

104TH CONGRESS  
2D SESSION

# H. R. 2952

To amend the Internal Revenue Code of 1986 and title II of the Social Security Act to reduce social security taxes, to reduce old-age insurance benefits by a corresponding amount, and to provide for the establishment of individual social security retirement accounts funded by payroll deductions and employer contributions equal to the amount of the tax reduction.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 1, 1996

Mr. PORTER (for himself, Mr. SHAYS, Mr. CALVERT, Mr. MANZULLO, and Mr. PETRI) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Economic and Educational Opportunities, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 and title II of the Social Security Act to reduce social security taxes, to reduce old-age insurance benefits by a corresponding amount, and to provide for the establishment of individual social security retirement accounts funded by payroll deductions and employer contributions equal to the amount of the tax reduction.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Individual Social Secu-  
3 rity Retirement Account Act of 1995”.

4 **SEC. 2. REDUCTION OF SOCIAL SECURITY TAXES.**

5 (a) EMPLOYMENT TAXES.—

6 (1) TAX ON EMPLOYEES.—Subsection (a) of  
7 section 3101 of the Internal Revenue Code of 1986  
8 (relating to OASDI tax on employees) is amended by  
9 adding at the end, after and below the table, the fol-  
10 lowing new sentence:

11 “The rate of tax specified in the preceding table for any  
12 calendar year shall be reduced by the authorized tax re-  
13 duction for such calendar year determined under section  
14 3128.”

15 (2) TAX ON EMPLOYERS.—Subsection (a) of  
16 section 3111 of such Code (relating to OASDI tax  
17 on employers) is amended by adding at the end,  
18 after and below the table, the following new sen-  
19 tence:

20 “The rate of tax specified in the preceding table for any  
21 calendar year shall be reduced by the authorized tax re-  
22 duction for such calendar year determined under section  
23 3128.”

24 (3) AUTHORIZED TAX REDUCTION.—

25 (A) IN GENERAL.—Subchapter C of chap-  
26 ter 21 of such Code is amended—

1 (i) by redesignating section 3128 as  
2 section 3129; and

3 (ii) by inserting after section 3127 the  
4 following new section:

5 **“SEC. 3128. AUTHORIZED TAX REDUCTION.**

6 “(a) IN GENERAL.—Except as provided in subsection  
7 (b), for purposes of sections 3101(a) and 3111(a), the  
8 term ‘authorized tax reduction’ for any calendar year  
9 means 50 percent of the sum of—

10 “(1) the excess of—

11 “(A) the total unadjusted OASI tax rate  
12 for such calendar year (determined under sub-  
13 section (c)), over

14 “(B) the adjusted cost rate (determined  
15 under subsection (d)) for such calendar year,

16 plus

17 “(2) the value of the projected receipts for such  
18 calendar year of the Federal Old-Age and Survivors  
19 Insurance Trust Fund constituting amounts appro-  
20 priated to such Trust Fund equivalent to tax liabil-  
21 ities under chapter 1 of the Internal Revenue Code  
22 of 1986 attributable to the application of sections 86  
23 and 871(a)(3) of such Code to payments from such  
24 Trust Fund, expressed as a percentage of the sum  
25 of the projected total wages to be paid in such cal-

1       endar year and self-employment income to be de-  
2       rived in such calendar year.

3       “(b) DISREGARD OF DEMINIMIS REDUCTIONS.—In  
4 any case in which the authorized tax reduction (as defined  
5 in subsection (a)) for any calendar year does not exceed  
6 0.2 percent, such authorized tax reduction shall be deemed  
7 to be 0 percent.

8       “(c) TOTAL UNADJUSTED OASI TAX RATE.—

9               “(1) IN GENERAL.—Not later than November 1  
10 of each calendar year, the Commissioner of Social  
11 Security shall determine and publish in the Federal  
12 Register the total unadjusted OASI tax rate for the  
13 following calendar year. For purposes of this section,  
14 the term ‘total unadjusted OASI tax rate’ for a cal-  
15 endar year means the product derived by multiply-  
16 ing—

17                       “(A) the sum of the rates specified for  
18 such calendar year under sections 3101(a) and  
19 3111(a) (determined without regard to the last  
20 sentence thereof), by

21                       “(B) the OASI appropriation percentage  
22 for such calendar year,  
23 rounded, if not a multiple of 0.01 percent, to the  
24 nearest multiple of 0.01 percent.

