

110TH CONGRESS  
1ST SESSION

# H. R. 4181

To reform Social Security retirement and Medicare by establishing a Personal Social Security Savings Program to create a safer, healthier, more secure, and more prosperous retirement for all Americans and to reduce the burden on young Americans.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 14, 2007

Mr. FLAKE introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and Labor, Budget, Energy and Commerce, and Rules, 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 reform Social Security retirement and Medicare by establishing a Personal Social Security Savings Program to create a safer, healthier, more secure, and more prosperous retirement for all Americans and to reduce the burden on young Americans.

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 AND TABLE OF CONTENTS.**

2 (a) **SHORT TITLE.**—This Act may be cited as the  
 3 “Securing Medicare and Retirement for Tomorrow Act of  
 4 2007” or as the “SMART Act of 2007”.

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

Sec. 1. Short title and table of contents.

Sec. 2. Establishment of Personal Social Security Savings Program.

“PART A—INSURANCE BENEFITS

“PART B—PERSONAL SOCIAL SECURITY SAVINGS PROGRAM

“Sec. 251. Definitions.

“Sec. 252. Establishment and maintenance of personal social security ac-  
 counts.

“Sec. 253. Designation of qualified social security mutual funds.

“Sec. 254. Distribution of social security retirement benefits.

“Sec. 255. Enforcement of contribution requirements.

“Sec. 256. Personal Accounts Management and Review Board.

Sec. 3. Medicare program revision.

Sec. 4. Employment taxes, tax on self-employment income.

Sec. 5. Tax treatment of distributions.

Sec. 6. Federal budget reforms.

Sec. 7. Change in Consumer Price Index used for cost-of-living increases.

7 **SEC. 2. ESTABLISHMENT OF PERSONAL SOCIAL SECURITY**  
 8 **SAVINGS PROGRAM.**

9 (a) **IN GENERAL.**—Title II of the Social Security Act  
 10 (42 U.S.C. 401 et seq.) is amended—

11 (1) by inserting before section 201 (42 U.S.C.  
 12 401) the following:

13 **“PART A—INSURANCE BENEFITS”;**

14 and

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

1 **“PART B—PERSONAL SOCIAL SECURITY SAVINGS**

2 **PROGRAM**

3 **“SEC. 251. DEFINITIONS.**

4 “For purposes of this part—

5 “(1) PARTICIPATING INDIVIDUAL.—The term  
6 ‘participating individual’ means any individual—

7 “(A)(i) who has received wages on which  
8 there is imposed a tax under section 3101(a) of  
9 the Internal Revenue Code of 1986, or

10 “(ii) who has derived self-employment in-  
11 come on which there is imposed a tax under  
12 section 1401(a) of such Code, and

13 “(B) who has not attained retirement age  
14 as of January 1 of the calendar year following  
15 the date of the enactment of the SMART Act  
16 of 2007.

17 “(2) EMPLOYER.—The term ‘employer’ means  
18 an employer within the meaning of section 3111 of  
19 the Internal Revenue Code of 1986.

20 “(3) PART A RETIREMENT BENEFIT.—The  
21 term ‘part A retirement benefit’ means, in connec-  
22 tion with a participating individual—

23 “(A) an old-age insurance benefit provided  
24 under section 202(a); and

25 “(B) a wife’s or husband’s insurance ben-  
26 efit under subsection (b) or (c) of section 202

1 based on the wages and self-employment income  
2 of the participating individual.

3 “(4) PART B BENEFIT.—The term ‘part B ben-  
4 efit’ means, in connection with a participating indi-  
5 vidual, the total amount which is credited to all per-  
6 sonal social security accounts of the participating in-  
7 dividual as of the date on which the participating in-  
8 dividual attains retirement age (or, if earlier, dies).

9 “(5) BOARD.—The term ‘Board’ means the  
10 Personal Accounts Management and Review Board  
11 established under section 255.

12 “(6) PERSONAL SOCIAL SECURITY ACCOUNT.—

13 “(A) IN GENERAL.—The term ‘personal  
14 social security account’ of an individual means  
15 a trust (established pursuant to section 252)  
16 created or organized in the United States for  
17 the exclusive benefit of a participating indi-  
18 vidual or such individual’s beneficiaries, but  
19 only if the written governing instrument cre-  
20 ating the trust meets the following require-  
21 ments:

22 “(i) Except in the case of amounts  
23 transferred from other personal social se-  
24 curity accounts pursuant to a merger or  
25 transfer authorized under subsection (e) or

1 (f) of section 252, no contribution will be  
2 accepted unless it is in cash.

3 “(ii) The trustee is—

4 “(I) a bank (as defined in sub-  
5 paragraph (B)), or

6 “(II) such other person who dem-  
7 onstrates to the satisfaction of the  
8 Board that the manner in which such  
9 other person will administer the trust  
10 will be consistent with the require-  
11 ments of this part.

12 “(iii) The written governing instru-  
13 ment provides for investment of the assets  
14 of the trust in accordance with the provi-  
15 sions of this part. No amount of the assets  
16 of the trust will be invested in any form or  
17 manner other than as authorized by this  
18 part.

19 “(iv) The interest of an individual in  
20 the balance of the individual’s account is  
21 nonforfeitable, except as provided in sub-  
22 sections (e) and (f)(3) of section 254.

23 “(v) The assets of the trust will not  
24 be commingled with other property.

1           “(B) BANK.—For purposes of subpara-  
2 graph (A)(ii), the term ‘bank’ means—

3           “(i) any bank (as defined in section  
4 581 of the Internal Revenue Code of  
5 1986),

6           “(ii) an insured credit union (within  
7 the meaning of paragraph (6) or (7) of  
8 section 101 of the Federal Credit Union  
9 Act), and

10           “(iii) a corporation which, under the  
11 laws of the State of its incorporation, is  
12 subject to supervision and examination by  
13 the Commissioner of Banking or other offi-  
14 cer of such State in charge of the adminis-  
15 tration of the banking laws of such State.

16           “(7) PART B PERSONAL SOCIAL SECURITY CON-  
17 TRIBUTION.—The term ‘part B personal social secu-  
18 rity contribution’ for any calendar year means an  
19 amount equal to the sum of—

20           “(A) the amount of the taxes imposed  
21 under section 3101(a) of the Internal Revenue  
22 Code of 1986 (without regard to subsection (d)  
23 thereof) on the wages paid to such individual  
24 during such calendar year, plus

1           “(B) 50 percent of the amount of the taxes  
2           imposed under section 1401(a) of such Code  
3           (without regard to subsections (d) and (e)  
4           thereof) on the self-employment income derived  
5           by such individual during the taxable year end-  
6           ing with or during such calendar year.

7           “(8) QUALIFIED SOCIAL SECURITY ANNUITY.—  
8           The term ‘qualified social security annuity’ is an an-  
9           nuity approved by the Board for purchase pursuant  
10          to section 254(d) with amounts available as part B  
11          benefits.

12          “(9) QUALIFIED SOCIAL SECURITY MUTUAL  
13          FUND.—The term ‘qualified social security mutual  
14          fund’ means an entity so designated pursuant to sec-  
15          tion 253.

16          “(10) RETIREMENT AGE.—The term ‘retire-  
17          ment age’ has the meaning provided under section  
18          216(l).

19          “(11) SOCIAL SECURITY ESCROW FUND.—The  
20          term ‘Social Security Escrow Fund’ means the fund  
21          established under section 201(a).

22   **“SEC. 252. ESTABLISHMENT AND MAINTENANCE OF PER-**  
23                           **SONAL SOCIAL SECURITY ACCOUNTS.**

24          “(a) FUNDING AND INVESTMENT OF PERSONAL SO-  
25          CIAL SECURITY ACCOUNTS.—

1           “(1) EMPLOYEES.—Not later than each due  
2           date for payment by any employer, pursuant to sub-  
3           title C of the Internal Revenue Code of 1986, of the  
4           taxes imposed under section 3101(a) of such Code  
5           on the wages paid to any participating individual,  
6           such employer shall—

7                   “(A) make the payment required under  
8                   subsection (b)(2)(B) to the participating indi-  
9                   vidual’s personal social security account estab-  
10                  lished under subsection (b)(1), and

11                  “(B) provide for investment, under the  
12                  terms of the account, of the amount paid to the  
13                  account in a qualified social security mutual  
14                  fund designated by such individual as provided  
15                  in subsection (d).

16           “(2) SELF-EMPLOYED PERSONS.—Not later  
17           than 15 days after each due date for payment of  
18           taxes imposed under section 1401 of the Internal  
19           Revenue Code of 1986 on self-employment income  
20           derived by any participating individual during any  
21           taxable year, such participating individual shall—

22                   “(A) pay an amount equal to such partici-  
23                   pating individual’s part B personal social secu-  
24                   rity contribution described in section 251(7)(B)  
25                   into such individual’s personal social security



1 account established pursuant to subsection  
2 (c)(1), and

3 “(B) provide for investment of such  
4 amount in a qualified social security mutual  
5 fund designated by such individual as provided  
6 in subsection (d).

7 “(3) EFFECT OF AUDITS OR ERRORS REGARD-  
8 ING TRANSFERS.—In the event of any transfer of an  
9 incorrect amount under this subsection, proper ad-  
10 justments shall be made in amounts subsequently  
11 transferred pursuant to this subsection to the extent  
12 the incorrect amount was in excess of or was less  
13 than the correct amount, in accordance with regula-  
14 tions prescribed by the Board.

15 “(b) ESTABLISHMENT OF ACCOUNTS BY EMPLOY-  
16 ERS.—

17 “(1) IN GENERAL.—Each employer shall estab-  
18 lish and maintain for each participating individual  
19 employed by such employer a personal social security  
20 account under a social security payroll deduction  
21 plan.

22 “(2) REQUIREMENTS OF PLAN.—For purposes  
23 of this part, the term ‘social security payroll deduc-  
24 tion plan’ means, in connection with a participating

1 individual, a written plan of an employer with re-  
2 spect to which the following requirements are met:

3 “(A) Such individual is an employee of  
4 such employer and the plan applies only with  
5 respect to wages paid by such employer to such  
6 individual.

7 “(B) Under such plan, the portion of such  
8 wages consisting of each such participating in-  
9 dividual’s part B personal social security con-  
10 tribution described in section 251(7)(A) for the  
11 calendar year will be deducted from such indi-  
12 vidual’s wages and paid to a personal social se-  
13 curity account maintained by such employer for  
14 such individual, in accordance with subsection  
15 (a)(1).

16 “(C) The employer receives no compensa-  
17 tion for the cost of administering such plan.

18 “(D) The employer does not make any en-  
19 dorsement with respect to any qualified social  
20 security mutual funds selected by the employer  
21 for purposes of investment under subsection (d)  
22 of amounts held in any personal social security  
23 account.

24 “(e) PARTICIPATION BY SELF-EMPLOYED INDIVID-  
25 UALS.—Each participating individual who receives self-

1 employment income for any taxable year beginning on or  
2 after January 1 of the calendar following the date of the  
3 enactment of the SMART Act of 2007 shall, in such form  
4 and manner as shall be prescribed in regulations of the  
5 Board, establish and maintain a personal social security  
6 account for purposes of holding and investing such partici-  
7 pating individual's part B personal social security con-  
8 tribution described in section 251(7)(B) for such taxable  
9 year, in accordance with subsection (a)(2).

