

105TH CONGRESS
2D SESSION

H. R. 4379

To amend the Internal Revenue Code of 1986 to use 33 $\frac{1}{3}$ percent of any Federal budget surplus in the general fund to rebate taxpayers based on their payroll taxes and to provide that the remainder of the surplus shall be used to increase discretionary nondefense spending and to reduce the outstanding public debt.

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 1998

Mr. SCHUMER introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Budget, 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

A BILL

To amend the Internal Revenue Code of 1986 to use 33 $\frac{1}{3}$ percent of any Federal budget surplus in the general fund to rebate taxpayers based on their payroll taxes and to provide that the remainder of the surplus shall be used to increase discretionary nondefense spending and to reduce the outstanding public debt.

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 “Budget Surplus Divi-
3 dend Act of 1998”.

4 **SEC. 2. 33 $\frac{1}{3}$ PERCENT OF FEDERAL BUDGET SURPLUS TO**
5 **REIMBURSE EMPLOYERS AND EMPLOYEES**
6 **FOR A PORTION OF THEIR SOCIAL SECURITY**
7 **TAXES.**

8 (a) IN GENERAL.—Subpart C of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of
10 1986 (relating to refundable credits) is amended by redес-
11 ignating section 35 as section 36 and by inserting after
12 section 34 the following new section:

13 **“SEC. 35. CREDIT FOR PORTION OF SOCIAL SECURITY**
14 **TAXES.**

15 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
16 able year to which this section applies, there shall be al-
17 lowed as a credit against the tax imposed by this subtitle
18 for the taxable year an amount equal to the applicable per-
19 centage of the taxpayer’s social security taxes for the tax-
20 able year.

21 “(b) TAXABLE YEARS TO WHICH SECTION AP-
22 PLIES.—

23 “(1) IN GENERAL.—Except as provided by
24 paragraph (2), this section shall apply to any taxable
25 year beginning in the first calendar year beginning
26 after a fiscal year if there is a Federal budget sur-

1 plus for such fiscal year of more than
2 \$1,000,000,000.

3 “(2) SOCIAL SECURITY TRUST FUNDS RE-
4 QUIRED TO BE SOLVENT BEFORE CREDIT AL-
5 LOWED.—This section shall not apply to any taxable
6 year beginning before the date on which the Board
7 of Trustees of the Federal Old Age and Survivors
8 Insurance Trust Fund and the Federal Disability
9 Insurance Trust Fund makes the solvency deter-
10 mination described in section 5 of the Budget Sur-
11 plus Dividend Act of 1998.

12 “(c) APPLICABLE PERCENTAGE.—For purposes of
13 this section—

14 “(1) IN GENERAL.—The term ‘applicable per-
15 centage’ means—

16 “(A) the base percentage with respect to so
17 much of the taxpayer’s social security taxes as
18 does not exceed \$3,000, and

19 “(B) the phasedown percentage with re-
20 spect to so much of the taxpayer’s social secu-
21 rity taxes as exceeds \$3,000.

22 “(2) BASE PERCENTAGE.—The term ‘base per-
23 centage’ means, for taxable years beginning in a cal-
24 endar year, the percentage which the Secretary esti-
25 mates will result in a reduction of revenues to the

1 Treasury by reason of this section for such taxable
2 year equal to $33\frac{1}{3}$ percent of the Federal budget
3 surplus for the most recent fiscal year ending before
4 such calendar year. Proper adjustments shall be
5 made in the percentage determined under the pre-
6 ceding sentence with respect to any subsequent fiscal
7 year to the extent that prior estimates were in ex-
8 cess of or less than the proper percentage.

9 “(3) PHASEDOWN PERCENTAGE.—The term
10 ‘phasedown percentage’ means the base percentage
11 reduced (but not below zero) by the number of per-
12 centage points which bears the same ratio to the
13 base percentage as—

14 “(A) the excess of the taxpayer’s social se-
15 curity taxes over \$3,000 bears to

16 “(B) the excess of the maximum social se-
17 curity taxes over \$3,000.

18 “(4) MAXIMUM SOCIAL SECURITY TAXES.—The
19 term ‘maximum social security taxes’ means the
20 amount which would be the social security taxes of
21 the taxpayer if the amount on which such taxes are
22 determined were equal to the maximum amount of
23 remuneration which may be taken into account
24 under section 3101(a).

25 “(5) SPECIAL RULES.—

1 “(A) DOLLAR LIMITATIONS ON PER EM-
2 PLOYEE BASIS.—The dollar limitations in para-
3 graphs (1) and (3) shall be applied on a per
4 employee basis.