1           “(2) OASI APPROPRIATION PERCENTAGE.—For  
2 purposes of this subsection, the term ‘OASI appro-  
3 priation percentage’ for any calendar year means the  
4 quotient (expressed as a percentage) derived by di-  
5 viding—

6           “(A) the total amount projected to be ap-  
7 propriated to the Federal Old-Age and Survi-  
8 vors Insurance Trust Fund under section  
9 201(a) of the Social Security Act for the fiscal  
10 year beginning October 1 preceding such cal-  
11 endar year, by

12           “(B) the total amount projected to be ap-  
13 propriated to such Trust Fund and the Federal  
14 Disability Insurance Trust Fund under section  
15 201 of such Act for such fiscal year,

16 rounded, if not a multiple of 1 percent, to the near-  
17 est multiple of 1 percent.

18           “(d) ADJUSTED COST RATE.—

19           “(1) IN GENERAL.—Not later than November 1  
20 of each calendar year, the Commissioner of Social  
21 Security shall determine and publish in the Federal  
22 Register the adjusted cost rate for the following cal-  
23 endar year. For purposes of this section, the term  
24 ‘adjusted cost rate’ for any calendar year means the

1 quotient (expressed as a percentage) derived by di-  
2 viding—

3 “(A) the adjusted projected OASI costs for  
4 such calendar year, by

5 “(B) the sum of the projected total wages  
6 to be paid in such calendar year and projected  
7 self-employment income to be derived in such  
8 calendar year.

9 “(2) DEFINITIONS.—For purposes of this sub-  
10 section—

11 “(A) ADJUSTED PROJECTED OASI  
12 COSTS.—The term ‘adjusted projected OASI  
13 costs’ for any calendar year means the sum  
14 of—

15 “(i) the projected amount of annual  
16 outlays from the Federal Old-Age and Sur-  
17 vivors Insurance Trust Fund for such cal-  
18 endar year, and

19 “(ii) the contingency reserve adjust-  
20 ment for such calendar year.

21 “(B) CONTINGENCY RESERVE ADJUST-  
22 MENT.—The term ‘contingency reserve adjust-  
23 ment’ for any calendar year means the excess  
24 of—

1           “(i) 150 percent of the projected an-  
2           nual outlays from the Federal Old-Age and  
3           Survivors Insurance Trust Fund for such  
4           calendar year, determined as of January 1  
5           of such year, over

6           “(ii) the projected Trust Fund contin-  
7           gency reserve percentage, determined as of  
8           such date, of such projected annual out-  
9           lays.

10           “(C) TRUST FUND CONTINGENCY RESERVE  
11           PERCENTAGE.—The term ‘Trust Fund contin-  
12           gency reserve percentage’ as of any date means  
13           the quotient (expressed as a percentage) derived  
14           by dividing—

15           “(i) the balance of the Federal Old-  
16           Age and Survivors Insurance Trust Fund  
17           as of such date, by

18           “(ii) the projected annual outlays  
19           from the Trust Fund for the year com-  
20           mencing on such date,

21           rounded, if not a multiple of 1 percent, to the  
22           nearest multiple of 1 percent.”

23           “(B) CLERICAL AMENDMENT.—The table of  
24           sections for subchapter C of chapter 21 of such  
25           Code is amended by striking the item relating

1 to section 3128 and inserting the following new  
2 items:

“Sec. 3128. Authorized tax reduction.  
“Sec. 3129. Short title.”

3 (b) SELF-EMPLOYMENT TAXES.—

4 (1) IN GENERAL.—Subsection (a) of section  
5 1401 of such Code (relating to OASDI tax on self-  
6 employment income) is amended by adding at the  
7 end, after and below the table, the following new  
8 sentence:

9 “The rate of tax specified in the preceding table for any  
10 taxable year shall be reduced by the authorized tax reduc-  
11 tion, determined under section 1403, for the calendar year  
12 in which such taxable year commences.”