10 “(d) INVESTMENT OF PERSONAL SOCIAL SECURITY  
11 ACCOUNT FUNDS.—

12 “(1) INVESTMENT IN QUALIFIED SOCIAL SECUR-  
13 RITY MUTUAL FUNDS.—Except as provided in para-  
14 graph (4), amounts held during any calendar year in  
15 a participating individual's personal social security  
16 account maintained by such individual's employer  
17 shall be invested during such year only in one quali-  
18 fied social security mutual fund designated by the  
19 participating individual to such employer in accord-  
20 ance with this subsection not later than November  
21 30 of the preceding year.

22 “(2) SELECTION OF FUNDS BY EMPLOYERS.—

23 “(A) IN GENERAL.—Except as provided in  
24 paragraph (4), in connection with the invest-  
25 ment of amounts held during any calendar year

1 in personal social security accounts maintained  
2 by an employer, such employer shall select, not  
3 later than November 1 of the preceding year, 5  
4 qualified social security mutual funds from  
5 among which the participating individual for  
6 whom each account is maintained may make  
7 the designations required under paragraph (1).  
8 During the 15-day period beginning on such  
9 November 1, each employer shall provide to  
10 each participating individual employed by such  
11 employer during such period a current pro-  
12 spectus regarding each of the 5 qualified social  
13 security mutual funds selected by the employer,  
14 together with such supplemental information as  
15 may be selected by the employer and such infor-  
16 mation as may be required by the Board.

17 “(B) DEFAULT FUND.—The employer  
18 shall designate one of the qualified social secu-  
19 rity mutual funds selected pursuant to subpara-  
20 graph (A) as the default fund. In the case of  
21 the failure of a participating individual to make  
22 a timely designation of a qualified social secu-  
23 rity mutual fund pursuant to paragraph (1),  
24 the individual shall be deemed to have des-  
25 ignated the default fund as the qualified social

1 security mutual fund in which amounts held in  
2 the individual's personal social security account  
3 will be invested.

4 “(3) SELF-EMPLOYED INDIVIDUALS.—

5 “(A) GENERAL RULE.—Except as provided  
6 in paragraph (4), in the case of amounts held  
7 by any participating individual in a personal so-  
8 cial security account maintained pursuant to  
9 subsection (c) during any calendar year, the  
10 participating individual shall invest such  
11 amounts during such calendar year in one  
12 qualified social security mutual fund designated  
13 by such individual not later than November 30  
14 preceding such year, in such form and manner  
15 as shall be prescribed by the Board. In any case  
16 in which any such participating individual does  
17 not make a timely designation in accordance  
18 with the preceding sentence with respect to  
19 amounts held during any calendar year, the  
20 terms governing the personal social security ac-  
21 count shall provide for designation of a quali-  
22 fied social security mutual fund as the default  
23 mutual fund in which amounts held in the ac-  
24 count will be invested.

1           “(B) TREATMENT OF SELF-EMPLOYED IN-  
2           DIVIDUALS WHO ARE EMPLOYERS.—Notwith-  
3           standing subparagraph (A), in any case in  
4           which a participating individual described in  
5           subparagraph (A) in connection with investment  
6           of amounts described in subparagraph (A) dur-  
7           ing any calendar year is an employer of partici-  
8           pating individuals who has, pursuant to para-  
9           graph (2), selected qualified social security mu-  
10          tual funds for investment by such participating  
11          individuals during such calendar year, any des-  
12          ignation by such employer under subparagraph  
13          (A) of a qualified social security mutual fund  
14          for investment of such amounts described in  
15          subparagraph (A) during such calendar year  
16          shall be from those qualified social security mu-  
17          tual funds so selected pursuant to paragraph  
18          (2).

19          “(4) NEWLY ESTABLISHED ACCOUNTS.—In the  
20          case of a newly established personal social security  
21          account maintained by an employer for an employee  
22          pursuant to subsection (b) or by a self-employed in-  
23          dividual pursuant to subsection (c), the requirements  
24          of the preceding paragraphs of this subsection shall  
25          be treated as satisfied in a timely manner with re-

1 spect to amounts held in the account during the cal-  
2 endar year in which the account is established and  
3 the next following calendar year if such amounts are  
4 invested as otherwise provided in such paragraphs  
5 within 30 days after the date of the establishment  
6 of such account.

7 “(e) MULTIPLE PERSONAL SOCIAL SECURITY AC-  
8 COUNTS.—

9 “(1) IN GENERAL.—In any case in which—

10 “(A) payments are required to be made  
11 under subsection (b)(1) during any calendar  
12 year by 2 or more employers in connection with  
13 the same participating individual, or

14 “(B) payments are required to be made  
15 during any calendar year by 1 or more employ-  
16 ers under subsection (b)(1) in connection with  
17 a participating individual and by such partici-  
18 pating individual under subsection (c)(1),

19 separate personal social security accounts may be  
20 maintained by or for such participating individual  
21 for purposes of accepting payments made by each  
22 employer and by the participating individual.

23 “(2) MERGER OF ACCOUNTS.—The Board shall  
24 prescribe by regulation procedures by which a par-  
25 ticipating individual may merge 2 or more personal

1 social security accounts of such participating indi-  
2 vidual into a single personal social security account.

3 “(f) TRANSFERS BETWEEN ACCOUNTS UPON TERMI-  
4 NATION OF EMPLOYMENT.—

5 “(1) IN GENERAL.—Not later than 90 days  
6 after the date of the termination of employment of  
7 a participating individual by an employer, such indi-  
8 vidual shall, in accordance with regulations of the  
9 Board, arrange for disinvestment of amounts held in  
10 the personal social security account established by  
11 such employer for such individual and transfer of  
12 the amounts held in such account to—

13 “(A) any personal social security account  
14 established by the employer in connection with  
15 subsequent employment of such individual com-  
16 mencing within such 90-day period, or

17 “(B) in any case in which, during such 90-  
18 day period, no personal social security account  
19 is established in connection with subsequent  
20 employment of such individual, a personal social  
21 security account established by such individual  
22 as provided in subsection (b)(1) as if such indi-  
23 vidual were self-employed.

24 “(2) DISREGARD OF CERTAIN BREAKS IN SERV-  
25 ICE.—The Board shall provide rules for determining



1 whether an individual’s employment has been termi-  
2 nated for purposes of this subsection under which  
3 breaks in service for any period occurring on a sea-  
4 sonal or other regular basis each year are dis-  
5 regarded in the case of any type of service with re-  
6 spect to which the customary period of employment  
7 during each calendar year excludes such period.

8 “(3) PROCEDURE.—In accordance with regula-  
9 tions of the Board, in the case of any termination  
10 of employment by an employer of a participating em-  
11 ployee, the terms of the personal social security ac-  
12 count of the participating employee maintained by  
13 such employer and of the qualified social security  
14 mutual fund designated for purposes of investment  
15 of amounts held in such account shall provide for  
16 any disinvestment and transfer required under para-  
17 graph (1).

18 “(g) DISTRIBUTIONS.—Distributions of amounts held  
19 in personal social security accounts (other than reasonable  
20 investment fees and administrative expenses) shall be  
21 made—

22 “(1) only as provided in section 254(d) (except  
23 as otherwise provided in section 254(e)), or

24 “(2) for purposes of effecting mergers of ac-  
25 counts pursuant to subsection (e)(2) or transfers to

1 other personal social security accounts pursuant to  
2 subsection (f).

3 “(h) **PROPERTY RIGHTS OF PARTICIPATING INDI-**  
4 **VIDUAL.**—Amounts held in a participating individual’s  
5 personal social security account—

6 “(1) are the property of such participating indi-  
7 vidual, and

8 “(2) except as provided in subsections (e)(2)  
9 and (f)(3) of section 254, shall not be transferrable  
10 or assignable, at law or in equity, and shall not be  
11 subject to execution, levy, attachment, garnishment,  
12 or other legal process, or to the operation of any  
13 bankruptcy or insolvency law.

14 **“SEC. 253. DESIGNATION OF QUALIFIED SOCIAL SECURITY**  
15 **MUTUAL FUNDS.**

16 “(a) **IN GENERAL.**—The Board shall establish a pro-  
17 gram for designating entities as qualified social security  
18 mutual funds for purposes of investment of amounts held  
19 in personal social security accounts.

20 “(b) **APPLICATION PROCESS.**—An entity may be des-  
21 ignated by the Board as a qualified social security mutual  
22 fund only upon the filing by such entity of an application  
23 to the Board at such time, in such manner, and containing  
24 such information as the Board may require.

1       “(c) MINIMUM QUALIFICATIONS OF QUALIFIED SO-  
2       CIAL SECURITY MUTUAL FUNDS.—

3               “(1) IN GENERAL.—An entity may be des-  
4       ignated by the Board as a qualified social security  
5       mutual fund only if such entity—

6                       “(A) is an investment company;

7                       “(B) is registered with the Securities and  
8       Exchange Commission as an investment com-  
9       pany and has been so registered for no fewer  
10      than 10 years;

11                      “(C) has been publicly traded or available  
12      to the public for purchase and redemption for  
13      no fewer than 10 years;

14                      “(D) at the time of application, has a mar-  
15      ket capitalization of at least \$100,000,000;

16                      “(E) has not been subject to civil or crimi-  
17      nal penalty with respect to its securities or in-  
18      vestment operations by any government agency  
19      within the past 10 years; and

20                      “(F) is managed by a corporation, partner-  
21      ship, limited liability company, or other person  
22      that—

23                               “(i) is incorporated, created, or orga-  
24      nized in the United States, and

1                   “(ii) has not been subject to civil or  
2                   criminal penalty with respect to its securi-  
3                   ties or investment operations by any gov-  
4                   ernment agency within the past 10 years.

5                   “(2) INVESTMENT COMPANY.—For purposes of  
6                   this subsection, the term ‘investment company’ has  
7                   the meaning provided in section 3 of the Investment  
8                   Company Act of 1940.

9                   “(d) OPERATIONAL REQUIREMENTS OF QUALIFIED  
10                  SOCIAL SECURITY MUTUAL FUNDS.—Each qualified so-  
11                 cial security mutual fund shall—

12                 “(1) comply with all regulations prescribed by  
13                 the Board;

14                 “(2) enter into any agreement with the Board  
15                 that the Board may require;

16                 “(3) provide the Commissioner of Social Secu-  
17                 rity with such information as the Commissioner may  
18                 require to meet the requirements of section 254(b);

19                 “(4) comply with all securities laws (as defined  
20                 in section 3(a)(47) of the Securities Exchange Act  
21                 of 1934);

22                 “(5) comply with the fiduciary standards estab-  
23                 lished by section 404(a) of the Employee Retirement  
24                 Income Security Act of 1974 (29 U.S.C. 1104(a));

1           “(6) maintain its registration described in sub-  
2           section (c)(1);

3           “(7) invest in the securities of no fewer than 50  
4           issuers;

5           “(8) allow no single security to account for  
6           more than 5 percent of the fund’s net asset value;

7           “(9) invest solely in securities issued by cor-  
8           porations, trusts, partnerships, or limited liability  
9           companies whose principal place of business is lo-  
10          cated in the United States (or, in the case of invest-  
11          ments made in investment companies, solely in in-  
12          vestment companies in which at least 90 percent of  
13          the underlying securities are those of corporations,  
14          trusts, partnerships, or limited liability companies  
15          whose principal place of business is located in the  
16          United States);

17          “(10) not invest in government securities;

18          “(11) provide quarterly statements to each par-  
19          ticipating individual invested in the qualified social  
20          security mutual fund of the value of the partici-  
21          pating individual’s investment and the change in  
22          value during the preceding quarter and preceding  
23          year (if applicable); and

1           “(12) provide to the Board (in a form pre-  
2           scribed by the Board) at least the following informa-  
3           tion—

4                   “(A) not later than March 1 of each cal-  
5                   endar year, the value of each participating indi-  
6                   vidual’s investment in the qualified social secu-  
7                   rity mutual fund at the end of the preceding  
8                   calendar year;

9                   “(B) within 30 days after any transfer to  
10                   another qualified social security mutual fund,  
11                   notification of such transfer; and

12                   “(C) within 30 days after any distribution  
13                   to a participating individual, notification of  
14                   such distribution.

