

112TH CONGRESS  
1ST SESSION

# H. R. 2109

To provide for each American the opportunity to provide for his or her retirement through a S.A.F.E. account, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 3, 2011

Mr. SESSIONS (for himself, Mrs. BLACKBURN, Mr. BURTON of Indiana, Mr. TERRY, Mr. SMITH of Texas, Mr. NEUGEBAUER, and Mr. HENSARLING) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Oversight and Government Reform, 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 provide for each American the opportunity to provide for his or her retirement through a S.A.F.E. account, and for other purposes.

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 AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Savings Account for Every American Act of 2011”.

6 (b) TABLE OF CONTENTS.—The table of contents is  
7 as follows:

Sec. 1. Short title and table of contents.

TITLE I—PERSONAL RETIREMENT PROGRAM

- Sec. 101. Definitions.  
 Sec. 102. S.A.F.E. account payroll deduction programs.  
 Sec. 103. Designation of S.A.F.E. accounts.  
 Sec. 104. Self-employed individuals.  
 Sec. 105. Elective participation.  
 Sec. 106. Penalties.  
 Sec. 107. Federal civilian and military personnel.

TITLE II—TAX-EXEMPT S.A.F.E. ACCOUNTS

- Sec. 201. S.A.F.E. accounts.  
 Sec. 202. Effective date.

TITLE III—CONFORMING AMENDMENTS TO THE SOCIAL SECURITY ACT AND THE INTERNAL REVENUE CODE OF 1986

- Sec. 301. Reductions in and exemptions from FICA taxes and SECA taxes with respect to eligible individuals.  
 Sec. 302. Exclusion of eligible individuals from old-age, survivors, and disability insurance coverage.  
 Sec. 303. Information provided in social security account statements.

1                                   **TITLE I—PERSONAL**  
 2                                   **RETIREMENT PROGRAM**

3 **SEC. 101. DEFINITIONS.**

4           For purposes of this title—

5                   (1) ACCOUNT HOLDER.—The term “account  
 6           holder” means, with respect to any S.A.F.E. ac-  
 7           count, the individual for whose benefit such account  
 8           is maintained.

9                   (2) BUSINESS DAY.—The term “business day”  
 10           means any day other than a Saturday, Sunday, or  
 11           legal holiday in the area involved.

12                   (3) COVERED EMPLOYER.—The term “covered  
 13           employer” means, for any calendar year, a person

1 for whom an eligible individual is engaged in em-  
2 ployment during the year.

3 (4) ELIGIBLE INDIVIDUAL.—The term “eligible  
4 individual” means any individual with respect to  
5 whom there is in effect an election under section  
6 105(a).

7 (5) EMPLOYMENT.—The term “employment”  
8 has the meaning provided in section 210 of the So-  
9 cial Security Act.

10 (6) PRESCRIBED EMPLOYEE CONTRIBUTION.—  
11 The term “prescribed employee contribution” means,  
12 with respect to any eligible individual who is en-  
13 gaged in employment for a covered employer during  
14 any calendar year, an amount equal to 6.2 percent  
15 of the wages received by such employee with respect  
16 to such employment. The Commissioner of Social  
17 Security shall provide by regulation for exclusion of  
18 remuneration paid to any employee during any cal-  
19 endar year from the total amount of remuneration  
20 treated under this paragraph as “wages” paid to  
21 such employee during such calendar year to the ex-  
22 tent that such total amount exceeds the contribution  
23 and benefit base for such calendar year under sec-  
24 tion 230 of the Social Security Act.

1           (7) PRESCRIBED SELF-EMPLOYMENT CON-  
2           TRIBUTION.—The term “prescribed self-employment  
3           contribution” means, with respect to the self-employ-  
4           ment income of an eligible individual for any cal-  
5           endar year, the excess (if any) of—

6                   (A) 6.2 percent of the amount of such self-  
7                   employment income for such calendar year, to  
8                   the extent that such self-employment income  
9                   does not exceed, for such calendar year, the  
10                  contribution and benefit base for such calendar  
11                  year under section 230 of the Social Security  
12                  Act, over

13                  (B) the total of all prescribed employee  
14                  contributions and prescribed employer contribu-  
15                  tions payable with respect to such eligible indi-  
16                  vidual for such calendar year.

17           Effective with the commencement of the 16th cal-  
18           endar year for which the eligible individual’s election  
19           under section 105 is in effect, “12.4 percent” shall  
20           be substituted for “6.2 percent” in subparagraph  
21           (A).

22           (8) PRESCRIBED EMPLOYER CONTRIBUTION.—  
23           The term “prescribed employer contribution” means,  
24           with respect to any eligible individual who is en-  
25           gaged in employment for a covered employer during

1 any calendar year, an amount equal to 6.2 percent  
2 of the wages received by such employee with respect  
3 to such employment, to the extent that such wages  
4 do not exceed, for such calendar year, the contribu-  
5 tion and benefit base for such calendar year under  
6 section 230 of the Social Security Act.

7 (9) S.A.F.E. ACCOUNT.—The term “S.A.F.E.  
8 account” has the meaning provided in section 224(c)  
9 of the Internal Revenue Code of 1986.