13 (2) AUTHORIZED TAX REDUCTION.—

14 (A) IN GENERAL.—Chapter 2 of such Code  
15 is amended—

16 (i) by redesignating section 1403 as  
17 section 1404; and

18 (ii) by inserting after section 1402 the  
19 following new section:

20 **“SEC. 1403. AUTHORIZED TAX REDUCTION.**

21 “(a) IN GENERAL.—Except as provided in subsection  
22 (b), for purposes of sections 1401(a), the term ‘authorized  
23 tax reduction’ for any calendar year means the sum of—

24 “(1) the excess of—

1           “(A) the total unadjusted OASI tax rate  
2           for such calendar year (determined under sec-  
3           tion 3128(c)), over

4           “(B) the adjusted cost rate for such cal-  
5           endar year (determined under section 3128(d)),  
6           plus

7           “(2) the value of the projected receipts for such  
8           calendar year of the Federal Old-Age and Survivors  
9           Insurance Trust Fund constituting amounts appro-  
10          priated to such Trust Fund equivalent to tax liabil-  
11          ities under chapter 1 of the Internal Revenue Code  
12          of 1986 attributable to the application of sections 86  
13          and 871(a)(3) of such Code to payments from such  
14          Trust Fund, expressed as a percentage of the sum  
15          of the projected total wages to be paid in such cal-  
16          endar year and the projected self-employment in-  
17          come to be derived in such calendar year.

18          “(b) DISREGARD OF DEMINIMIS REDUCTIONS.—In  
19          any case in which the authorized tax reduction (as defined  
20          in subsection (a)) for any year does not exceed 0.4 per-  
21          cent, such authorized tax reduction shall be deemed to be  
22          0 percent.”

23                        (B) CLERICAL AMENDMENT.—The table of  
24                        sections for chapter 2 of such Code is amended

1 by striking the item relating to section 1403  
2 and inserting the following new items:

“Sec. 1403. Authorized tax reduction.

“Sec. 1404. Miscellaneous provisions.”

3 (b) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply with respect to remuneration paid  
5 after December 31, 1996, and with respect to earnings  
6 from self-employment attributable to taxable years begin-  
7 ning after such date.

8 **SEC. 3. CORRESPONDING ADJUSTMENT TO OLD-AGE IN-**  
9 **SURANCE BENEFITS.**

10 (a) **IN GENERAL.**—Section 202(a) of the Social Secu-  
11 rity Act (42 U.S.C. 202(a)) is amended—

12 (1) by redesignating subparagraphs (A) and  
13 (B) as clauses (i) and (ii), respectively;

14 (2) by redesignating paragraphs (1), (2), and  
15 (3) as subparagraphs (A), (B), and (C), respectively;

16 (3) in clause (i) (as redesignated), by striking  
17 “paragraphs (1), (2), and (3)” and inserting “sub-  
18 paragraphs (A), (B), and (C)”;

19 (4) in clause (ii) (as redesignated), by striking  
20 “paragraphs (1) and (2)” and inserting “subpara-  
21 graphs (A) and (B)”, and by striking “paragraph  
22 (3)” and inserting “subparagraph (C)”;

23 (5) by striking “(a) Every” and inserting  
24 “(a)(1) Every”;

1           (6) in the matter following clause (ii) (as reded-  
2           ignated), by striking “subsection (q) and subsection  
3           (w)” and inserting “paragraph (2) and subsections  
4           (q) and (w)”;

5           (7) by adding at the end the following new  
6           paragraph:

7           “(2)(A) An individual’s monthly benefit determined  
8           under paragraph (1) shall be reduced by the authorized  
9           benefit reduction for such individual. The reduction in an  
10          individual’s benefit under this paragraph shall be applied  
11          after any reduction or deduction otherwise applicable  
12          under this title to benefits based on such individual’s  
13          wages and self-employment income.