15           “(e) REQUIRED NUMBER AND TYPES OF QUALIFIED  
16           SOCIAL SECURITY MUTUAL FUNDS.—

17                   “(1) MINIMUM NUMBER.—The Board shall take  
18                   such actions as are necessary to maintain a number  
19                   of entities designated as qualified social security mu-  
20                   tual funds of not fewer than 150.

21                   “(2) TYPE.—The Board shall ensure that, of  
22                   entities which are currently designated qualified so-  
23                   cial security mutual funds as of any time—

24                   “(A) not fewer than 75 maintain a port-  
25                   folio invested solely in common stocks; and

1           “(B) not fewer than 50 maintain a port-  
2           folio invested in a mix of bonds and debentures  
3           and common stocks such that at least 50 per-  
4           cent (by value) is invested in common stocks.

5           “(f) CRITERIA FOR DESIGNATION AS QUALIFIED SO-  
6           CIAL SECURITY MUTUAL FUND.—

7           “(1) LIMITATION ON COMMON INVESTMENT  
8           MANAGERS.—Under regulations which shall be pre-  
9           scribed by the Board, not more than 15 entities  
10          managed by the same investment manager may be  
11          currently treated as of any time as qualified social  
12          security mutual funds. For purposes of this para-  
13          graph, the reference to an investment manager shall  
14          include a reference to any affiliated person thereof  
15          (as defined in section 2(a)(3) of the Investment  
16          Company Act of 1940).

17          “(2) CRITERIA FOR DESIGNATION.—In deter-  
18          mining whether to designate an entity as a qualified  
19          social security mutual fund, the Board shall include  
20          in matters taken into account at least the following:

21                  “(A) the investment fees and administra-  
22                  tive expenses that such entity will incur;

23                  “(B) the financial performance of such en-  
24                  tity;

1           “(C) appropriateness of the entity’s diver-  
2           sification; and

3           “(D) the administrative efficiency and ac-  
4           curacy of the entity.

5           “(3) ADDITIONAL CRITERIA.—The Board may  
6           establish additional criteria for designation as a  
7           qualified social security mutual fund and shall pub-  
8           lish such criteria in advance of initiating the applica-  
9           tion process.

10          “(g) ENFORCEMENT; LOSS OF DESIGNATION AS  
11          QUALIFIED SOCIAL SECURITY MUTUAL FUND.—

12           “(1) LOSS OF DESIGNATION FOR NON-COMPLI-  
13           ANCE.—The Board shall withdraw the designation of  
14           any entity as a qualified social security mutual fund  
15           if the entity fails to substantially comply with this  
16           section. Any such withdrawal shall be effective im-  
17           mediately upon a finding of non-compliance by the  
18           Board, after notice and opportunity for an adminis-  
19           trative hearing.

20           “(2) INTERMEDIATE OR ADDITIONAL SANC-  
21           TIONS.—

22           “(A) IN GENERAL.—The Board may im-  
23           pose fines on any person who manages a quali-  
24           fied social security mutual fund for any viola-  
25           tion of this section with respect to such fund.



1 Any such fine may not exceed the investment  
2 fees and other income to such person arising  
3 from the management of the qualified social se-  
4 curity mutual fund for the 3 preceding calendar  
5 years (or, in the case of a qualified social secu-  
6 rity mutual fund that has not been so des-  
7 ignated for the 3 preceding years, 3 times the  
8 projected or actual investment fees and other  
9 income arising from the management of the  
10 qualified social security mutual fund for the  
11 most recent calendar year for which such fund  
12 was so designated). Such fines may be imposed  
13 in addition to loss of designation as a qualified  
14 social security mutual fund or in lieu of loss of  
15 such designation, at the discretion of the  
16 Board.

17 “(B) ENFORCEMENT.—The Board may  
18 bring a civil action against any person referred  
19 to in subparagraph (A) to enforce any fine im-  
20 posed under such subparagraph. Such action  
21 may be brought in the United States District  
22 Court for the District of Columbia or in any  
23 district court of the United States within the  
24 jurisdiction of which such person resides or  
25 does business, and process may be served in

1           any district where such person resides, does  
2           business, or may be found.

3           “(3) LOSS OF DESIGNATION FOR POOR PER-  
4           FORMANCE.—The Board may withdraw the designa-  
5           tion of those qualified social security mutual funds,  
6           equal in number to 10 percent of the total number  
7           of qualified social security mutual funds, determined  
8           annually by the Board to be the lowest performing,  
9           except that the designation of any such fund may be  
10          withdrawn under this paragraph only if the Board  
11          determines that the entity that would be newly des-  
12          ignated by the Board as a replacement would be  
13          more qualified. The determination of performance  
14          shall be made by comparing total return, taking into  
15          account, together with any other factors determined  
16          relevant by the Board, all investment income, gains  
17          or losses, administrative expenses, and investment  
18          fees over a period of time to be determined by the  
19          Board. A withdrawal under this paragraph shall be  
20          effective at the end of the calendar year in which the  
21          withdrawal determination is made, after notice and  
22          opportunity for an administrative hearing.

23          “(4) TRANSFERS.—The Board shall seek in-  
24          structions by mail from all participating individuals  
25          whose personal social security account is invested, in

1 whole or in part, in a qualified social security mu-  
2 tual fund that has had its designation withdrawn  
3 pursuant to paragraph (1) or (3) regarding other  
4 qualified social security mutual funds to which the  
5 participating individual would like the invested funds  
6 transferred. If such instructions are not received by  
7 the Board within 45 days (in case of a withdrawal  
8 of designation under paragraph (1)) or within 1 year  
9 (in the case of a withdrawal of designation under  
10 paragraph (3)), then the distribution shall be made  
11 to a randomly selected qualified social security mu-  
12 tual fund that is invested in a mix of bonds and de-  
13 bentures and common stocks such that at least 80  
14 percent (by value) is invested in common stocks.

15 **“SEC. 254. DISTRIBUTION OF SOCIAL SECURITY RETIRE-**  
16 **MENT BENEFITS.**

17 “(a) ELECTION OF PART A RETIREMENT BENEFITS  
18 IN LIEU OF PART B BENEFITS AT RETIREMENT.—

19 “(1) IN GENERAL.—Unless a participating indi-  
20 vidual elects, not later than 30 days after the date  
21 on which such individual attains retirement age (and  
22 not later than the date on which such individual  
23 commences distribution from his or her personal so-  
24 cial security account as provided in subsection (d),  
25 if such date is earlier than the date on which such

1 individual attains retirement age), part A retirement  
2 benefits based on such individual's wages and self-  
3 employment income, such individual shall be deemed  
4 to have elected to receive part B benefits and to  
5 have forfeited any entitlement of such individual or  
6 such individual's wife, husband, divorced wife, or di-  
7 vorced husband to such part A retirement benefits.  
8 Any such election may be made only in a form and  
9 manner which shall be prescribed by the Commis-  
10 sioner of Social Security. If such individual makes a  
11 timely election of part A retirement benefits, such  
12 individual shall be deemed to have forfeited such in-  
13 dividual's part B benefits. No such election of part  
14 A retirement benefits may be made by any individual  
15 attaining retirement age after the end of the period  
16 of 42 calendar years following the date of the enact-  
17 ment of the SMART Act of 2007. Any such election  
18 shall be effective only if it is in writing and signed  
19 by the participating individual, his or her wife or  
20 husband (if any), and each divorced wife or divorced  
21 husband of such individual (if any). A deemed elec-  
22 tion of part B benefits under this paragraph shall  
23 take effect only upon the mailing of a written notice  
24 of such deemed election to the spouse (if any) and  
25 each former spouse (if any) of such deemed election,

1 in such form as shall be prescribed by the Commis-  
2 sioner, to the last known mailing address of such  
3 spouse or former spouse.

4 “(2) DISPOSITION OF PART B BENEFITS OF  
5 PARTICIPATING INDIVIDUALS ELECTING PART A RE-  
6 TIREMENT BENEFITS.—Not later than 30 days after  
7 an election by a participating individual under para-  
8 graph (1) of part A retirement benefits, the Com-  
9 missioner of Social Security shall notify the qualified  
10 social security mutual fund in which amounts held  
11 in any personal social security account of such indi-  
12 vidual are invested that such individual has elected  
13 part A retirement benefits. Not later than 30 days  
14 after receiving such notice, the qualified social secu-  
15 rity mutual fund shall transfer the amount of such  
16 individual’s part B benefits to the Social Security  
17 Escrow Fund, and such amount shall be treated as  
18 a part of the balance of such Fund.

19 “(b) INFORMATION TO BE PROVIDED TO PARTICI-  
20 PATING INDIVIDUALS.—

21 “(1) IN GENERAL.—During—

22 “(A) the 90-day period beginning 180 days  
23 before the date on which any participating indi-  
24 vidual attains retirement age, and

1           “(B) the 90-day period following a request  
2           filed by a participating individual with the Com-  
3           missioner, in such form and manner as shall be  
4           prescribed by the Commissioner, after 180 days  
5           before the date on which the individual attains  
6           age 62,

7           the Commissioner of Social Security shall provide  
8           such individual with a retirement distribution esti-  
9           mate described in paragraph (2). The Commissioner  
10          shall not be required to respond to more than 1 re-  
11          quest described in subparagraph (B) made by a par-  
12          ticipating individual during any 1-year period.

13           “(2) RETIREMENT DISTRIBUTION ESTIMATE.—  
14          The retirement distribution estimate described in  
15          this paragraph is the Commissioner’s written esti-  
16          mate of—

17           “(A) the part A retirement benefits that  
18           the participating individual would receive, and  
19           the part A retirement benefits that any other  
20           individual would receive on the basis of the  
21           wages and self-employment income of such par-  
22           ticipating individual, if the participating indi-  
23           vidual elected part A retirement benefits pursu-  
24           ant to subsection (a);

1           “(B) the part B benefits that the partici-  
2           pating individual would receive (including any  
3           transitional part A retirement benefits under  
4           subsection (e) of such participating individual  
5           and each individual receiving on the basis of  
6           such participating individual’s wages and self-  
7           employment income) if such participating indi-  
8           vidual does not make an election of part A re-  
9           tirement benefits pursuant to subsection (a);

10           “(C) the estimated amount of the median  
11           qualified social security annuity that the part B  
12           benefits could purchase, given the current in-  
13           surance market, if such benefits were used en-  
14           tirely to purchase such an annuity; and

15           “(D) the maximum permissible annual  
16           withdrawal of such part B benefits allowable  
17           under subsection (d).