10 (10) SELF-EMPLOYMENT INCOME.—The term  
11 “self-employment income” has the meaning provided  
12 in section 211(b) of the Social Security Act.

13 (11) WAGES.—The term “wages” has the  
14 meaning provided in section 209 of the Social Secu-  
15 rity Act.

16 **SEC. 102. S.A.F.E. ACCOUNT PAYROLL DEDUCTION PRO-**  
17 **GRAMS.**

18 (a) IN GENERAL.—Each person who is a covered em-  
19 ployer for any calendar year shall have in effect through-  
20 out such calendar year a S.A.F.E. account payroll deduc-  
21 tion program for such person’s employees who are eligible  
22 individuals.

23 (b) REQUIREMENTS.—For purposes of this Act, the  
24 term “S.A.F.E. account payroll deduction program”

1 means a written program maintained by a covered em-  
2 ployer if—

3 (1) under such program, the prescribed em-  
4 ployee contribution is deducted from the wages of  
5 each employee who is an eligible individual and paid  
6 as a contribution on behalf of the employee to a  
7 S.A.F.E. account of such employee designated in ac-  
8 cordance with section 103,

9 (2) under such program, the covered em-  
10 ployer—

11 (A) makes timely payment of the amount  
12 so deducted as a contribution to the designated  
13 S.A.F.E. account, and

14 (B) effective upon receipt from the eligible  
15 individual of certification (in accordance with  
16 regulations which shall be prescribed by the  
17 Commissioner of Social Security) of the com-  
18 mencement of the 16th calendar year for which  
19 the eligible employee's election under section  
20 105 has been in effect, makes timely payment,  
21 together with the amount so deducted, of the  
22 prescribed employer contribution with respect to  
23 the eligible individual,

24 under regulations of the Commissioner of Social Se-  
25 curity applying the same principles relating to the

1 timeliness of payment as are applicable under chap-  
2 ter 62 of the Internal Revenue Code of 1986 with  
3 respect to taxes under chapter 21 of such Code, and

4 (3) the employer receives no compensation for  
5 the cost of administering such program.

6 (c) AMOUNTS OTHERWISE PAYABLE MAY BE ACCU-  
7 MULATED BY EMPLOYER IN CERTAIN CASES.—If, under  
8 the terms of the governing instruments creating a  
9 S.A.F.E. account designated under section 103, contribu-  
10 tions below a specified amount will not be accepted, the  
11 requirements of subsection (b)(2) shall be treated as met  
12 if amounts deducted from the wages of an employee who  
13 is an eligible individual, together with prescribed employer  
14 contributions (if any), are accumulated by the covered em-  
15 ployer and paid to such account otherwise in accordance  
16 with subsection (b)(2) with reference to the first day on  
17 which the accumulated amount exceeds such specified  
18 amount.

19 **SEC. 103. DESIGNATION OF S.A.F.E. ACCOUNTS.**

20 (a) IN GENERAL.—Except as provided in subsection  
21 (b), a S.A.F.E. account to which contributions with re-  
22 spect to any employee who is an eligible individual are re-  
23 quired to be paid under section 102 shall be such an ac-  
24 count designated by such employee to such employer not  
25 later than 10 business days after the date on which such

1 employee becomes an employee of such employer. Any  
2 such designation shall be made in such form and manner  
3 as may be prescribed in regulations of the Commissioner  
4 of Social Security.

5 (b) DESIGNATION IN ABSENCE OF TIMELY DESIGNA-  
6 TION BY EMPLOYEE.—In any case in which no timely des-  
7 ignation of a S.A.F.E. account is made, the covered em-  
8 ployer shall designate such account in accordance with  
9 regulations of the Commissioner of Social Security.

10 (c) SUBSEQUENT SUBSTITUTION OF ACCOUNTS.—  
11 The Commissioner of Social Security shall provide by reg-  
12 ulation for subsequent designation of a S.A.F.E. account  
13 by an account holder in lieu of an account previously des-  
14 ignated by such account holder under this section.

15 **SEC. 104. SELF-EMPLOYED INDIVIDUALS.**

16 (a) IN GENERAL.—In the case of an eligible indi-  
17 vidual who has self-employment income for any calendar  
18 year, such individual shall make timely payments to a  
19 S.A.F.E. account designated by such individual of the pre-  
20 scribed self-employment contribution with respect to such  
21 individual for such calendar year in accordance with regu-  
22 lations of the Commissioner of Social Security, applying  
23 the same principles relating to timeliness of payment as  
24 are applicable under chapter 62 of the Internal Revenue

1 Code of 1986 with respect to taxes under chapter 2 of  
2 such Code.

3 (b) DESIGNATION OF ACCOUNT.—The designation of  
4 a S.A.F.E. account for payment of prescribed self-employ-  
5 ment contributions shall be made in such form and man-  
6 ner as may be prescribed in regulations of the Commis-  
7 sioner of Social Security.

8 (c) PERIODIC PAYMENT.—The Commissioner of So-  
9 cial Security shall provide by regulation for periodic in-  
10 stallment payments during the calendar year of prescribed  
11 self-employment contributions for each eligible individual,  
12 taking into account, as appropriate for each period, pre-  
13 scribed employee contributions for such individual.