14          “(B) For purposes of this paragraph, the term ‘au-  
15          thorized benefit reduction’ for an individual means one-  
16          twelfth of an annuity, stated as an annual amount—

17                 “(i) which has the actuarial present value (de-  
18                 termined as of January 1 of the calendar year in  
19                 which such individual attains retirement age (as de-  
20                 fined in section 216(l)) of the aggregate of all reduc-  
21                 tions in taxes under the last sentence of sections  
22                 1401(a), 3101(a), and 3111(a) of the Internal Reve-  
23                 nue Code of 1986 (including reductions in taxes  
24                 under sections 3201(a) and 3221(a) of such Code)  
25                 with respect to such individual’s wages (including

1 compensation referred to in such sections 3201(a)  
2 and 3221(a)) paid, and self-employment income de-  
3 rived, prior to such month, rounded, if not a mul-  
4 tiple of \$1, to the nearest multiple of \$1,

5 “(ii) which shall be increased by the Commis-  
6 sioner in accordance with subparagraph (C), and

7 “(iii) which shall be adjusted by the Commis-  
8 sioner annually for increases in the cost of living, in  
9 accordance with regulations prescribed by the Com-  
10 missioner providing for adjustment procedures simi-  
11 lar to the procedures used to adjust benefit amounts  
12 under section 215(i)(2)(A).

13 “(C) With respect to all individuals who attain age  
14 62 in any calendar year and who become entitled to old-  
15 age insurance benefits in or after such year, the Commis-  
16 sioner of Social Security may increase the authorized ben-  
17 efit reductions for such individuals under subparagraph  
18 (B) to the extent necessary to compensate appropriately  
19 for the value of amounts credited to the individual social  
20 security retirement accounts of individuals who would have  
21 attained age 62 in such calendar year but died before at-  
22 taining such age. Any authorized benefit reduction so ad-  
23 justed which is not a multiple of \$1 shall be rounded to  
24 the nearest multiple of \$1.

1       “(D) In deriving the authorized benefit reduction  
2 under this paragraph, the Commissioner of Social Security  
3 shall utilize generally accepted actuarial assumptions  
4 which shall be prescribed in regulations of the Commis-  
5 sioner, except that—

6               “(i) determinations shall be made on a gender-  
7 neutral basis,

8               “(ii) for purposes of determining the actuarial  
9 present value referred to in subparagraph (B)(i), the  
10 Commissioner shall assume, for the cohort of old-age  
11 insurance beneficiaries born during each calendar  
12 year, a discount rate equal to the implicit rate of re-  
13 turn for all individuals in such cohort which would  
14 be represented by their old-age insurance benefits if  
15 reductions under this paragraph were not applied,  
16 determined solely on the basis of total unadjusted  
17 OASI tax rates (as defined in section 3128(c)(1) of  
18 the Internal Revenue Code of 1986) in effect from  
19 year to year, and

20               “(iii) interest with respect to the annuity shall  
21 be computed for any month at the rate used for  
22 such month under section 201(d), adjusted for pro-  
23 jected inflation.”.

1 (b) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply with respect to months after De-  
 3 cember 1996.

4 **SEC. 4. INDIVIDUAL SOCIAL SECURITY RETIREMENT AC-**  
 5 **COUNTS FUNDED BY SOCIAL SECURITY PAY-**  
 6 **ROLL DEDUCTION PLANS.**

7 (a) IN GENERAL.—Title II of the Social Security Act  
 8 is amended—

9 (1) by inserting before section 201 the follow-  
 10 ing:

11 “PART A—INSURANCE BENEFITS”;

12 and

13 (2) by adding at the end the following new part:

14 “PART B—INDIVIDUAL RETIREMENT PROGRAM

15 “SOCIAL SECURITY PAYROLL DEDUCTION PLANS

16 “SEC. 251. (a) IN GENERAL.—Each person who is  
 17 a covered employer for any calendar year shall have in  
 18 effect throughout such calendar year a social security pay-  
 19 roll deduction plan for such person’s eligible employees.

20 “(b) REQUIREMENTS.—For purposes of this part, the  
 21 term ‘social security payroll deduction plan’ means a writ-  
 22 ten plan of a covered employer if—

23 “(1) under such plan, the prescribed social se-  
 24 curity employee contribution is deducted from each  
 25 eligible employee’s wages and paid to an individual

1 social security retirement account of such employee  
2 designated in accordance with section 252,

3 “(2) under such plan, the covered employer  
4 pays the amount so deducted to the designated indi-  
5 vidual social security retirement account within 10  
6 business days after the payment of the wages from  
7 which the amount was deducted,

8 “(3) under such plan, the covered employer  
9 pays to the individual social security retirement ac-  
10 count, together with the contribution paid pursuant  
11 to paragraph (2), the prescribed social security em-  
12 ployer contribution with respect to the eligible em-  
13 ployee, and

14 “(4) the employer receives no compensation for  
15 the cost of administering such plan.