18           “(e) TRANSITIONAL PART A RETIREMENT BENE-  
19           FITS.—Notwithstanding subsection (a), a participating in-  
20           dividual born before 1968 who does not elect part A retire-  
21           ment benefits pursuant to subsection (a), and each indi-  
22           vidual who would be entitled to any such benefit on the  
23           basis of such participating individual’s wages and self-em-  
24           ployment income if such participating individual had made  
25           such an election, shall be entitled to a transitional part

1 A retirement benefit. The transitional part A retirement  
 2 benefit shall be equal to the product of the part A retire-  
 3 ment benefit that would have been received if such an elec-  
 4 tion had been made and the part A retirement benefit per-  
 5 centage set forth in connection with the participating indi-  
 6 vidual's year of birth, as set forth in the following table:

<b>“If the year of birth is:</b>	<b>The part A retire- ment benefit percentage is:</b>
1944 .....	98 percent
1945 .....	96 percent
1946 .....	94 percent
1947 .....	92 percent
1948 .....	90 percent
1949 .....	87 percent
1950 .....	84 percent
1951 .....	81 percent
1952 .....	78 percent
1953 .....	75 percent
1954 .....	71 percent
1955 .....	67 percent
1956 .....	63 percent
1957 .....	59 percent
1958 .....	55 percent
1959 .....	50 percent
1960 .....	45 percent
1961 .....	40 percent
1962 .....	35 percent
1963 .....	30 percent
1964 .....	24 percent
1965 .....	18 percent
1966 .....	12 percent
1967 .....	6 percent

7 “(d) DISTRIBUTIONS OF PART B BENEFITS AND  
 8 DISTRIBUTION LIMITS.—

9 “(1) IN GENERAL.—Subject to the limitations  
 10 provided in this subsection, a participating indi-  
 11 vidual who has not made a timely election of part A  
 12 retirement benefits under subsection (a) may with-



1 draw from any personal social security account of  
2 such individual all or any portion of the balance in  
3 such account.

4 “(2) MINIMUM AGE FOR WITHDRAWAL.—With-  
5 draws by an individual from such individual’s per-  
6 sonal social security account may be made only after  
7 such individual has attained age 62.

8 “(3) ANNUAL 10-PERCENT LIMITATION.—

9 “(A) IN GENERAL.—Except as provided in  
10 subsection (f) and paragraph (4), the maximum  
11 permissible total withdrawal during any 1-year  
12 period by a participating individual from all of  
13 such individual’s personal social security ac-  
14 counts is 10 percent of the aggregate value of  
15 the amounts held in such accounts at the close  
16 of the preceding calendar year.

17 “(B) LIMITATION WITH RESPECT TO  
18 QUALIFIED SOCIAL SECURITY MUTUAL FUND.—  
19 The terms governing the qualified social secu-  
20 rity mutual fund in which are invested a par-  
21 ticipating individual’s part B benefits held in  
22 any personal social security account shall pro-  
23 hibit distributions to such individual during any  
24 1-year period of such part B benefits to the ex-  
25 tent that the total amount of such distributions

1 exceed 10 percent of the value of the part B  
2 benefits held in such account at the close of the  
3 preceding calendar year.

4 “(C) INTERCHANGE OF INFORMATION.—  
5 The Board shall provide by regulation for the  
6 interchange of information between the man-  
7 agers of personal social security accounts and  
8 between qualified social security mutual funds  
9 that is necessary to implement the requirements  
10 of this paragraph.

11 “(4) PURCHASE OF QUALIFIED SOCIAL SECUR-  
12 RITY ANNUITIES.—

13 “(A) IN GENERAL.—Notwithstanding the  
14 paragraph (3), a participating individual may  
15 use any withdrawal permitted under paragraph  
16 (2) to purchase, in accordance with regulations  
17 which shall be prescribed by the Board, a quali-  
18 fied social security annuity.

19 “(B) QUALIFIED SOCIAL SECURITY ANNU-  
20 ITY.—For purposes of this paragraph, the term  
21 ‘qualified social security annuity’ means an an-  
22 nuity contract between an insurance company  
23 and a participating individual that complies  
24 with the following requirements:

1           “(i) The annuity contract is offered  
2           by an insurance company whose principal  
3           place of business is located in the United  
4           States.

5           “(ii) The annuity contract is offered  
6           by an insurance company approved for its  
7           safety and soundness by the Board.

8           “(iii) The insurance company entering  
9           into the annuity contract has insured the  
10          risk that it will be unable to meet its obli-  
11          gations with a reinsurance company (whose  
12          principal place of business may be located  
13          inside or outside the United States) that  
14          will meet the obligations of the primary in-  
15          surer in the event it cannot and has been  
16          approved by the Board for its safety and  
17          soundness.

18          “(iv) If the annuitant is a married  
19          person at the time of the issuance of the  
20          annuity, the annuity is in the form of a  
21          qualified joint and survivor annuity. For  
22          purposes of this clause, the term ‘qualified  
23          joint and survivor annuity’ means an annu-  
24          ity—

1                   “(I) which is for the life of the  
2                   participating individual, with a sur-  
3                   vivor annuity for the life of the spouse  
4                   which is not less than 50 percent of  
5                   (and is not greater than 100 percent  
6                   of) the amount of the annuity which  
7                   is payable during the joint lives of the  
8                   participating individual and the  
9                   spouse, and

10                   “(II) which is the actuarial  
11                   equivalent of a single annuity for the  
12                   life of the participating individual.

13                   “(v) The terms of the annuity con-  
14                   tract must have been approved as fair and  
15                   reasonable by the Board.

16                   “(e) PART B BENEFITS SUBJECT TO DOMESTIC RE-  
17                   LATIONS ORDERS.—

18                   “(1) IN GENERAL.—A participating individual’s  
19                   part B benefits (including any qualified social secu-  
20                   rity annuity purchased with part B benefits) shall be  
21                   subject to, and payable in accordance with the re-  
22                   quirements of, any qualified domestic relations  
23                   order.

24                   “(2) QUALIFIED DOMESTIC RELATIONS  
25                   ORDER.—For purposes of this subsection—

1           “(A) IN GENERAL.—The term ‘qualified  
2 domestic relations order’ means a domestic rela-  
3 tions order—

4           “(i) which creates or recognizes the  
5 existence of an alternate payee’s right to,  
6 or assigns to an alternate payee the right  
7 to, receive all or a portion of the part B  
8 benefits payable with respect to a partici-  
9 pating individual, and

10           “(ii) with respect to which the re-  
11 quirements of paragraphs (3) and (4) are  
12 met.

13           “(B) DOMESTIC RELATIONS ORDER.—The  
14 term ‘domestic relations order’ means any judg-  
15 ment, decree, or order (including approval of a  
16 property settlement agreement) which—

17           “(i) relates to the provision of child  
18 support, alimony payments, or marital  
19 property rights to a spouse, former spouse,  
20 child, or other dependent of a participating  
21 individual, and

22           “(ii) is made pursuant to a State do-  
23 mestic relations law (including a commu-  
24 nity property law).

1           “(3) REQUIREMENTS.—A domestic relations  
2 order meets the requirements of this paragraph only  
3 if—

4                   “(A) such order clearly specifies—

5                           “(i) the name and the last known  
6 mailing address (if any) of the partici-  
7 pating individual and the name and mail-  
8 ing address of each alternate payee covered  
9 by the order,

10                           “(ii) the amount or percentage of the  
11 participating individual’s part B benefits to  
12 be paid from the participating individual’s  
13 personal social security account (including  
14 any qualified social security mutual fund in  
15 which they are invested) or qualified social  
16 security annuity to each such alternate  
17 payee, or the manner in which such  
18 amount or percentage is to be determined,

19                           “(iii) the number of payments or pe-  
20 riod to which such order applies, and

21                           “(iv) each personal social security ac-  
22 count or qualified social security annuity to  
23 which such order applies, and

24                   “(B) such order is directed at—

1           “(i) one or more qualified social secu-  
2           rity mutual funds in which amounts cred-  
3           ited to the participating individual’s per-  
4           sonal social security account are invested,  
5           or

6           “(ii) if some or all of the participating  
7           individual’s part B benefits have been used  
8           to purchase a qualified social security an-  
9           nuity, the insurance company offering such  
10          annuity.

11          “(4) REQUIRED SCOPE.—A domestic relations  
12          order meets the requirements of this paragraph only  
13          if such order—

14               “(A) does not require the provision of any  
15               type or form of benefit, or any option, not oth-  
16               erwise provided under the terms of the personal  
17               social security account (including the qualified  
18               social security mutual fund) or the qualified so-  
19               cial security annuity,

20               “(B) does not require payments from the  
21               account or annuity of increased benefits (deter-  
22               mined on the basis of actuarial value), and

23               “(C) does not require the payment of part  
24               B benefits to an alternate payee which are re-  
25               quired to be paid to another alternate payee

1           under another order previously determined to  
2           be a qualified domestic relations order.

3           “(5) TIMING AND FORM REQUIREMENTS.—A  
4           domestic relations order shall not be treated as fail-  
5           ing to meet the requirements of subparagraph (A) of  
6           paragraph (4) solely because such order requires  
7           that payment of benefits be made to an alternate  
8           payee—

9                   “(A) on or after the date on which the par-  
10                  participating attains (or would have attained) re-  
11                  tirement age,

12                   “(B) as if the participating individual had  
13                  attained retirement age on the date on which  
14                  such payment is to begin under such order (but  
15                  taking into account only the present value of  
16                  benefits actually accrued), and

17                   “(C) in any form in which such benefits  
18                  may be paid to the participating individual  
19                  under this part (other than in the form of a  
20                  joint and survivor annuity with respect to the  
21                  alternate payee and his or her subsequent  
22                  spouse).

23           “(6) RESPONSIBILITIES OF QUALIFIED SOCIAL  
24           SECURITY MUTUAL FUNDS AND INSURANCE COMPA-  
25           NIES.—



1           “(A) ACTIONS REQUIRED UPON RECEIPT  
2 OF ORDER.—In the case of any domestic rela-  
3 tions order received by any person that is a  
4 qualified social security mutual fund or insur-  
5 ance company referred to in paragraph (3)(B)  
6 with respect to a personal social security ac-  
7 count maintained for a participating indi-  
8 vidual—

9           “(i) such person shall promptly notify  
10 the participating individual and each alter-  
11 nate payee of the receipt of such order and  
12 such person’s procedures for determining  
13 the qualified status of domestic relations  
14 orders, and

15           “(ii) within a reasonable period after  
16 receipt of such order, such person shall de-  
17 termine whether such order is a qualified  
18 domestic relations order and notify the  
19 participant and each alternate payee of  
20 such determination.

21           “(B) PROCEDURES FOR DETERMINING  
22 QUALIFIED STATUS.—Each person referred to  
23 in subparagraph (A) shall establish reasonable  
24 procedures to determine the qualified status of  
25 domestic relations orders with respect to per-

1           sonal social security accounts and to administer  
2           distributions of part B benefits under such  
3           qualified orders. Such procedures—

4                   “(i) shall be in writing,

5                   “(ii) shall provide for the notification  
6                   of each alternate payee specified in a do-  
7                   mestic relations order as entitled to pay-  
8                   ment of part B benefits with respect to the  
9                   personal social security account (at the ad-  
10                  dress included in the domestic relations  
11                  order) of such procedures promptly upon  
12                  receipt by such person of the domestic re-  
13                  lations order, and

14                  “(iii) shall permit an alternate payee  
15                  to designate a representative for receipt of  
16                  copies of notices that are sent to the alter-  
17                  nate payee with respect to a domestic rela-  
18                  tions order.