14 **SEC. 105. ELECTIVE PARTICIPATION.**

15 (a) ELECTION.—Any individual who has been as-  
16 signed a social security account number under section  
17 205(c)(2)(B) of the Social Security Act and has been paid  
18 wages or has derived self-employment income may, on or  
19 after January 1, 2012, elect under this section to be an  
20 eligible individual for purposes of this Act. Any such elec-  
21 tion shall be made by filing with the Commissioner of So-  
22 cial Security, the Secretary of the Treasury, and each per-  
23 son (if any) who is an employer of such individual on the  
24 date of the filing, in such form and manner as shall be  
25 prescribed in regulations of the Commissioner (in con-

1 sultation with the Secretary of the Treasury), a written  
2 and signed declaration of such individual's intention to be  
3 treated as an eligible individual for purposes of this Act.  
4 An election under this section shall be effective with re-  
5 spect to wages paid, and self-employment income derived,  
6 on or after January 1 following the date of the filing of  
7 the election.

8 (b) ELECTION INEFFECTIVE IF ENTITLED TO SO-  
9 CIAL SECURITY BENEFITS.—Any election under this sec-  
10 tion shall not take effect if, as of the effective date of the  
11 election, the individual is entitled to an old-age insurance  
12 benefit under section 202(a) of the Social Security Act or  
13 to a disability insurance benefit under section 223 of such  
14 Act.

15 (c) IRREVOCABILITY SUBJECT TO GRACE PERIOD.—

16 (1) IN GENERAL.—Unless revoked in accord-  
17 ance with paragraph (2), an election under this sec-  
18 tion shall be irrevocable.

19 (2) FIVE-YEAR GRACE PERIOD.—

20 (A) IN GENERAL.—An individual may re-  
21 voke an election under this section by filing  
22 with the Commissioner of Social Security, the  
23 Secretary of the Treasury, and each person (if  
24 any) who is an employer of such individual on  
25 the date of the filing, in such form and manner

1 as shall be prescribed in regulations of the  
2 Commissioner (in consultation with the Sec-  
3 retary of the Treasury), a written and signed  
4 revocation of the election at any time before the  
5 end of the five-year period beginning with the  
6 effective date of the election. A revocation  
7 under this subsection shall take effect January  
8 1 following the date of the filing of the revoca-  
9 tion, except that a revocation filed during the  
10 90-day period beginning with the date of the fil-  
11 ing of the election shall take effect as of the ef-  
12 fective date of the election. Upon the effective  
13 date of a revocation under this subsection, enti-  
14 tlement to benefits under title II of the Social  
15 Security Act shall be determined as if the re-  
16 voked election had not occurred, except that, for  
17 purposes of any such entitlement, wages paid,  
18 and self-employment income derived, during the  
19 period for which the election was in effect shall  
20 not be taken into account. No subsequent elec-  
21 tion under this section may take effect with re-  
22 spect to an individual who has filed a revocation  
23 under this subsection (except a revocation filed  
24 during the 90-day period beginning with the  
25 date of the filing of the election).

1 (B) REDUCTION IN BENEFITS.—The pri-  
 2 mary insurance amount, as determined under  
 3 section 215 of the Social Security Act, of any  
 4 individual who has filed a revocation under this  
 5 subsection before the end of the five-year period  
 6 described in subparagraph (A) (and after the  
 7 90-day period referred to in subparagraph (A))  
 8 shall be reduced (except for purposes of deter-  
 9 mining benefits under section 223 of such Act,  
 10 and before any application of section 215(i) of  
 11 such Act) by the applicable percentage specified  
 12 in the following table:

<b>If the first calendar year for which the revocation is effective is:</b>	<b>The applicable percentage is:</b>
The first, second, or third calendar year of such five-year period .....	20 percent
The fourth calendar year of such five-year period .....	40 percent
The fifth calendar year of such five-year period .....	60 percent
The calendar year following such five-year period .....	80 percent.

13 **SEC. 106. PENALTIES.**

14 (a) FAILURE TO ESTABLISH S.A.F.E. ACCOUNT  
 15 PAYROLL DEDUCTION PROGRAM.—Any covered employer  
 16 who fails to meet the requirements of section 102 for any  
 17 calendar year shall be subject to a civil penalty of not to  
 18 exceed—

19 (1) \$250,000, in the case of an employer who  
 20 is an individual, or

21 (2) \$500,000, in any other case.

1 (b) FAILURE TO MAKE DEDUCTIONS REQUIRED  
2 UNDER PROGRAM.—Any covered employer who fails to  
3 timely deduct in full the amount from the wages of an  
4 employee who is an eligible individual as required under  
5 an applicable S.A.F.E. account payroll deduction program  
6 shall be subject to a civil penalty for each such failure  
7 of not to exceed—

8 (1) \$250,000, in the case of an employer who  
9 is an individual, or

10 (2) \$500,000, in any other case.