5 “(B) SELF-EMPLOYED INDIVIDUALS.—
6 Paragraphs (1) and (3) shall be applied by sub-
7 stituting ‘\$6,000’ for ‘\$3,000’ each place it ap-
8 pears in the case of the taxes referred to in
9 subparagraph (C) or (D) of subsection (d)(1).

10 “(d) SOCIAL SECURITY TAXES.—For purposes of this
11 section—

12 “(1) IN GENERAL.—The term ‘social security
13 taxes’ means, with respect to any taxpayer for any
14 taxable year—

15 “(A) the taxes imposed by sections 3101
16 and 3201(a) (relating to taxes on employees) on
17 amounts received by the taxpayer during the
18 calendar year in which the taxable year begins,

19 “(B) the taxes imposed by sections 3111
20 and 3221(a) (relating to taxes on employers) on
21 amounts paid by the taxpayer during the cal-
22 endar year in which the taxable year begins,

23 “(C) the taxes imposed by section 1401 on
24 the self-employment income of the taxpayer for
25 the taxable year, and

1 “(D) the taxes imposed by section
2 3211(a)(1) on amounts received by the taxpayer
3 during the calendar year in which the taxable
4 year begins.

5 “(2) COORDINATION WITH SPECIAL REFUND OF
6 SOCIAL SECURITY TAXES.—The term ‘social security
7 taxes’ shall not include any taxes to the extent the
8 taxpayer is entitled to a special refund of such taxes
9 under section 6413(c).

10 “(3) SPECIAL RULE.—Any amounts paid pursu-
11 ant to an agreement under section 3121(l) (relating
12 to agreements entered into by American employers
13 with respect to foreign affiliates) which are equiva-
14 lent to the taxes referred to in paragraph (1)(A)
15 shall be treated as taxes referred to in such para-
16 graph.”

17 (b) CLERICAL AMENDMENT.—The table of sections
18 for subpart C of part IV of subchapter A of chapter 1
19 of such Code is amended by striking the item relating to
20 section 35 and inserting the following:

“Sec. 35. Credit for portion of social security taxes.

“Sec. 36. Overpayments of tax.”

1 **SEC. 3. APPROPRIATION TO USE 33 $\frac{1}{3}$ PERCENT OF FED-**
2 **ERAL BUDGET SURPLUS TO REDUCE OUT-**
3 **STANDING PUBLIC DEBT.**

4 There is hereby appropriated for the first fiscal year
5 following each fiscal year (beginning after this Act takes
6 effect) for which there is a Federal budget surplus an
7 amount equal to 33 $\frac{1}{3}$ percent of such surplus for purpose
8 of paying at maturity, or to redeem or buy before matu-
9 rity, obligations of the Government included in the public
10 debt. An obligation of the Government that is paid, re-
11 deemed, or bought with funds appropriated by the preced-
12 ing sentence shall be canceled and retired and may not
13 be reissued.

14 **SEC. 4. USE 33 $\frac{1}{3}$ PERCENT OF FEDERAL BUDGET SURPLUS**
15 **TO INCREASE NONDEFENSE DISCRETIONARY**
16 **SPENDING LIMITS.**

17 For the first fiscal year following each fiscal year (be-
18 ginning after this Act takes effect) for which there is a
19 Federal budget surplus, the Director of the Office of Man-
20 agement and Budget shall increase (on a pro rata basis
21 between the applicable nondefense categories for that fis-
22 cal year) the discretionary spending limit for new budget
23 authority under section 251(c) of the Balanced Budget
24 and Emergency Deficit Control Act of 1985 by an amount
25 equal to 33 $\frac{1}{3}$ percent of such surplus and shall adjust

1 the outlays flowing from that budget authority accord-
2 ingly.

3 **SEC. 5. EFFECTIVE DATE BASED ON SOLVENCY OF SOCIAL**
4 **SECURITY TRUST FUNDS.**

5 This Act and the amendments made by this Act shall
6 take effect on the date on which the Board of Trustees
7 of the Federal Old Age and Survivors Insurance Trust
8 Fund and the Federal Disability Insurance Trust Fund
9 determines (using intermediate assumptions) that both
10 the Federal Old Age and Survivors Insurance Trust Fund
11 and the Federal Disability Insurance Trust Fund are in
12 close actuarial balance through the year 2070. Such deter-
13 mination shall be included in the first annual report of
14 such Board made after such determination is made.

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