19           “(f) DISTRIBUTION UPON DEATH OF PARTICIPATING  
20   INDIVIDUAL.—

21                   “(1) IN GENERAL.—If the participating indi-  
22                   vidual dies before all amounts consisting of such in-  
23                   dividual’s part B benefits held in a personal social  
24                   security account are otherwise distributed in accord-  
25                   ance with this section, subject to paragraph (3),

1 such amounts shall be distributed, under regulations  
2 which shall be prescribed by the Board—

3 “(A) in any case in which one or more  
4 beneficiaries have been designated in advance,  
5 to such beneficiaries in accordance with such  
6 designation as provided in such regulations, and

7 “(B) in the case of any amount not distrib-  
8 uted as described in paragraph (1), to such in-  
9 dividual’s estate.

10 “(2) SPOUSAL RIGHTS.—Notwithstanding any  
11 beneficiary designation made by a participating indi-  
12 vidual pursuant to paragraph (1), subject to para-  
13 graph (3), a surviving spouse of the participating in-  
14 dividual shall be entitled to not less than one half of  
15 the deceased participating individual’s part B bene-  
16 fits payable from the personal social security ac-  
17 count. In any case in which compliance with the pre-  
18 ceding sentence results in remaining amounts in the  
19 personal social security account which are insuffi-  
20 cient to provide for distribution to other beneficiaries  
21 as provided in the terms governing the account, dis-  
22 tributions to such other beneficiaries shall be re-  
23 duced as necessary on a pro rata basis.

24 “(3) APPLICATION TOWARDS DEBTS.—Upon  
25 the death of the accountholder for a personal social

1 security account, the amount in such account shall  
2 be passed through to the estate of such deceased  
3 accountholder and, as part of such estate, shall be  
4 available, in accordance with State law, to pay debts  
5 of the accountholder, including debts of medical  
6 creditors of the accountholder.

7 **“SEC. 255. ENFORCEMENT OF CONTRIBUTION REQUIRE-**  
8 **MENTS.**

9 “(a) **PENALTIES FOR FAILURE TO ESTABLISH SO-**  
10 **CIAL SECURITY PAYROLL DEDUCTION PLAN.**—Any em-  
11 ployer who fails to meet the requirements of section  
12 252(b) for any calendar year shall be subject to a civil  
13 penalty of not to exceed the greater of—

14 “(1) \$50,000, or

15 “(2) \$1,000 for each eligible individual of such  
16 employer as of the beginning of such calendar year.

17 “(b) **PENALTIES FOR FAILURE TO MAKE DEDUC-**  
18 **TIONS REQUIRED UNDER PLAN.**—Any employer who fails  
19 to timely deduct in full, pursuant to section 252(a)(1), the  
20 amount from the wages of a participating individual re-  
21 quired under an applicable social security payroll deduc-  
22 tion plan, shall be subject to a civil penalty of not to ex-  
23 ceed \$50 for each such failure.

1       “(c) PENALTIES FOR FAILURE TO PAY DEDUCTED  
2 WAGES TO INDIVIDUAL SOCIAL SECURITY RETIREMENT  
3 ACCOUNT.—

4           “(1) IN GENERAL.—Any employer who—

5               “(A) fails to timely pay in full, in accord-  
6               ance with section 252(a)(1), such individual’s  
7               part B personal social security contribution de-  
8               scribed in section 251(7)(B) to a personal social  
9               security account established and maintained for  
10              such individual pursuant to section 252(b), or

11              “(B) fails to timely provide for investment  
12              of any such amount, pursuant to section  
13              252(d),

14           shall be liable as described in paragraph (2).

15           “(2) LIABILITY.—In the case of any failure de-  
16           scribed in paragraph (1) by an employer to pay or  
17           invest any amount deducted from the wages of a  
18           participating individual under a social security pay-  
19           roll deduction plan, the employer—

20               “(A) shall be subject to a civil penalty of  
21               not to exceed 20 percent of the unpaid or  
22               uninvested amount, in addition to any penalty  
23               under subsection (a), and

24               “(B) shall be liable to the participating in-  
25               dividual for interest on the unpaid or

1 uninvested amount at a rate equal to 133 per-  
2 cent of the Federal short-term rate under sec-  
3 tion 1274(d)(1) of the Internal Revenue Code  
4 of 1986, calculated from the last day by which  
5 such amount was required to be so paid or in-  
6 vested to the date on which such amount is so  
7 paid or invested.

8 “(d) PENALTIES FOR FAILURE BY SELF-EMPLOYED  
9 INDIVIDUALS TO PAY CONTRIBUTIONS.—

10 “(1) IN GENERAL.—Any individual who—

11 “(A) fails to timely pay in full, as required  
12 under section 252(a)(2), such individual’s part  
13 B personal social security contribution de-  
14 scribed in section 251(7)(B) to a personal social  
15 security account established and maintained by  
16 such individual pursuant to section 252(e), or

17 “(B) fails to timely provide for investment  
18 of any such amount, pursuant to section  
19 252(d),

20 shall be liable as described in paragraph (2).

21 “(2) LIABILITY.—In the case of any failure de-  
22 scribed in paragraph (1) by an individual to pay an  
23 amount or provide for investment of such amount,  
24 the individual shall be subject to a civil penalty of  
25 not to exceed 20 percent of the unpaid or uninvested

1 amount, plus interest on the unpaid amount at a  
2 rate equal to 133 percent of the Federal short-term  
3 rate under section 1274(d)(1) of the Internal Rev-  
4 enue Code of 1986, calculated from the last day by  
5 which such amount was required to be so paid or in-  
6 vested to the date on which such amount is so paid  
7 or invested.

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

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

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

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

22 **“SEC. 256. PERSONAL ACCOUNTS MANAGEMENT AND RE-**  
23 **VIEW BOARD.**

24 “(a) PERSONAL ACCOUNTS MANAGEMENT AND RE-  
25 VIEW BOARD ESTABLISHED.—There is hereby estab-

1 lished, as an independent agency in the executive branch  
2 of the Government, a Personal Accounts Management and  
3 Review Board.

4 “(b) COMPOSITION AND APPOINTMENT.—

5 “(1) IN GENERAL.—The Board shall be com-  
6 prised of 9 trustees—

7 “(A) 3 of whom are Government trustees  
8 described in paragraph (2), and

9 “(B) 6 of whom are independent trustees  
10 appointed under paragraph (3).

11 “(2) GOVERNMENT TRUSTEES.—

12 “(A) IN GENERAL.—Of the Government  
13 trustees—

14 “(i) 1 trustee shall be an officer or  
15 employee of the Social Security Adminis-  
16 tration who shall be appointed by the Com-  
17 missioner of Social Security, shall serve at  
18 the pleasure of the Commissioner, and  
19 shall remain, while serving as a member,  
20 as an officer or employee of the Social Se-  
21 curity Administration,

22 “(ii) 1 trustee shall be the Secretary  
23 of the Treasury, who shall serve ex officio,  
24 and



1           “(iii) 1 trustee shall be an officer or  
2           employee of the Securities and Exchange  
3           Commission who shall be appointed by the  
4           Chairman of the Commission, shall serve  
5           at the pleasure of the Chairman of the  
6           Commission, and shall remain, while serv-  
7           ing as a member, as an officer or employee  
8           of the Commission.

9           “(B) NO ADDITIONAL COMPENSATION.—  
10          Government trustees shall receive no additional  
11          compensation for service on the Board, subject  
12          to paragraph (4).

13          “(3) INDEPENDENT TRUSTEES.—

14                 “(A) IN GENERAL.—The independent  
15          trustees shall be appointed by the President, by  
16          and with the advice and consent of the Senate,  
17          of whom one shall be designated by the Presi-  
18          dent as Chairman.

19                 “(B) LENGTH OF APPOINTMENTS.—

20                         “(i) TERMS.—An independent trustee  
21          shall be appointed for a term of 3 years,  
22          except that of the members first appointed  
23          under subparagraph (A)—

1           “(I) the Chairman and one other  
2 independent trustee shall be appointed  
3 for a term of 3 years,

4           “(II) two other independent  
5 trustees shall be appointed for a term  
6 of 2 years, and

7           “(III) the two remaining inde-  
8 pendent trustees shall be appointed  
9 for a term of one year.

10           “(ii) VACANCIES.—

11           “(I) IN GENERAL.—A vacancy on  
12 the Board shall be filled in the man-  
13 ner in which the original appointment  
14 was made and shall be subject to any  
15 conditions that applied with respect to  
16 the original appointment.

17           “(II) COMPLETION OF TERM.—  
18 An individual chosen to fill a vacancy  
19 shall be appointed for the unexpired  
20 term of the trustee replaced.

21           “(iii) EXPIRATION.—The term of any  
22 trustee shall not expire before the date on  
23 which the trustee’s successor takes office.

24           “(C) COMMENCEMENT OF TERMS.—The  
25 terms of the independent trustees first ap-

1           pointed under this paragraph shall commence  
2           on July 1 of the calendar year following the  
3           date of the enactment of the SMART Act of  
4           2007.

5           “(4) EXPENSES.—A trustee shall be paid travel,  
6           per diem, and other necessary expenses under  
7           subchapter I of chapter 57 of title 5 of the United  
8           States Code while traveling away from such trustee’s  
9           home or regular place of business in the performance  
10          of duties for the Board.

11          “(c) DUTIES.—The Personal Accounts Management  
12          and Review Board shall—

13                  “(1) operate the Social Security Escrow Fund;

14                  “(2) carry out its duties and responsibilities  
15          under this title;

16                  “(3) designate and regulate qualified social security  
17          mutual funds;

18                  “(4) designate and regulate qualified social security  
19          annuities; and

20                  “(5) make such recommendations to the President  
21          and the Congress as it may from time to time  
22          deem advisable with respect to the operation of the  
23          programs established under this title (relating to the  
24          old age, survivors, and disability insurance program  
25          and the personal social security savings program),

1 title VIII (relating to special benefits relating to cer-  
2 tain World War II veterans), title XVI (relating to  
3 supplemental security income for the aged, blind,  
4 and disabled), title XVIII (relating to Medicare),  
5 and title XIX (relating to Medicaid).

6 The power of the Board to regulate qualified social secu-  
7 rity mutual funds and qualified social security annuities  
8 shall not be construed to limit the regulatory authority  
9 of other Federal and State agencies that may regulate  
10 such funds or annuities.

11 “(d) SEAL.—The Board may adopt, alter, and use  
12 a seal.

13 “(e) EXERCISE OF POWERS.—

14 “(1) ACTION BY QUORUM.—The Board shall  
15 perform the duties and exercise the powers of the  
16 Board on a majority vote of a quorum of the Board.  
17 Two of the Government trustees plus four of the  
18 independent trustees shall constitute a quorum for  
19 the transaction of business.

20 “(2) VACANCIES.—A vacancy on the Board  
21 shall not impair the authority of a quorum of the  
22 Board to perform the functions and exercise the  
23 powers of the Board.

24 “(f) MEETINGS.—The Board shall meet—

25 “(1) not less than once during each month, and

1           “(2) at additional times at the call of the Chair-  
2           man or a quorum of the Board.

3           “(g) LIMITATIONS ON INVESTMENTS.—The Board  
4 may not direct any person to invest or to cause to be in-  
5 vested any amounts held in the personal social security  
6 account of any individual in a specific qualified social secu-  
7 rity mutual fund or to dispose of or cause to be disposed  
8 of any such investment.