11 (c) FAILURE TO PAY DEDUCTED WAGES TO  
12 S.A.F.E. ACCOUNT.—If an amount deducted under a  
13 S.A.F.E. account payroll deduction program from the  
14 wages of an employee who is an eligible individual is not  
15 timely paid in full to the designated S.A.F.E. account in  
16 accordance with section 102, the covered employer failing  
17 to make such payment—

18 (1) shall be subject to a civil penalty for each  
19 such failure of not to exceed—

20 (A) \$250,000, in the case of an employer  
21 who is an individual, or

22 (B) \$500,000, in any other case, and

23 (2) shall be liable to the employee for interest  
24 on the unpaid amount at a rate equal to 10 percent-  
25 age points in excess of the Federal short-term rate

1 under section 1274(d)(1) of the Internal Revenue  
2 Code of 1986, calculated from the last day by which  
3 such amount was required to be so paid to the date  
4 on which such amount is paid into the designated  
5 S.A.F.E. account.

6 (d) FAILURE TO PAY PRESCRIBED SELF-EMPLOY-  
7 MENT CONTRIBUTIONS TO S.A.F.E. ACCOUNT.—Any eli-  
8 gible individual failing to timely pay in full a prescribed  
9 self-employment contribution to a designated S.A.F.E. ac-  
10 count as required under section 104 shall be subject to  
11 a civil penalty for each such failure of not to exceed  
12 \$250,000, plus interest on the unpaid amount at a rate  
13 equal to 10 percentage points in excess of the Federal  
14 short-term rate under section 1274(d)(1) of the Internal  
15 Revenue Code of 1986, calculated from the last day by  
16 which such amount was required to be so paid to the date  
17 on which such amount is paid into the designated  
18 S.A.F.E. account.

19 (e) RULES FOR APPLICATION OF SECTION.—

20 (1) PENALTIES ASSESSED BY COMMISSIONER  
21 OF SOCIAL SECURITY.—Any civil penalty assessed by  
22 this section shall be imposed by the Commissioner of  
23 Social Security and collected in a civil action.

1           (2) COMPROMISES.—The Commissioner may  
2           compromise the amount of any civil penalty imposed  
3           by this section.

4           (3) AUTHORITY TO WAIVE PENALTY IN CER-  
5           TAIN CASES.—The Commissioner may waive the ap-  
6           plication of this section with respect to any failure  
7           if the Commissioner determines that such failure is  
8           due to reasonable cause and not to intentional dis-  
9           regard of rules and regulations.

10 **SEC. 107. FEDERAL CIVILIAN AND MILITARY PERSONNEL.**

11           (a) IN GENERAL.—Not later than December 31,  
12 2011, the Office of Personnel Management, after appro-  
13 priate study, shall submit to the President and each House  
14 of Congress a written report containing recommendations  
15 on how to provide for the application of this Act with re-  
16 spect to Federal civilian and military personnel.

17           (b) REQUIREMENTS.—The report—

18           (1) shall be prepared in consultation with the  
19 Social Security Administration, the Securities and  
20 Exchange Commission, and other appropriate agen-  
21 cies; and

22           (2) shall be accompanied by draft legislation  
23 which, if enacted, would carry out the recommenda-  
24 tions contained in such report.

1           (c) PROVISIONS RELATING TO THE CONTINUED OP-  
2 ERATION OF EXISTING RETIREMENT SYSTEMS.—To the  
3 extent that the report and draft legislation relate to provi-  
4 sions of law in effect before the date of enactment of this  
5 Act, each shall address at least the following:

6           (1) FEDERAL EMPLOYEES' RETIREMENT SYS-  
7 TEM.—

8           (A) Section 8401(11) of title 5, United  
9 States Code (relating to the definition of an  
10 “employee”), which includes the requirement  
11 that the individual concerned be someone whose  
12 civilian service is employment for the purposes  
13 of title II of the Social Security Act and chap-  
14 ter 21 of the Internal Revenue Code of 1986.

15           (B) Section 8421 of such title (relating to  
16 annuity supplement), which includes provisions  
17 incorporating the notion of the period of time  
18 for which the individual is or would be entitled  
19 to old-age insurance benefits under title II of  
20 the Social Security Act, and provisions for com-  
21 puting the amount of such supplement based on  
22 the amount of certain benefits to which the in-  
23 dividual would be entitled under such Act.

24           (C) Section 8442 of such title (relating to  
25 rights of a widow or widower), which includes

1 provisions under which a supplementary annu-  
2 ity for a widow or widower is not payable to  
3 anyone who would not be entitled to certain  
4 benefits under the Social Security Act, and pro-  
5 visions for the computation of any such annuity  
6 based on the amount of certain benefits which  
7 would be payable to that individual under the  
8 Social Security Act.

9 (D) Section 8443 of such title (relating to  
10 rights of a child), which includes provisions  
11 under which, as part of the formula for com-  
12 puting the amount of a survivor annuity for a  
13 child, there is incorporated the notion of the  
14 amount of child's insurance benefits which are  
15 or would be payable under title II of the Social  
16 Security Act.

