To amend the Internal Revenue Code of 1986 and title II of the Social Security Act to repeal the cap on compensation subject to the payroll tax, to reallocate payroll tax revenue to the Social Security Trust Funds, to apply the CPI–E to Social Security cost-of-living increases, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 23, 2015

Mr. DeFazio (for himself, Mr. Conyers, Ms. DelBene, Mr. Grijalva, Ms. Pingree, and Ms. Slaughter) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, 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 and title II of the Social Security Act to repeal the cap on compensation subject to the payroll tax, to reallocate payroll tax revenue to the Social Security Trust Funds, to apply the CPI–E to Social Security cost-of-living increases, 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,
SECTION 1. SHORT TITLE.

This Act may be cited as the “Fair Adjustment and Income Revenue for Social Security Act” or the “FAIR Social Security Act”.

SEC. 2. REPEAL OF CAP ON COMPENSATION SUBJECT TO FEDERAL INSURANCE CONTRIBUTIONS ACT.

(a) WAGES.—Section 3121(a) of the Internal Revenue Code of 1986 is amended by striking paragraph (1).

(b) SELF-EMPLOYMENT INCOME.—The first sentence of section 1402(b) of the Internal Revenue Code of 1986 is amended by striking “include—” and all that follows and inserting “include the net earnings from self-employment if such net earnings for the taxable year are less than $400.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 6413(c) of the Internal Revenue Code of 1986 is amended—

(A) by striking paragraph (1), and

(B) in paragraph (2)(A) by striking “, not to exceed an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) for any calendar year with respect to which such contribution and benefit base is effective,”.

(2) Section 3122 of the Internal Revenue Code of 1986 is amended by striking “The person making
such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to such service without regard to the contribution and benefit base limitation in section 3121(a)(1), and he shall not be required to obtain a refund of the tax paid under section 3111 on that part of the remuneration not included in wages by reason of section 3121(a)(1).”.

(3) Section 3125 of the Internal Revenue Code of 1986 is amended by striking “without regard to the contribution and benefit base limitation in section 3121(a)(1)” each place it appears.

(4) Section 3231(e)(2)(C) of the Internal Revenue Code of 1986 is amended by inserting “(as in effect on the date of the enactment of the Fair Adjustment and Income Revenue for Social Security Act” after “employers)”.

(5) Section 3511(b) of the Internal Revenue Code of 1986 is amended by striking “3121(a)(1), 3231(e)(2)(C),” and inserting “3231(e)(2)(C)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to remuneration received, and taxable years beginning, after December 31, 2015.
SEC. 3. REALLOCATION OF PAYROLL TAX REVENUE.

(a) Allocation of 2016 Payroll Tax Revenue.—With respect to that portion of wages (as defined in section 3121 of the Internal Revenue Code of 1986) paid during calendar year 2016 that would not be considered wages but for the amendment made by section 2(a), and with respect to that portion of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1986) reported for any taxable year beginning during such calendar year that would not be considered self-employment income but for the amendment made by section 2(b), paragraphs (1)(R) and (2)(R) of section 201(b) of the Social Security Act (42 U.S.C. 401(b)) shall each be applied by substituting “12.40 per centum” for “1.80 per centum”.

(b) Wages.—Section 201(b)(1) of the Social Security Act (42 U.S.C. 401(b)(1)) is amended by striking “and (R) 1.80 per centum of the wages (as so defined) paid after December 31, 1999, and so reported” and inserting “(R) 1.80 per centum of the wages (as so defined) paid after December 31, 1999, and so reported, (S) 1.60 per centum of the wages (as so defined) paid after December 31, 2032, and before January 1, 2050, and so reported, and (T) 1.80 per centum of the wages (as so defined) paid after December 31, 2049, and so reported”.

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(c) **SELF-EMPLOYMENT INCOME.**—Section 201(b)(2) of such Act (42 U.S.C. 401(b)(2)) is amended by striking “and (R) 1.80 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1999” and inserting “(R) 1.80 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1999, and before January 1, 2033, (S) 1.60 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2032, and before January 1, 2050, (T) 1.80 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2049”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to wages paid after December 31, 2015, and self-employment income for taxable years beginning after such date.