9           “(h) DISCHARGE OF RESPONSIBILITIES.—The trust-  
10 ees shall discharge their responsibilities solely in the inter-  
11 est of the participating individuals and their beneficiaries  
12 under this part.”.

13           (b) SOCIAL SECURITY ESCROW FUND.—

14           (1) MERGER OF FEDERAL OLD-AGE AND SUR-  
15 VIVORS INSURANCE TRUST FUND AND FEDERAL DIS-  
16 ABILITY INSURANCE TRUST FUND INTO SOCIAL SE-  
17 CURITY ESCROW FUND.—Section 201 is amended by  
18 striking all that precedes subsection (g) and insert-  
19 ing the following:

20           “SOCIAL SECURITY ESCROW FUND

21           “Establishment of Social Security Escrow Fund

22           “SEC. 201. (a)(1) IN GENERAL.—There is estab-  
23 lished in the Treasury of the United States a trust fund  
24 to be known as the ‘Social Security Escrow Fund’.

25           “(2) BALANCE OF FUND.—

1           “(A) IN GENERAL.—Subject to subparagraph  
2 (B), the Social Security Escrow Fund shall consist  
3 of—

4           “(i) the securities held by the Federal Old-  
5 Age and Survivors Insurance Trust Fund and  
6 the Federal Disability Insurance Trust Fund  
7 and the amount standing to the credit of such  
8 Trust Funds on January 1, 2008, which securi-  
9 ties and amount the Secretary of the Treasury  
10 shall transfer to the Social Security Escrow  
11 Fund,

12           “(ii) such gifts and bequests as may be  
13 made as provided in subsection (i)(1), and

14           “(iii) all amounts transferred to or depos-  
15 ited into the Social Security Escrow Fund pur-  
16 suant to subsection (b).

17           “(B) INVESTMENTS AND DISBURSEMENTS.—  
18 The balance in the Social Security Escrow Fund  
19 shall reflect the performance of investments of  
20 amounts in the Social Security Escrow Fund attrib-  
21 utable to transferred or deposited amounts described  
22 in subparagraph (A) and reductions incurred  
23 through any disbursements from the Social Security  
24 Escrow Fund pursuant to subsection (d).

1       “(3) TRUSTEES.—The Personal Accounts Manage-  
2 ment and Review Board (hereinafter in this section re-  
3 ferred to as the ‘Board’) shall serve as trustees of the So-  
4 cial Security Escrow Fund. The Secretary of the Treasury  
5 shall serve as Managing Trustee of the Social Security Es-  
6 crow Fund.

7       “(4) BUDGET AUTHORITY; APPROPRIATION.—This  
8 part constitutes budget authority in advance of appropria-  
9 tions Acts and represents the obligation of the Board to  
10 provide for the payment of amounts provided under this  
11 part. The amounts held in the Social Security Escrow  
12 Fund are hereby appropriated for payment of such  
13 amounts and shall remain available without fiscal year  
14 limitation.

15       “Deposits Into Social Security Escrow Fund

16       “(b)(1) IN GENERAL.—During each calendar year,  
17 the Secretary of the Treasury shall deposit into the Social  
18 Security Escrow Fund, from amounts available in the gen-  
19 eral fund of the Treasury, a total amount equal to the  
20 sum of—

21               “(A) 100 percent of the employer contribution  
22               (as defined in paragraph (3)) for the calendar year;

23               “(B) the amount of the taxes imposed under  
24               section 3101(b) of the Internal Revenue Code of  
25               1986 on the wages paid during the calendar year

1 and the amount of the taxes imposed under section  
2 1401(b) of such Code on self-employment income de-  
3 rived during taxable years ending with or during the  
4 calendar year;

5 “(C) amounts received pursuant to section  
6 254(a) (relating to disposition of part B benefits of  
7 participating individuals electing to receive part A  
8 retirement benefits);

9 “(D) the budget reform amount (as defined in  
10 section 6(a) of the SMART Act of 2007) for the fis-  
11 cal year ending during such calendar year; and

12 “(E) all amounts appropriated for periods dur-  
13 ing such calendar year pursuant to section 1601 (re-  
14 lating to supplemental security income).

15 “(2) TRANSFERS BASED ON ESTIMATES.—

16 “(A) IN GENERAL.—The amounts deposited  
17 pursuant to paragraph (1) shall be transferred in at  
18 least monthly installments to the Social Security Es-  
19 crow Fund.

20 “(B) DETERMINATION OF AMOUNTS.—The  
21 amounts transferred under subparagraph (A) shall  
22 be transferred from time to time from the general  
23 fund of the Treasury, such amounts to be deter-  
24 mined on the basis of estimates, made by the Com-  
25 missioner of Social Security based on the best infor-



1       mation available and certified to the Secretary of the  
2       Treasury, of the total amount specified in paragraph  
3       (1). Proper adjustments shall be made in amounts  
4       subsequently transferred to the extent prior esti-  
5       mates were in excess of or were less than the actual  
6       amounts to be transferred. The Secretary of the  
7       Treasury and the Board shall timely provide to the  
8       Commissioner of Social Security any information re-  
9       quested by the Commissioner that the Commissioner  
10      deems necessary to make the estimates and deter-  
11      minations required by this subparagraph.

12      “(3) EMPLOYER CONTRIBUTION.—For purposes of  
13      paragraph (1)(A), the term ‘employer contribution’ means,  
14      for any calendar year, the sum of—

15              “(A) the amount of the taxes imposed under  
16              section 3111 of the Internal Revenue Code of 1986  
17              with respect to the wages paid during the calendar  
18              year, and

19              “(B) 50 percent of the amount of the taxes im-  
20              posed under section 1401 of such Code on self-em-  
21              ployment income derived during taxable years ending  
22              with or during such calendar year.

1 “Investment of Amounts Held in the Social Security  
2 Escrow Fund

3 “(c) The Board shall invest the amounts held in the  
4 Social Security Escrow Fund in a diversified portfolio of  
5 investment grade bonds and debentures issued by corpora-  
6 tions, partnerships, limited liability companies, or trusts,  
7 whose principal places of business are located in the  
8 United States.

9 “Disbursements From Social Security Escrow Fund

10 “(d)(1) IN GENERAL.—Except as provided in this  
11 section, the sums in the Social Security Escrow Fund shall  
12 be available for disbursement solely—

13 “(A) for payment by the Board, in accordance  
14 with certifications by the Commissioner of Social Se-  
15 curity pursuant to section 205(i), of—

16 “(i) part A retirement benefits;

17 “(ii) monthly insurance benefits under sub-  
18 sections (d), (e), (f), (g), and (h) of section 202;

19 “(iii) disability insurance benefits under  
20 section 223;

21 “(iv) lump sum death benefits under sec-  
22 tion 202(i);

23 “(B) for payment by the Board, in accordance  
24 with certifications which shall be made by the Com-

1       missioner of Social Security, of supplemental secu-  
2       rity income benefits under title XVI;

3           “(C) for transfers to the Federal Hospital In-  
4       surance Trust Fund, in the amount of Medicare  
5       benefits provided under part A of title XVIII;

6           “(D) for administrative expenses payable pursu-  
7       ant to subsection (f); and

8           “(E) to the extent there are excess funds as of  
9       the end of any fiscal year, for transfer to the general  
10      fund of the Treasury pursuant to paragraph (2)(A).

11      “(2) TREATMENT OF EXCESS FUNDS IN THE SOCIAL  
12      SECURITY ESCROW FUND.—

13           “(A) IN GENERAL.—In any case in which there  
14      are excess funds in the Social Security Escrow Fund  
15      as of the end of any fiscal year, the Secretary of the  
16      Treasury shall, as soon as practicable after the end  
17      of such fiscal year, transfer from the such Fund to  
18      the general fund of the Treasury an amount equal  
19      to the amount of such excess funds.

20           “(B) BUDGETARY RULES IN CONNECTION WITH  
21      EXCESS FUNDS.—For budgetary rules relating to ex-  
22      cess funds in the Social Security Escrow Fund, see  
23      section 316 of the Congressional Budget Act of  
24      1974 (relating to dedication of social security sur-  
25      pluses to reduction in the public debt).

1       “(3) EXCESS FUNDS.—For purposes of this sub-  
2 section, the term ‘excess funds’ means, in connection with  
3 any fiscal year, funds held by the Social Security Escrow  
4 Fund as of the end of the fiscal year in excess of \$100  
5 billion that the Commissioner of Social Security deter-  
6 mines will not be necessary in the Social Security Escrow  
7 Fund, taking into account projected receipts of such Fund  
8 and projected outlays of such Fund, to meet the obliga-  
9 tions set forth in subparagraphs (A) through (D) of para-  
10 graph (1) within the next 20 years.

11       “(4) LIMITATION.—The sums in the Social Security  
12 Escrow Fund shall not be appropriated for any purpose  
13 other than the purposes specified in this section and may  
14 not be used for any other purpose.

15                               “Borrowing Authorized

16       “(e) If the amounts held by Social Security Escrow  
17 Fund are insufficient to pay the disbursements authorized  
18 and required by this section, the Board may issue to the  
19 Secretary of the Treasury notes or other obligations in an  
20 aggregate amount equal to the amount of the insuffi-  
21 ciency, in such forms and denominations, bearing such  
22 maturities, and subject to such terms and conditions as  
23 may be prescribed by such Secretary. Such notes or other  
24 obligations shall bear interest at a rate determined by such  
25 Secretary, taking into consideration the current average

1 market yield on outstanding marketable obligations of the  
2 United States of comparable maturities during the month  
3 preceding the issuance of such notes or other obligations  
4 of the Board. Such Secretary shall purchase any notes or  
5 other obligations issued by the Board under this sub-  
6 section, and for that purpose such Secretary may use as  
7 a public debt transaction the proceeds from the sale of  
8 any securities issued under chapter 31 of title 31, United  
9 States Code, and the purposes for which securities may  
10 be issued under that chapter are extended to include any  
11 purchase of such notes and obligations. Such Secretary  
12 may at any time sell any of the notes or other obligations  
13 acquired by such Secretary under this subsection. All re-  
14 demptions, purchases, and sales by such Secretary of such  
15 notes or other obligations shall be treated as public debt  
16 transactions of the United States.

17           “Government Accountability Office Report

18           “(f)(1) IN GENERAL.—The Comptroller General of  
19 the United States shall annually audit the financial state-  
20 ments of the Social Security Escrow Fund and report to  
21 each House of the Congress on—

22                   “(A) the operations of the Social Security Es-  
23           crow Fund,

24                   “(B) the reasonableness of the administrative  
25           expenses incurred,

1           “(C) the advisability of the investments made  
2           with funds in the Social Security Escrow Fund, and

3           “(D) such other matters as the Comptroller  
4           General may deem desirable.

5           “(2) RECOMMENDATIONS.—The Secretary of the  
6           Treasury, the Commissioner of Social Security, and the  
7           Board shall timely provide the Comptroller General with  
8           whatever information is requested by the Comptroller Gen-  
9           eral. The Comptroller General shall, in the Comptroller  
10          General’s report, make recommendations to each House  
11          of the Congress and the Board as he deems appropriate  
12          or advisable.”.