17 (2) CIVIL SERVICE RETIREMENT SYSTEM.—

18 (A) Section 8334(k) of such title (relating  
19 to special rules for determining deductions and  
20 contributions for individuals subject to “offset-  
21 83” treatment), which incorporates the notion  
22 of the OASDI contribution made from Federal  
23 wages of the individual concerned.

24 (B) Section 8349 of such title (relating to  
25 offset based on certain benefits under the Social

1 Security Act), which incorporates notions relat-  
2 ing to actual or constructive eligibility for bene-  
3 fits under the Social Security Act, and the  
4 amount of those benefits.

5 (3) COORDINATION PROVISIONS.—Provisions of  
6 law involving a reduction or other adjustment in re-  
7 tirement benefits (or eligibility therefor), based on  
8 any individual’s eligibility for benefits under title II  
9 of the Social Security Act.

10 (4) OTHER RETIREMENT SYSTEMS.—Similar  
11 provisions of law under other retirement systems  
12 covering Federal civilian or military personnel.

13 (d) PROVISIONS RELATING TO THE NEW SYSTEM.—  
14 To the extent that the report and draft legislation relate  
15 to the implementation of any other title of this Act, each  
16 shall address at least the following:

17 (1) What the specifications for the S.A.F.E. ac-  
18 count payroll deduction program or programs cov-  
19 ering Federal civilian and military personnel shall be  
20 or, alternatively, how those specifications shall be de-  
21 veloped.

22 (2) Which agencies or instrumentalities of the  
23 Federal Government shall be responsible for oper-  
24 ating or maintaining which aspects of the program  
25 or programs referred to in paragraph (1).

1           (3) Which penalty provisions are appropriate or  
2           inappropriate with respect to the Federal Govern-  
3           ment in its capacity as a “covered employer”, sub-  
4           ject to what modifications (if any).

5           **TITLE II—TAX-EXEMPT S.A.F.E.**  
6                                   **ACCOUNTS**

7           **SEC. 201. S.A.F.E. ACCOUNTS.**

8           (a) IN GENERAL.—Part VII of subchapter B of chap-  
9           ter 1 of the Internal Revenue Code of 1986 (relating to  
10           additional itemized deductions for individuals) is amended  
11           by redesignating section 224 as section 225 and by insert-  
12           ing after section 223 the following new section:

13           **“SEC. 224. S.A.F.E. ACCOUNTS.**

14           “(a) DEDUCTION ALLOWED.—In the case of an indi-  
15           vidual, there shall be allowed as a deduction the aggregate  
16           amount paid in cash during the taxable year by or on be-  
17           half of such individual to a S.A.F.E. account of such indi-  
18           vidual.

19           “(b) LIMITATION.—The amount allowable as a de-  
20           duction under subsection (a) for any taxable year shall not  
21           exceed 6.2 percent of the lesser of—

22                           “(1) the contribution and benefit base (as de-  
23                           termined under section 230 of the Social Security  
24                           Act) for the calendar year which ends with or within  
25                           such taxable year, or

1 “(2) the sum of—

2 “(A) the amount of wages (as defined in  
3 section 3121(a)) received during such calendar  
4 year, and

5 “(B) the amount of the self-employment  
6 income (as defined in section 1402) of such in-  
7 dividual for the taxable year.

8 Effective with the commencement of the 16th calendar  
9 year for which the individual’s election under section 105  
10 of the Savings Account for Every American Act of 2011  
11 is effective, the limitation under the preceding sentence  
12 shall be increased by any prescribed employer contribution  
13 paid to a personal retirement account of such individual  
14 pursuant to section 102(b)(2)(B) of such Act and the por-  
15 tion of any prescribed self-employment contribution paid  
16 to such an account which is attributable to the increase  
17 in such contribution required by the last sentence of sec-  
18 tion 101(7) of such Act.

19 “(c) S.A.F.E. ACCOUNT.—For purposes of this sec-  
20 tion, the term ‘S.A.F.E. account’ means a trust created  
21 or organized in the United States exclusively for the ben-  
22 efit of an individual or his beneficiaries, but only if the  
23 written governing instrument creating the trust meets the  
24 following requirements:

1           “(1) Except in the case of rollover contributions  
2 from another S.A.F.E. account of such individual—

3                   “(A) no contribution will be accepted un-  
4 less it is in cash,

5                   “(B) contributions will not be accepted for  
6 the taxable year in excess of 6.2 percent of the  
7 contribution and benefit base (as determined  
8 under section 230 of the Social Security Act)  
9 for the calendar year which ends with or within  
10 such taxable year, and

11                   “(C) any contributions with respect to an  
12 account holder which are not accepted pursuant  
13 to this paragraph are promptly refunded di-  
14 rectly to the account holder.

15           In the case of any such individual, effective for tax-  
16 able years beginning with or after the 16th calendar  
17 year for which the individual’s election under section  
18 105 of the Savings Account for Every American Act  
19 of 2011 is effective, ‘12.4 percent’ shall be sub-  
20 stituted for ‘6.2 percent’ in subparagraph (B).

21           “(2) The trustee is a bank (as defined in sec-  
22 tion 408(n)) or such other person who demonstrates  
23 to the satisfaction of the Secretary that the manner  
24 in which such other person will administer the trust

1 will be consistent with the requirements of this sec-  
2 tion.