16 “(c) AMOUNT DEDUCTED MAY BE ACCUMULATED  
17 BY EMPLOYER IN CERTAIN CASES.—If, under the terms  
18 of an individual social security retirement account selected  
19 under section 252, contributions below a specified amount  
20 will not be accepted, the requirements of subsection (b)(2)  
21 shall be treated as met if amounts deducted from the  
22 wages of an eligible employee are accumulated by the cov-  
23 ered employer and paid to such plan not later than 10  
24 business days after the first day on which the accumulated  
25 amount exceeds such specified amount.



## 1                   “SELF-EMPLOYED INDIVIDUALS

2           “SEC. 253. (a) IN GENERAL.—Not later than 30  
3 days after the close of any taxable year for which there  
4 is imposed a tax under section 1401(a) of the Internal  
5 Revenue Code of 1986 on the self-employment income of  
6 an individual, such individual shall pay to an individual  
7 social security retirement account designated by such indi-  
8 vidual the prescribed social security self-employment con-  
9 tribution with respect to such individual for such taxable  
10 year.

11          “(b) DESIGNATION OF ACCOUNT.—The designation  
12 of an individual social security retirement account for pay-  
13 ment of prescribed social security self-employment con-  
14 tributions shall be made in such form and manner as may  
15 be prescribed in regulations of the Commissioner of Social  
16 Security.

## 17                   “DEFINITIONS

18          “SEC. 254. For purposes of this part—

19           “(1) INDIVIDUAL SOCIAL SECURITY RETIRE-  
20          MENT ACCOUNT.—The term ‘individual social secu-  
21          rity retirement account’ means any individual retire-  
22          ment account (as defined in section 408(a) of the  
23          Internal Revenue Code of 1986) which is adminis-  
24          tered or issued by a bank (as defined in section  
25          408(n) of such Code) and which meets the require-  
26          ments of section 408A of such Code.

1           “(2) COVERED EMPLOYER.—The term ‘covered  
2 employer’ means, for any calendar year, any person  
3 on whom an excise tax is imposed under section  
4 3111 or 3221 of the Internal Revenue Code of 1986  
5 with respect to having an individual in his employ to  
6 whom wages were paid by such person during such  
7 calendar year.

8           “(3) ELIGIBLE EMPLOYEE.—THE TERM ‘ELIGI-  
9 BLE EMPLOYEE’ MEANS, IN CONNECTION WITH ANY  
10 PERSON WHO IS A COVERED EMPLOYER FOR ANY  
11 CALENDAR YEAR, ANY INDIVIDUAL WITH RESPECT  
12 TO WHOSE EMPLOYMENT BY SUCH EMPLOYER DUR-  
13 ING SUCH CALENDAR YEAR THERE IS IMPOSED AN  
14 EXCISE TAX UNDER SECTION 3111 OR 3221 OF THE  
15 INTERNAL REVENUE CODE OF 1986.

16           “(4) PRESCRIBED SOCIAL SECURITY EMPLOYEE  
17 CONTRIBUTION.—The term ‘prescribed social secu-  
18 rity employee contribution’ means, with respect to  
19 any eligible employee of a covered employer, an  
20 amount equal to the product derived by multiply-  
21 ing—

22                   “(A) the wages received by such employee  
23 with respect to employment by such employer,  
24 by

1           “(B) the rate of the authorized tax reduc-  
2           tion specified in section 3128(a) of the Internal  
3           Revenue Code of 1986,  
4           rounded, if not a multiple of \$1, to the nearest mul-  
5           tiple of \$1.

6           “(5) PRESCRIBED SOCIAL SECURITY EMPLOYER  
7           CONTRIBUTION.—The term ‘prescribed social secu-  
8           rity employer contribution’ means, with respect to a  
9           covered employer of any eligible employee, an  
10          amount equal to the product derived by multiply-  
11          ing—

12           “(A) the wages paid by such employer to  
13           such employee with respect to employment of  
14           such employee, by

15           “(B) the rate of the authorized tax reduc-  
16           tion specified in section 3128(a) of the Internal  
17           Revenue Code of 1986,  
18           rounded, if not a multiple of \$1, to the nearest mul-  
19           tiple of \$1.