13                   (2) CONFORMING AMENDMENTS; RULE OF CON-  
14                   STRUCTION.—

15                           (A) AMENDMENTS TO SECTION 201.—Sec-  
16                           tion 201 of such Act is amended further—

17                                   (i) in subsection (g)(1)(A), by striking  
18                                   “Managing Trustee of the Trust Funds”  
19                                   and all that follows through “into the  
20                                   Treasury” and inserting “Secretary of the  
21                                   Treasury shall pay from the Social Secu-  
22                                   rity Escrow Fund, the Federal Hospital  
23                                   Insurance Trust Fund, and the Federal  
24                                   Supplementary Insurance Trust Fund

1 (hereinafter in this paragraph referred to  
2 as the ‘Trust Funds’) into the Treasury”;

3 (ii) by striking “Managing Trustee”  
4 each place such term otherwise appears  
5 and inserting “Secretary of the Treasury”;

6 (iii) by striking the last 2 sentences of  
7 subsection (g)(1)(A);

8 (iv) in subsection (g)(1)(B)(i), by  
9 striking subclauses (II) and (III) and in-  
10 sserting the following:

11 “(II) the portion of such costs which  
12 should have been borne by the Social Secu-  
13 rity Escrow Fund,”,

14 and by redesignating subclasses (IV) and  
15 (V) as subclauses (III) and (IV), respec-  
16 tively;

17 (v) in subsection (g)(1)(C), by striking  
18 “Secretary shall” and inserting “Secretary  
19 of Health and Human Services shall”;

20 (vi) in subsection (g)(1)(C)(ii), by in-  
21 sserting “of Health and Human Services”  
22 after “Secretary”;

23 (vii) in subsection (g)(1)(D), by in-  
24 sserting “of Health and Human Services”  
25 after “Secretary”;

1 (viii) in subsection (g)(2), by striking  
2 the last sentence;

3 (ix) in subsection (g)(4), by striking  
4 “Board of Trustees of such Trust Funds”  
5 and inserting “Board”, and by striking  
6 “Boards of Trustees of such Trust Funds  
7 consider such action advisable, they” and  
8 inserting “Board considers such action ad-  
9 visable, the Board”;

10 (x) by striking subsection (h);

11 (xi) in subsection (i)(1), by striking  
12 “the Federal Old-Age and Survivors Insur-  
13 ance Trust Fund, the Federal Disability  
14 Insurance Trust Fund,” and inserting “the  
15 Social Security Escrow Fund,”;

16 (xii) in subsection (i)(2)(B), by strik-  
17 ing “Federal Old-Age and Survivors Insur-  
18 ance Trust Fund” and inserting “Social  
19 Security Escrow Fund”;

20 (xiii) in subsection (j), by striking  
21 “the Federal Old-Age and Survivors Insur-  
22 ance Trust Fund, or the Federal Disability  
23 Insurance Trust Fund (as determined ap-  
24 propriate by the Commissioner of Social



1 Security)” and inserting “the Social Secu-  
2 rity Escrow Fund”;

3 (xiv) in subsection (k), by striking  
4 “the Federal Disability Insurance Trust  
5 Fund and the Federal Old-Age Insurance  
6 Trust Fund, as determined appropriate by  
7 the Commissioner of Social Security” and  
8 inserting “the Social Security Escrow  
9 Fund”;

10 (xv) by striking subsection (l);

11 (xvi) in subsection (m)(3), by striking  
12 “one of the Trust Funds” and inserting  
13 “the Social Security Escrow Fund”, and  
14 by striking “such Trust Fund” each place  
15 it appears and inserting “such Fund”;

16 (xvii) by striking subsection (n); and

17 (xviii) by redesignating subsections  
18 (i), (j), (k), and (m) (as amended by this  
19 subparagraph) as subsections (h), (i), (j),  
20 and (k), respectively.

21 (B) OTHER CONFORMING AMENDMENTS.—

22 (i) Title II of the Social Security Act  
23 is amended—

24 (I) in section 202(x)(2)(B)(iii)

25 (42 U.S.C. 402(x)(2)(B)(iii)), by

1 striking “the Federal Old-Age and  
2 Survivors Insurance Trust Fund and  
3 the Federal Disability Insurance  
4 Trust Fund, as appropriate,” and in-  
5 serting “the Social Security Escrow  
6 Fund”;

7 (II) in section 206(d)(5) (42  
8 U.S.C. 406(d)(5)), by striking “the  
9 Federal Old-Age and Survivors Insur-  
10 ance Trust Fund and the Federal  
11 Disability Insurance Trust Fund, as  
12 appropriate” and inserting “the Social  
13 Security Escrow Fund”;

14 (III) in section 208(b)(5) (42  
15 U.S.C. 408(b)(5)), by striking “the  
16 Federal Old-Age and Survivors Insur-  
17 ance Trust Fund, or the Federal Dis-  
18 ability Insurance Trust Fund, as ap-  
19 propriate” and inserting “the Social  
20 Security Escrow Fund”;

21 (IV) in section 215(i)(1)(F) (42  
22 U.S.C. 415(i)(1)(F)), by striking “the  
23 Federal Old-Age and Survivors Insur-  
24 ance Trust Fund” each place it ap-

1                   appears and inserting “the Social Secu-  
2                   rity Escrow Fund”;

3                   (V) in section 217(g)(1)(A) (42  
4                   U.S.C. 417(g)(1)(A)), by striking “the  
5                   Federal Old-Age and Survivors Insur-  
6                   ance Trust Fund, the Federal Dis-  
7                   ability Insurance Trust Fund, and”  
8                   and inserting “the Social Security Es-  
9                   crow Fund and”;

10                  (VI) in section 221(e) (42 U.S.C.  
11                  421(e)), by striking the last sentence;

12                  (VII) in section 222(d)(1) (42  
13                  U.S.C. 422(d)(1)), by striking “the  
14                  Federal Old-Age and Survivors Insur-  
15                  ance Trust Fund and the Federal  
16                  Disability Insurance Trust Fund” and  
17                  inserting “the Social Security Escrow  
18                  Fund”;

19                  (VIII) by striking section  
20                  222(d)(4) (42 U.S.C. 422(d)(4)) and  
21                  inserting the following:

22                  “(4) The Commissioner of Social Security shall  
23                  determine according to such methods and procedures  
24                  as the Commissioner may deem appropriate the total  
25                  amount to be reimbursed by money paid from the

1 Social Security Escrow Fund for the cost of services  
2 under this subsection.”; and

3 (IX) in section 228(g) (42 U.S.C.  
4 428(g)), by striking “the Federal Old-  
5 Age and Survivors Insurance Trust  
6 Fund” and inserting “the Social Se-  
7 curity Escrow Fund”.

8 (ii) Title VII of such Act is amend-  
9 ed—

10 (I) in section 703(j) (42 U.S.C.  
11 903(j)), by striking “the Federal Dis-  
12 ability Insurance Trust Fund, the  
13 Federal Old-Age and Survivors Insur-  
14 ance Trust Fund,” and inserting “the  
15 Social Security Escrow Fund”;

16 (II) in section 709 (42 U.S.C.  
17 910), by striking “the Board of  
18 Trustees of the Federal Old-Age and  
19 Survivors Insurance Trust Fund and  
20 the Federal Disability Insurance  
21 Trust Fund, the Federal Hospital In-  
22 surance Trust Fund, or the Federal  
23 Supplementary Medical Insurance  
24 Trust Fund determines at any time  
25 that the balance ratio of any such

1 Trust Fund” in subsection (a) and in-  
2 sserting “the Personal Accounts Man-  
3 agement and Review Board or the  
4 Board of Trustees of the Federal  
5 Hospital Insurance Trust Fund or the  
6 Federal Supplementary Medical In-  
7 surance Trust Fund determines at  
8 any time that the balance ratio of the  
9 trust fund consisting of the Social Se-  
10 curity Escrow Fund (in the case of  
11 the Personal Accounts Management  
12 and Review Board) or either the Fed-  
13 eral Hospital Insurance Trust Fund  
14 or the Federal Supplementary Medical  
15 Insurance Trust Fund (in the case of  
16 such Board of Trustees)”, by striking  
17 “for amounts which will be paid from  
18 the Federal Old-Age and Survivors  
19 Insurance Trust Fund and the Fed-  
20 eral Disability Insurance Trust  
21 Fund,” and inserting “for amounts  
22 which will be paid from the Social Se-  
23 curity Escrow Fund,” and by striking  
24 “Trust Fund” each other place it ap-  
25 pears and inserting “trust fund”; and

1 (III) in section 710(a) (42  
2 U.S.C. 911(a)) by striking “the Fed-  
3 eral Old-Age and Survivors Insurance  
4 Trust Fund and the Federal Dis-  
5 ability Insurance Trust Fund” and in-  
6 serting “the Social Security Escrow  
7 Fund”.

8 (iii) Title XI of such Act is amend-  
9 ed—

10 (I) in section 1106 (42 U.S.C.  
11 1306), by striking by striking “the  
12 Federal Old-Age and Survivors Insur-  
13 ance Trust Fund, the Federal Dis-  
14 ability Insurance Trust Fund” and in-  
15 serting “the Social Security Escrow  
16 Fund,”;

17 (II) in section 1129(e)(2)(A) (42  
18 U.S.C. 1320a–8(e)(2)(A)), by striking  
19 “shall be transferred” and all that fol-  
20 lows and inserting “shall be trans-  
21 ferred to the Secretary of the Treas-  
22 ury, and such amounts shall be depos-  
23 ited by such Secretary into the Social  
24 Security Escrow Fund.”;

1 (III) in section 1145(c) (42  
2 U.S.C. 1320b–15(c)), by striking  
3 paragraphs (1) and (2) and inserting  
4 the following:

5 “(1) the Social Security Escrow Fund;”,  
6 and by redesignating paragraphs (3)  
7 and (4) as paragraphs (2) and (3), re-  
8 spectively; and

9 (IV) in section 1148(j)(1)(A) (42  
10 U.S.C. 1320b–19(j)(1)(A)), by strik-  
11 ing “the Federal Old-Age and Sur-  
12 vivors Insurance Trust Fund and the  
13 Federal Disability Insurance Trust  
14 Fund” and inserting “the Social Se-  
15 curity Escrow Fund”, and by striking  
16 the last sentence.