3 “(3) No part of the trust funds will be invested  
4 in life insurance contracts.

5 “(4) The interest of an individual in the bal-  
6 ance in his account is nonforfeitable.

7 “(5) The assets of the trust will not be commin-  
8 gled with other property except in a common trust  
9 fund or common investment fund.

10 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

11 “(1) IN GENERAL.—Except as otherwise pro-  
12 vided in this subsection, any amount distributed out  
13 of a S.A.F.E. account shall be included in gross in-  
14 come of the distributee for the taxable year in which  
15 the distribution is received. Notwithstanding any  
16 other provision of this title (including chapters 11  
17 and 12), the basis of any person in such an account  
18 is zero.

19 “(2) EXCEPTIONS FOR DISTRIBUTIONS AFTER  
20 SOCIAL SECURITY RETIREMENT AGE OR DEATH.—

21 Paragraph (1) shall not apply to any distribution  
22 out of a S.A.F.E. account—

23 “(A) made on or after the date on which  
24 the account beneficiary attains retirement age

1 (as defined in section 216(l) of the Social Secu-  
2 rity Act), or

3 “(B) made to the account beneficiary (or  
4 to the estate of the beneficiary) on or after the  
5 death of the account beneficiary.

6 “(3) EXCEPTIONS FOR DISTRIBUTIONS TO PUR-  
7 CHASE CERTAIN INSURANCE.—Paragraph (1) shall  
8 not apply to any distribution out of a S.A.F.E. ac-  
9 count to the account beneficiary to the extent such  
10 distributions do not exceed the sum of the expenses  
11 paid or incurred during the taxable year for—

12 “(A) any qualified long-term care insur-  
13 ance contract (but only to the extent of eligible  
14 long-term care premiums (as defined in section  
15 213(d)(10)),

16 “(B) disability insurance, or

17 “(C) term life insurance.

18 “(4) EXCEPTIONS FOR CERTAIN OTHER DIS-  
19 TRIBUTIONS.—Rules similar to the rules of para-  
20 graphs (3), (4), (5), and (6) of section 408(d) shall  
21 apply for purposes of this section.

22 “(e) TAX TREATMENT OF ACCOUNTS.—

23 “(1) EXEMPTION FROM TAX.—A S.A.F.E. ac-  
24 count is exempt from taxation under this subtitle  
25 unless such account has ceased to be a S.A.F.E. ac-

1 count by reason of paragraph (2). Notwithstanding  
2 the preceding sentence, any such account is subject  
3 to the taxes imposed by section 511 (relating to im-  
4 position of tax on unrelated business income of char-  
5 itable, etc. organizations).

6 “(2) ACCOUNT TERMINATIONS.—Rules similar  
7 to the rules of paragraphs (2) and (4) of section  
8 408(e) shall apply to S.A.F.E. accounts, and any  
9 amount treated as distributed under such rules shall  
10 be treated as not used to pay expenses described in  
11 subsection (d)(3).

12 “(f) ADDITIONAL TAX ON AMOUNTS INCLUDED IN  
13 GROSS INCOME.—If any distribution from a S.A.F.E. ac-  
14 count is includible in gross income of the account bene-  
15 ficiary, the tax liability of such beneficiary under this  
16 chapter for the taxable year in which the distribution is  
17 received shall be increased by an amount equal to 20 per-  
18 cent of the amount of the distribution.

19 “(g) OTHER DEFINITION AND SPECIAL RULES.—

20 “(1) ACCOUNT BENEFICIARY.—For purposes of  
21 this section, the term ‘account beneficiary’ means  
22 the individual for whose benefit the S.A.F.E. ac-  
23 count was established.

1           “(2) CERTAIN RULES TO APPLY.—Rules similar  
2           to the following rules shall apply for purposes of this  
3           section:

4                   “(A) Section 219(d)(2) (relating to no de-  
5                   duction for rollovers).

6                   “(B) Section 219(f)(3) (relating to time  
7                   when contributions deemed made).

8                   “(C) Section 219(f)(5) (relating to em-  
9                   ployer payments).

10                   “(D) Section 408(g) (relating to commu-  
11                   nity property laws).

12                   “(E) Section 408(h) (relating to custodial  
13                   accounts).

14           “(h) REPORTS.—The trustee of a S.A.F.E. account  
15           shall make such reports regarding such account to the  
16           Secretary and to the individual for whose benefit the ac-  
17           count is maintained with respect to contributions, dis-  
18           tributions, and such other matters as the Secretary may  
19           by regulation prescribe. The reports required by this sub-  
20           section shall be filed at such time and in such manner,  
21           and furnished to such individuals at such time and in such  
22           manner, as may be required by such regulations.”.

23           (b) DEDUCTION ALLOWED IN ARRIVING AT AD-  
24           JUSTED GROSS INCOME.—Subsection (a) of section 62 of

1 the Internal Revenue Code of 1986 is amended by insert-  
2 ing after paragraph (21) the following new paragraph:

3 “(22) S.A.F.E. ACCOUNT CONTRIBUTIONS.—  
4 The deduction allowed by section 224.”.