**SEC. 4. CONSUMER PRICE INDEX FOR ELDERLY CONSUMERS.**

(a) **PUBLICATION.**—

(1) **IN GENERAL.**—The Bureau of Labor Statistics of the Department of Labor shall prepare and publish an index for each calendar month to be known as the “Consumer Price Index for Elderly

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Consumers” that indicates changes over time in expenditures for consumption which are typical for individuals in the United States who are 62 years of age or older.

(2) **Effective Date.**—Subsection (a) shall apply with respect to calendar months ending on or after July 31 of the calendar year following the calendar year in which this Act is enacted.

(3) **Authorization of Appropriations.**—There are authorized to be appropriated such sums as are necessary to carry out the provisions of this section.

(b) **Computation of Cost-of-Living Increases.**—

(1) **Amendments to Title II.**—

(A) **In General.**—Section 215(i)(1) of the Social Security Act (42 U.S.C. 415(i)(1)) is amended by adding at the end the following new subparagraph:

“(H) the term ‘Consumer Price Index’ means the Consumer Price Index for Elderly Consumers (CPI–E, as published by the Bureau of Labor Statistics of the Department of Labor).”.

(B) **Application to Pre-1979 Law.**—
(i) IN GENERAL.—Section 215(i)(1) of the Social Security Act as in effect in December 1978, and as applied in certain cases under the provisions of such Act as in effect after December 1978, is amended by adding at the end the following new subparagraph:

“(D) the term ‘Consumer Price Index’ means the Consumer Price Index for Elderly Consumers (CPI–E, as published by the Bureau of Labor Statistics of the Department of Labor).”.

(ii) CONFORMING CHANGE.—Section 215(i)(4) of the Social Security Act (42 U.S.C. 415(i)(4)) is amended by inserting “and by section 4 of the Fair Adjustment and Income Revenue for Social Security Act” after “1986”.

(C) EFFECTIVE DATE.—The amendments made by subparagraphs (A) and (B) shall apply to determinations made with respect to cost-of-living computation quarters ending on or after September 30 of the second calendar year following the calendar year in which this Act is enacted.

(2) AMENDMENTS TO TITLE XVIII.—
(A) IN GENERAL.—Title XVIII of such Act (42 U.S.C. 1395 et seq.) is amended—

(i) in section 1814(i)(2)(B) (42 U.S.C. 1395f(i)(2)(B)), by inserting “(i) for accounting years ending before October 1 of the second calendar year following the calendar year in which the Fair Adjustment and Income Revenue for Social Security Act was enacted,” after “for a year is”, and by inserting after “fifth month of the accounting year” the following: “, and (ii) for accounting years ending after October 1 of such calendar year, the cap amount determined under clause (i) for the last accounting year referred to in such clause, increased or decreased by the same percentage as the percentage increase or decrease, respectively, in the medical care expenditure category (or corresponding category) of the Consumer Price Index for Elderly Consumers, published by the Bureau of Labor Statistics, from March of such calendar year to the fifth month of the accounting year”;
(ii) in section 1821(c)(2)(C)(ii)(II) (42 U.S.C. 1395i–5(c)(2)(C)(ii)(II)), by striking “consumer price index for all urban consumers (all items; United States city average)” and inserting “Consumer Price Index for Elderly Consumers”;


(v) in section 1834(a)(14)(L) (42 U.S.C. 1395m(a)(14)(L)), by striking “consumer price index for all urban consumers (U.S. urban average)” and inserting “applicable consumer price index”;

striking “consumer price index for all urban consumers (United States city average)” and inserting “Consumer Price Index for Elderly Consumers”;


(A) (i) in section 1395w–114(a)(4)(A)(ii), by striking “consumer price index (all items; U.S. city average)” and inserting “Consumer Price Index for Elderly Consumers”;


(xii) in each of clauses (iv) and (vi)(II) of section 1886(h)(2)(E) (42 U.S.C. 1395ww(h)(2)(E)), by striking “for all urban consumers”; and

(xiii) in section 1886(h)(5)(B) (42 U.S.C. 1395ww(h)(5)(B)), by striking “Consumer Price Index for All Urban Consumers (United States city average)” and inserting “Consumer Price Index for Elderly Consumers”.

(B) EFFECTIVE DATE.—The amendments made by subparagraph (A) shall apply with respect to determinations made for periods ending after December 31 of the second calendar year
following the calendar year in which this Act was enacted.