20           “(6) PRESCRIBED SOCIAL SECURITY SELF-  
21           EMPLOYMENT CONTRIBUTION.—The term ‘pre-  
22           scribed social security self-employment contribution’  
23           means, with respect to the self-employment income  
24           of an individual for any taxable year, an amount  
25           equal to the product derived by multiplying—



1 employee required under an applicable social security pay-  
2 roll deduction plan shall be subject to a civil penalty of  
3 not to exceed \$50 for each such failure.

4 “(c) FAILURE TO PAY DEDUCTED WAGES TO INDI-  
5 VIDUAL SOCIAL SECURITY RETIREMENT ACCOUNT.—If  
6 an amount deducted from the wages of an eligible em-  
7 ployee under a social security payroll deduction plan is not  
8 timely paid in full to the designated individual social secu-  
9 rity retirement account in accordance with section 251—

10 “(1) the covered employer failing to make such  
11 payment shall be subject to a civil penalty of not to  
12 exceed 20 percent of the unpaid amount, and

13 “(2) shall be liable to the eligible employee for  
14 interest on the unpaid amount at a rate equal to  
15 133 percent of the Federal short-term rate under  
16 section 1274(d)(1) of the Internal Revenue Code of  
17 1986, calculated from the last day by which such  
18 amount was required to be so paid to the date on  
19 which such amount is paid into the designated indi-  
20 vidual social security retirement account.

21 “(d) FAILURE TO PAY PRESCRIBED SOCIAL SECU-  
22 RITY SELF-EMPLOYMENT CONTRIBUTIONS TO INDIVID-  
23 UAL SOCIAL SECURITY RETIREMENT ACCOUNT.—Any in-  
24 dividual failing to timely pay in full a prescribed social  
25 security self-employment contribution to a designated indi-

1 vidual social security retirement account as required under  
2 section 253 shall be subject to a civil penalty of not to  
3 exceed 20 percent of the unpaid amount, plus interest on  
4 the unpaid amount at a rate equal to 133 percent of the  
5 Federal short-term rate under section 1274(d)(1) of the  
6 Internal Revenue Code of 1986, calculated from the last  
7 day by which such amount was required to be so paid to  
8 the date on which such amount is paid into the designated  
9 individual social security retirement account.

10 “(e) RULES FOR APPLICATION OF SECTION.—

11 “(1) PENALTIES ASSESSED BY COMMISSIONER  
12 OF SOCIAL SECURITY.—Any civil penalty assessed by  
13 this section shall be imposed by the Commissioner of  
14 Social Security and collected in a civil action.

15 “(2) COMPROMISES.—The Commissioner may  
16 compromise the amount of any civil penalty imposed  
17 by this section.

18 “(3) AUTHORITY TO WAIVE PENALTY IN CER-  
19 TAIN CASES.—The Commissioner may waive the ap-  
20 plication of this section with respect to any failure  
21 if the Commissioner determines that such failure is  
22 due to reasonable cause and not to intentional dis-  
23 regard of rules and regulations.”.

24 (b) AMOUNTS DEDUCTED TO BE SHOWN ON W-2  
25 STATEMENTS.—Subsection (a) of section 6051 of the In-

1 ternal Revenue Code of 1986 (relating to receipts for em-  
2 ployees) is amended—

3 (1) by striking “and” at the end of paragraph  
4 (8),

5 (2) by striking the period at the end of para-  
6 graph (9) and inserting “, and”, and

7 (3) by inserting after paragraph (9) the follow-  
8 ing new paragraph:

9 “(10) the total amount deducted from the em-  
10 ployee’s wages under a social security payroll deduc-  
11 tion plan established under part B of title II of the  
12 Social Security Act.”