5 (c) TAX ON EXCESS CONTRIBUTIONS.—

6 (1) Subsection (a) of section 4973 of such Code  
7 (relating to tax on excess contributions to individual  
8 retirement accounts, etc.) is amended by striking  
9 “or” at the end of paragraph (4), by inserting “or”  
10 at the end of paragraph (5), and by inserting after  
11 paragraph (5) the following new paragraph:

12 “(6) a S.A.F.E. account (within the meaning of  
13 section 224(c)),”.

14 (2) Section 4973 of such Code is amended by  
15 adding at the end the following new subsection:

16 “(h) EXCESS CONTRIBUTIONS TO S.A.F.E. AC-  
17 COUNTS.—For purposes of this section, in the case of  
18 S.A.F.E. accounts (within the meaning of section 224(c)),  
19 the term ‘excess contributions’ means the sum of—

20 “(1) the excess (if any) of—

21 “(A) the aggregate amount contributed for  
22 the taxable year to the accounts (other than  
23 rollover contributions), over

24 “(B) the amount allowable as a deduction  
25 under section 224 for such contributions, and

1           “(2) the amount determined under this sub-  
2 section for the preceding taxable year, reduced by  
3 the sum of—

4           “(A) the distributions out of the accounts  
5 which were included in gross income under  
6 rules similar to the rules of section 408(d)(5)  
7 which apply to such accounts by reason of sec-  
8 tion 224(d)(4), and

9           “(B) the excess (if any) of—

10           “(i) the maximum amount allowable  
11 as a deduction under section 224(b) for  
12 the taxable year, over

13           “(ii) the amount contributed to the  
14 accounts for the taxable year.

15 For purposes of this subsection, any contribution  
16 which is distributed out of the S.A.F.E. account in  
17 a distribution to which the rules similar to the rules  
18 of section 408(d)(4) which apply to such accounts by  
19 reason of section 224(d)(4) shall be treated as an  
20 amount not contributed.”.

21 (d) TAX ON PROHIBITED TRANSACTIONS.—

22           (1) IN GENERAL.—Paragraph (1) of section  
23 4975(e) of such Code (relating to prohibited trans-  
24 actions) is amended by striking “or” at the end of  
25 subparagraph (F), by redesignating subparagraph

1 (G) as subparagraph (H), and by inserting after  
2 subparagraph (F) the following new subparagraph:

3 “(G) a S.A.F.E. account described in sec-  
4 tion 224(e), or”.

5 (2) SPECIAL RULE.—Subsection (e) of section  
6 4975 of such Code is amended by adding at the end  
7 the following new paragraph:

8 “(7) SPECIAL RULE FOR S.A.F.E. ACCOUNTS.—  
9 An individual for whose benefit a S.A.F.E. account  
10 is established shall be exempt from the tax imposed  
11 by this section with respect to any transaction con-  
12 cerning such account (which would otherwise be tax-  
13 able under this section) if section 224(e)(2) applies  
14 with respect to such transaction.”.

15 (e) FAILURE TO PROVIDE REPORTS ON S.A.F.E. AC-  
16 COUNTS.—Paragraph (2) of section 6693(a) of such Code  
17 (relating to failure to provide reports on individual retire-  
18 ment accounts or annuities) is amended by striking “and”  
19 at the end of subparagraph (D), by striking the period  
20 at the end of subparagraph (E) and inserting “, and”,  
21 and by adding at the end the following new subparagraph:

22 “(F) Section 224(h) (relating to S.A.F.E.  
23 accounts).”.

24 (f) CLERICAL AMENDMENT.—The table of sections  
25 for part VII of subchapter B of chapter 1 of such Code

1 is amended by striking the item relating to section 224  
2 and inserting the following new items:

“Sec. 224. S.A.F.E. accounts.  
“Sec. 225. Cross references.”.

3 **SEC. 202. EFFECTIVE DATE.**

4 The amendments made by this title shall apply to  
5 contributions made for taxable years beginning after De-  
6 cember 31, 2011.

7 **TITLE III—CONFORMING**  
8 **AMENDMENTS TO THE SO-**  
9 **CIAL SECURITY ACT AND THE**  
10 **INTERNAL REVENUE CODE**  
11 **OF 1986**

12 **SEC. 301. REDUCTIONS IN AND EXEMPTIONS FROM FICA**  
13 **TAXES AND SECA TAXES WITH RESPECT TO**  
14 **ELIGIBLE INDIVIDUALS.**

15 (a) FICA TAX ON EMPLOYEES.—Section 3101 of the  
16 Internal Revenue Code of 1986 (relating to OASDI tax  
17 on employees) is amended—

18 (1) in subsection (a), by striking “In addition”  
19 and inserting “Subject to subsection (c), in addi-  
20 tion”;

21 (2) by redesignating subsection (c) as sub-  
22 section (d); and

23 (3) by inserting after subsection (b) the fol-  
24 lowing new subsection:

1           “(c) EXEMPTION FROM OASDI TAX FOR ELIGIBLE  
2 INDIVIDUALS.—Subsection (a) shall not apply with re-  
3 spect to wages received by an eligible individual (as de-  
4 fined in section 101(4) of the Savings Account for Every  
5 American Act of 2011).”

