reported for any tax-
20 able year beginning after December 31, 1989, and before
21 January 1, 1994, (P) 1.88 per centum of the amount of
22 self-employment income (as so defined) so reported for
23 any taxable year beginning after December 31, 1993, and
24 before January 1, 2000, and (Q) 1.80 per centum of the
25 amount of self-employment income (as so defined) so re-

1 ported for any taxable year beginning after December 31,
2 1999,”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply with respect to wages paid after
5 December 31, 1993, and self-employment income for tax-
6 able years beginning after such date.

7 (d) STUDY ON RISING COSTS OF DISABILITY BENE-
8 FITS.—

9 (1) IN GENERAL.—As soon as practicable after
10 the date of the enactment of this Act, the Secretary
11 of Health and Human Services shall conduct a com-
12 prehensive study of the reasons for rising costs pay-
13 able from the Federal Disability Insurance Trust
14 Fund.

15 (2) MATTERS TO BE INCLUDED IN STUDY.—In
16 conducting the study under this subsection, the Sec-
17 retary shall—

18 (A) determine the relative importance of
19 the following factors in increasing the costs
20 payable from the Trust Fund:

21 (i) increased numbers of applications
22 for benefits;

23 (ii) higher rates of benefit allowances;
24 and

1 (iii) decreased rates of benefit termi-
2 nations; and

3 (B) identify, to the extent possible, under-
4 lying social, economic, demographic, pro-
5 grammatic, and other trends responsible for
6 changes in disability benefit applications, allow-
7 ances, and terminations.

8 (3) REPORT.—Not later than December 31,
9 1995, the Secretary shall transmit a report to the
10 Committee on Ways and Means of the House of
11 Representatives and the Committee on Finance of
12 the Senate setting forth the results of the study con-
13 ducted under this subsection, together with any rec-
14 ommendations for legislative changes which the
15 Secretary determines appropriate.

16 **SEC. 4. NONPAYMENT OF BENEFITS TO INCARCERATED IN-**
17 **DIVIDUALS AND INDIVIDUALS CONFINED IN**
18 **CRIMINAL CASES PURSUANT TO CONVICTION**
19 **OR BY COURT ORDER BASED ON FINDINGS**
20 **OF INSANITY.**

21 (a) IN GENERAL.—Section 202(x) of the Social Secu-
22 rity Act (42 U.S.C. 402(x)) is amended—

23 (1) in the heading, by inserting “and Certain
24 Other Inmates of Publicly Funded Institutions”
25 after “Prisoners”;

1 (2) in paragraph (1) by striking “during which
2 such individual” and inserting “during which such
3 individual—”, and by striking “is confined” and all
4 that follows and inserting the following:

5 “(A) is confined in a jail, prison, or other penal
6 institution or correctional facility pursuant to his
7 conviction of an offense punishable by imprisonment
8 for more than 1 year (regardless of the actual sen-
9 tence imposed), or

10 “(B) is confined by court order in an institution
11 at public expense in connection with—

12 “(i) a verdict that the individual is guilty
13 but insane, with respect to an offense punish-
14 able by imprisonment for more than 1 year,

15 “(ii) a verdict that the individual is not
16 guilty of such an offense by reason of insanity,

17 “(iii) a finding that such individual is in-
18 competent to stand trial under an allegation of
19 such an offense, or

20 “(iv) a similar verdict or finding with re-
21 spect to such an offense based on similar fac-
22 tors (such as a mental disease, a mental defect,
23 or mental incompetence),

24 and, for purposes of this subparagraph, an individ-
25 ual so confined shall be treated as remaining so con-

1 fined until he or she is unconditionally released from
2 the care and supervision of such institution and such
3 institution ceases to meet the individual's basic liv-
4 ing needs.”; and

5 (3) in paragraph (3), by striking “any individ-
6 ual” and all that follows and inserting “any individ-
7 ual who is confined as described in paragraph (1) if
8 the confinement is under the jurisdiction of such
9 agency and the Secretary requires such information
10 to carry out the provisions of this section.”.

11 (b) CONFORMING AMENDMENTS.—

12 (1) Section 226 of such Act (42 U.S.C. 426) is
13 amended by adding at the end the following new
14 subsection:

15 “(i) The requirements of subsections (a)(2) and
16 (b)(2) shall not be treated as met with respect to any indi-
17 vidual for any month if a monthly benefit to which such
18 individual is entitled under section 202 or 223 for such
19 month is not payable under section 202(x).”.

20 (2) Section 226A of such Act (42 U.S.C. 426–
21 1) is amended by adding at the end the following
22 new subsection:

23 “(d) The requirements of subsection (a)(1) shall not
24 be treated as met with respect to any individual for any
25 month if a monthly benefit to which such individual is en-

1 titled under section 202 or 223 for such month is not pay-
2 able under section 202(x).”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply with respect to benefits for months
5 commencing after 90 days after the date of the enactment
6 of this Act and with respect to items and services provided
7 after such 90-day period.

Passed the House of Representatives May 12, 1994.

Attest: DONNALD K. ANDERSON,
Clerk.