13 (c) EXEMPTION FROM ERISA REQUIREMENTS.—  
14 Subsection (b) of section 4 of the Employee Retirement  
15 Income Security Act of 1974 (29 U.S.C. 1003(b)) is  
16 amended—

17 (1) by striking “or” at the end of paragraph  
18 (4);

19 (2) by striking the period at the end of para-  
20 graph (5) and inserting “; or”; and

21 (3) by adding at the end the following new  
22 paragraph:

23 “(6) such plan is a social security payroll de-  
24 duction plan established under part B of title II of  
25 the Social Security Act.”.

1 (d) EFFECTIVE DATE.—

2 (1) IN GENERAL.—The amendments made by  
3 subsection (a) shall apply with respect to wages paid  
4 in calendar years beginning on or after January 1,  
5 1997.

6 (2) TRANSITIONAL RULE.—Notwithstanding  
7 section 252(a) of the Social Security Act (as added  
8 by this Act), the initial designations of individual so-  
9 cial security retirement accounts with respect to eli-  
10 gible employees employed by covered employers as of  
11 January 1, 1997, pursuant to such section may be  
12 made at any time not later than January 15, 1997.

13 **SEC. 5. TAX TREATMENT OF INDIVIDUAL SOCIAL SECURITY**  
14 **RETIREMENT ACCOUNTS.**

15 (a) IN GENERAL.—Subpart A of part I of subchapter  
16 D of chapter 1 of the Internal Revenue Code of 1986 (re-  
17 lating to pension, profit-sharing, stock bonus plans, etc.)  
18 is amended by inserting after section 408 the following  
19 new section:

20 **“SEC. 408A. INDIVIDUAL SOCIAL SECURITY RETIREMENT**  
21 **ACCOUNTS.**

22 “(a) GENERAL RULE.—Except as provided in this  
23 section, an individual social security retirement account  
24 shall be treated for purposes of this title in the same man-  
25 ner as an individual retirement plan.

1       “(b) INDIVIDUAL SOCIAL SECURITY RETIREMENT  
2 ACCOUNT.—For purposes of this section, the term ‘indi-  
3 vidual social security retirement account’ means an ac-  
4 count established and administered in accordance with  
5 part B of title II of the Social Security Act (relating to  
6 individual retirement program).

7       “(c) CONTRIBUTION RULES.—

8               “(1) NO DEDUCTION ALLOWED.—No deduction  
9 shall be allowed under section 219 for a contribution  
10 to an individual social security retirement account.

11              “(2) CONTRIBUTION LIMIT.—No amount, other  
12 than a prescribed contribution under part B of title  
13 II of the Social Security Act, may be accepted as a  
14 contribution to an individual social security retire-  
15 ment account.

16       “(d) TREATMENT OF ROLLOVERS.—Section  
17 408(d)(3)(A)(i) shall apply to any amount distributed  
18 from an individual social security retirement account only  
19 to the extent such amount is paid into another such ac-  
20 count for the benefit of the individual for whom the ac-  
21 count from which such amount is transferred was main-  
22 tained.”

23       (b) CLERICAL AMENDMENT.—The table of sections  
24 for such subpart A is amended by inserting after the item  
25 relating to section 408 the following new item:

“Sec. 408A. Individual social security retirement accounts.”

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1996.

4 **SEC. 6. SUNSET OF PROVISIONS UPON EQUALIZATION OF**  
5 **RECEIPTS AND DISBURSEMENTS OF THE**  
6 **TRUST FUND.**

7 In any case in which the authorized tax reduction (as  
8 defined in section 3128 of the Internal Revenue Code of  
9 1986, as amended by this Act) for any year is (or is  
10 deemed to be) 0 percent for each calendar year of any  
11 period of 3 consecutive calendar years commencing on or  
12 after January 1, 1997—

13 (1) sections 2 and 3 and the amendments made  
14 thereby shall cease to be effective with respect to re-  
15 munerations paid after such period and with respect  
16 to earnings from self-employment attributable to  
17 taxable years beginning after such period,

18 (2) effective with respect to such remuneration  
19 and such earnings, the provisions amended by sec-  
20 tions 2 and 3 shall read as if the amendments made  
21 by this section had not been enacted, and

22 (3) section 251, subsections (a) and (b) of sec-  
23 tion 252, and section 253 of the Social Security Act  
24 (added by this Act) shall cease to be effective with  
25 respect to wages paid for services rendered after

- 1 such period, and self-employment income derived
- 2 after such period.

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