6           (b) FICA TAX ON EMPLOYERS.—Section 3111 of  
7 such Code (relating to OASDI tax on employees) is  
8 amended—

9           (1) in subsection (a), by striking “In addition”  
10          and inserting “Subject to subsection (c), in addi-  
11          tion”;

12          (2) by redesignating subsection (c) as sub-  
13          section (d); and

14          (3) by inserting after subsection (b) the fol-  
15          lowing new subsection:

16          “(c) EXEMPTION FROM OASDI TAX WITH RESPECT  
17 TO ELIGIBLE INDIVIDUALS.—In the case of an eligible in-  
18 dividual (as defined in section 101(4) of the Savings Ac-  
19 count for Every American Act of 2011), effective with the  
20 16th calendar year for which such individual’s election  
21 under section 105 of such Act is effective, subsection (a)  
22 shall not apply with respect to wages received by such indi-  
23 vidual.”

1           (c) REDUCTION IN AND EXEMPTION FROM SELF-EM-  
2 PLOYMENT TAX.—Section 1401 of such Code (relating to  
3 OASDI tax on self-employment income) is amended—

4           (1) in subsection (a), by striking “In addition”  
5           and inserting “Subject to subsection (c), in addi-  
6           tion”;

7           (2) by redesignating subsection (c) as sub-  
8           section (d); and

9           (3) by inserting after subsection (b) the fol-  
10          lowing new subsection:

11         “(c) ADJUSTMENT TO OASDI TAX.—

12           “(1) REDUCTION.—In the case of an eligible in-  
13           dividual (as defined in section 101(4) of the Savings  
14           Account for Every American Act of 2011), for tax-  
15           able years beginning with or during the 1st 15 cal-  
16           endar years for which such individual’s election is in  
17           effect under section 105 of such Act, the rate of tax  
18           under subsection (a) shall be 6.20 percent.

19           “(2) EXEMPTION.—In the case of such an eligi-  
20           ble individual, effective for taxable years beginning  
21           with or during the 16th calendar year for which  
22           such individual’s election under such section 105 is  
23           effective, subsection (a) shall not apply.”

24         (d) EFFECTIVE DATE.—The amendments made by  
25         this section shall apply with respect to wages received

1 after December 31, 2012, and with respect to self-employ-  
2 ment income for taxable years beginning after such date.

3 **SEC. 302. EXCLUSION OF ELIGIBLE INDIVIDUALS FROM**  
4 **OLD-AGE, SURVIVORS, AND DISABILITY IN-**  
5 **SURANCE COVERAGE.**

6 (a) MONTHLY INSURANCE BENEFITS UNDER SEC-  
7 TION 202.—Section 202 of the Social Security Act (42  
8 U.S.C. 402) is amended by adding at the end the following  
9 new subsection:

10 “Limitation on Payment to Eligible Individuals Under  
11 Savings Account for Every American Act of 2011

12 “(z)(1) Notwithstanding any other provision of this  
13 title, no monthly benefits shall be paid under this section  
14 based on the wages and self-employment income of an eli-  
15 gible individual (as defined in section 101(4) of the Sav-  
16 ings Account for Every American Act of 2011).

17 “(2) Determinations of entitlement to hospital insur-  
18 ance benefits under section 226 or 226A shall be made  
19 without regard to paragraph (1).”.

20 (b) DISABILITY INSURANCE BENEFITS UNDER SEC-  
21 TION 223.—Section 223 of such Act (42 U.S.C. 423) is  
22 amended by adding at the end the following new sub-  
23 section:

1 “Limitation on Payment to Eligible Individuals Under  
 2 Savings Account for Every American Act of 2011  
 3 “(k)(1) Notwithstanding any other provision of this  
 4 title, no monthly benefits shall be paid under this section  
 5 based on the wages and self-employment income of an eli-  
 6 gible individual (as defined in section 101(4) of the Sav-  
 7 ings Account for Every American Act of 2011).  
 8 “(2) Determinations of entitlement to hospital insur-  
 9 ance benefits under section 226 or 226A shall be made  
 10 without regard to paragraph (1).”

11 **SEC. 303. INFORMATION PROVIDED IN SOCIAL SECURITY**  
 12 **ACCOUNT STATEMENTS.**

13 (a) IN GENERAL.—Section 1143 of the Social Secu-  
 14 rity Act (42 U.S.C. 1320b–13) is amended to read as fol-  
 15 lows:

16 “SOCIAL SECURITY ACCOUNT STATEMENT  
 17 “Provision of Annual Statements

18 “SEC. 1143. (a) The Commissioner of Social Security  
 19 shall provide an annual social security account statement  
 20 (hereinafter in this section referred to as the ‘statement’)  
 21 to each eligible individual who is not receiving benefits  
 22 under title II and for whom a mailing address can be de-  
 23 termined through such methods as the Commissioner de-  
 24 termines to be appropriate.

25 “Contents of Statement

26 “(b) Each statement shall contain—



1           (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply with respect to statements pro-  
3 vided on or after October 1, 2012.

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