17 (iv) Title XVIII of such Act is amend-  
18 ed—

19 (I) in section 1817in section  
20 1817(g) (42 U.S.C. 1395i(g)), by  
21 striking “from the Federal Old-Age  
22 and Survivors Insurance Trust Fund  
23 and from the Federal Disability In-  
24 surance Trust Fund” and inserting

1 “from the Social Security Escrow  
2 Fund”;

3 (II) in section 1817(j)(1) (42  
4 U.S.C. 1395i(j)(1)), by striking “from  
5 either the Federal Old-Age and Sur-  
6 vivors Insurance Trust Fund or the  
7 Federal Disability Insurance Trust  
8 Fund” and inserting “from the Social  
9 Security Escrow Fund”;

10 (III) in section 1817(j)(3)(B)(i)  
11 (42 U.S.C. 1395i(j)(3)(B)(i)), by  
12 striking “the Federal Old-Age and  
13 Survivors Insurance Trust Fund or  
14 the Federal Disability Insurance  
15 Trust Fund” and inserting “the So-  
16 cial Security Escrow Fund”;

17 (IV) in section 1817(j)(3)(B)(i)  
18 (42 U.S.C. 1395i(j)(3)(B)(i)), by  
19 striking “the Federal Old-Age and  
20 Survivors Insurance Trust Fund and  
21 the Federal Disability Insurance  
22 Trust Fund” and inserting “the So-  
23 cial Security Escrow Fund”;

24 (V) in section 1817(j)(5)(B)(i)  
25 (42 U.S.C. 1395i(j)(5)(B)(i)), by



1 striking “the Federal Old-Age and  
2 Survivors Insurance Trust Fund and  
3 the Federal Disability Insurance  
4 Trust Fund” and inserting “the So-  
5 cial Security Escrow Fund”;

6 (VI) in section 1817(j)(3)(B)(ii)  
7 (42 U.S.C. 1395i(j)(3)(B)(ii)), by  
8 striking “the Federal Old-Age and  
9 Survivors Insurance Trust Fund and  
10 the Federal Disability Insurance  
11 Trust Fund” and inserting “the So-  
12 cial Security Escrow Fund”;

13 (VII) in section 1817, by adding  
14 at the end the following new sub-  
15 section:

16 “(l) TRANSFERS FROM SOCIAL SECURITY ESCROW  
17 FUND.—There are hereby transferred periodically to the  
18 Trust Fund from the Social Security Escrow Fund  
19 amounts provided under section 201(d)(1)(C).”;

20 (VIII) in section 1840(a)(2) (42  
21 U.S.C. 1395s(a)(2)), by striking “the  
22 Federal Old-Age and Survivors Insur-  
23 ance Trust Fund and the Federal  
24 Disability Insurance Trust Fund” and

1 inserting “the Social Security Escrow  
2 Fund”; and

3 (IX) in section 1841(f) (42  
4 U.S.C. 1395t(f)), by striking “from  
5 the Federal Old-Age and Survivors  
6 Insurance Trust Fund and from the  
7 Federal Disability Insurance Trust  
8 Fund” and inserting “from the Social  
9 Security Escrow Fund”.

10 (v) AMENDMENTS TO THE RAILROAD  
11 RETIREMENT ACT OF 1974.—Section 7 of  
12 the Railroad Retirement Act of 1974 (45  
13 U.S.C. 231e) is amended—

14 (I) in subsection (b)(2) (45  
15 U.S.C. 231e(b)(2)), by striking “the  
16 Managing Trustee of the Federal Old-  
17 Age and Survivors Insurance Trust  
18 Fund and the Federal Disability In-  
19 surance Trust Fund” and inserting  
20 “the Secretary of the Treasury”;

21 (II) in subsection (c)(2) (45  
22 U.S.C. 231e(c)(2)), by striking “the  
23 Federal Old-Age and Survivors Insur-  
24 ance Trust Fund, the Federal Dis-  
25 ability Insurance Trust Fund, and the

1 Federal Hospital Insurance Trust  
2 Fund would place each such Trust  
3 Fund” and inserting “either of the  
4 trust funds consisting of the Social  
5 Security Escrow Fund and the Fed-  
6 eral Hospital Insurance Trust Fund  
7 would place such trust fund”, by  
8 striking “from the Federal Old-Age  
9 and Survivors Insurance Trust Fund,  
10 the Federal Disability Insurance  
11 Trust Fund, or the Federal Hospital  
12 Insurance Trust or to any such Trust  
13 Fund” and inserting “from the Social  
14 Security Escrow Fund or the Federal  
15 Hospital Insurance Trust Fund or to  
16 either such trust fund” and by strik-  
17 ing “Trust Fund” each other place it  
18 appears and inserting “trust fund”;  
19 and

20 (III) in subsection (c)(4) (45  
21 U.S.C. 231(c)(4)), by striking “the  
22 Federal Old-Age and Survivors Insur-  
23 ance Trust Fund, the Federal Dis-  
24 ability Insurance Trust Fund, and the  
25 Federal Hospital Insurance Trust

1 Fund” and inserting “the trust funds  
2 consisting of the Social Security Es-  
3 crow Fund and the Federal Hospital  
4 Insurance Trust Fund”, and by strik-  
5 ing “Trust Funds” each place it ap-  
6 pears and inserting “trust funds”.

7 (vi) RULE OF CONSTRUCTION.—  
8 Whenever any reference is made in any  
9 provision of law (other than this title or a  
10 provision of law amended by this title),  
11 regulation, rule, record, or document to the  
12 Federal Old-Age and Survivors Insurance  
13 Trust Fund, the Federal Disability Insur-  
14 ance Trust Fund, or both such Trust  
15 Funds, such reference shall be considered  
16 a reference to the Social Security Escrow  
17 Fund.

18 (c) AMOUNTS DEDUCTED TO BE SHOWN ON W-2  
19 STATEMENTS.—Subsection (a) of section 6051 of the In-  
20 ternal Revenue Code of 1986 (relating to receipts for em-  
21 ployees) is amended—

22 (1) by striking ‘and’ at the end of paragraph  
23 (8);

24 (2) by striking the period at the end of para-  
25 graph (9) and inserting “, and”; and

1           (3) by inserting after paragraph (9) the fol-  
2           lowing new paragraph:

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

7           (d) EXEMPTION FROM ERISA REQUIREMENTS.—  
8           Subsection (b) of section 4 of the Employee Retirement  
9           Income Security Act of 1974 (29 U.S.C. 1003(b)) is  
10          amended—

11          (1) by striking “or” at the end of paragraph  
12          (4);

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

15          (3) by adding at the end the following new  
16          paragraph:

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

20          (e) COMPENSATION OF PERSONAL ACCOUNTS MAN-  
21          AGEMENT AND REVIEW BOARD.—

22          (1) COMPENSATION OF CHAIRMAN.—Section  
23          5314 of title 5 of the United States Code (relating  
24          to positions at level III of the Executive Schedule)  
25          is amended by adding at the end the following “.”

1           “Chairman, Personal Accounts Management  
2           and Review Board.”.

3           (2) COMPENSATION OF INDEPENDENT TRUST-  
4           EES.—Section 5315 of such title 5 (relating to posi-  
5           tions at level IV of the Executive Schedule) is  
6           amended by adding at the end the following:

7           “Independent Trustee (other than Chairman),  
8           Personal Accounts Management and Review  
9           Board.”.

10          (f) CONFORMING AMENDMENTS.—Section 201(h) of  
11       such Act (42 U.S.C. 401(h)) is amended—

12           (1) by striking “All other” in the second sen-  
13           tence and inserting “Except as provided in section  
14           256, all other”; and

15           (2) by adding at the end the following new sen-  
16           tence: “Any reference in this part to benefits under  
17           this title shall be deemed a reference to benefits en-  
18           titlement to which arises under this part.”.

19          (g) EFFECTIVE DATE.—The amendments made by  
20       this section shall take effect January 1 of the calendar  
21       year following the date of the enactment of this Act.

22       **SEC. 3. MEDICARE PROGRAM REVISION.**

23           (a) IN GENERAL.—Title XVIII of the Social Security  
24       Act is amended by inserting after section 1808 the fol-  
25       lowing new section:

1 “MEDICARE PROGRAM REVISIONS IN CONNECTION WITH  
 2 ESTABLISHMENT OF PERSONAL SOCIAL SECURITY  
 3 ACCOUNTS

4 “SEC. 1809. (a) PHASE-IN OF INCREASED COINSUR-  
 5 ANCE.—

6 “(1) IN GENERAL.—Notwithstanding any other  
 7 provision of law, there is hereby imposed, with re-  
 8 spect to the amount of benefits for items and serv-  
 9 ices furnished in a year (beginning with 2032) under  
 10 this title, coinsurance in the participation percentage  
 11 specified in paragraph (2) for the year. Such coin-  
 12 surance shall apply after the application of any cost-  
 13 sharing (including deductibles and copayments) that  
 14 are otherwise applicable under this title.

15 “(2) PARTICIPATION PERCENTAGE.—The par-  
 16 ticipation percentage for any year shall be deter-  
 17 mined in accordance with the following:

<b>“Participation percentage</b>	<b>Year</b>
2.00 percent .....	2032
4.00 percent .....	2033
6.00 percent .....	2034
8.00 percent .....	2035
11.00 percent .....	2036
14.00 percent .....	2037
17.00 percent .....	2038
20.00 percent .....	2039
24.00 percent .....	2040
28.00 percent .....	2041
32.00 percent .....	2042
36.00 percent .....	2043
40.00 percent .....	2044
45.00 percent .....	2045
50.00 percent .....	2046
55.00 percent .....	2047

60.00 percent .....	2048
65.00 percent .....	2049
70.00 percent .....	2050
75.00 percent .....	2051
80.00 percent .....	2052
85.00 percent .....	2053
90.00 percent .....	2054
95.00 percent .....	2055
100.00 percent .....	2056

1       “(b) RULES RELATING TO APPLICATION OF ADDI-  
2 TIONAL COINSURANCE.—

3               “(1) PART D.—In applying subsection (a)  
4 under part D (and under part C to MA–PD  
5 plans)—

6                       “(A) the standard prescription drug cov-  
7 erage under section 1860D–2(b) shall be modi-  
8 fied through the application of the additional  
9 coinsurance under subsection (a); and

10                      “(B) in applying section 1860D–14, such  
11 coinsurance shall be treated as beneficiary coin-  
12 surance described in section 1860D–2(b)(2).

13               “(2) MEDICARE SAVINGS PROGRAM.—In apply-  
14 ing title XIX, the additional coinsurance under sub-  
15 section (a) shall be treated as coinsurance described  
16 in section 1905(p)(3)(B).

17               “(3) MEDIGAP.—The benefits required of medi-  
18 care supplemental policies under section 1882 shall  
19 be determined without regard to such additional co-  
20 insurance and no payments shall be made under  
21 such a policy for such additional coinsurance.



1           “(4) GROUP HEALTH PLANS.—Unless otherwise  
2 specifically provided after the date of the enactment  
3 of this section, no provision of any group health plan  
4 that refers to coinsurance or cost-sharing under this  
5 title shall be treated as including such additional co-  
6 insurance.

7           “(5) COVERAGE.—Nothing in this section shall  
8 be construed as preventing the payment of addi-  
9 tional coinsurance under subsection (a) from being  
10 made—

11                   “(A) from proceeds from a personal social  
12 security account under section 252; or

13                   “(B) from coverage under a high deduct-  
14 ible health plan (as defined in section 223(e)(2)  
15 of the Internal Revenue Code of 1986) or under  
16 any other health policy or plan, other than a  
17 medicare supplemental policy.

18           “(c) LIMITATION ON REELECTION OF PART B OR  
19 PART D COVERAGE.—On or after January 1, 2032, if an  
20 individual is eligible for coverage under part B or part D  
21 and—

22                   “(1) does not elect such coverage, or

23                   “(2) elects such coverage and subsequently  
24 change the election so as to no longer have such cov-  
25 erage,

1 such an election shall be irrevocable and the individual  
 2 may not subsequently elect the respective coverage.”.

3 (b) REQUIREMENT FOR HIGH DEDUCTIBLE INSUR-  
 4 ANCE FOR MEDICARE RETIREES.—

5 (1) IN GENERAL.—For each month (beginning  
 6 with January following the period of 25 calendar  
 7 years following the date of the enactment of this  
 8 Act) in which an individual is 65 years of age or  
 9 older and is eligible for benefits under part A, or to  
 10 enroll for benefits under part B, of title XVIII of the  
 11 Social Security Act, the individual is required to be  
 12 enrolled under a high deductible health plan (as de-  
 13 fined in section 223(c)(2) of the Internal Revenue  
 14 Code of 1986) or under another health benefits plan  
 15 that includes benefits at least as comprehensive as  
 16 those provided in such a high deductible health plan.

17 (2) IMPOSITION OF TAX ON FAILURE TO OB-  
 18 TAIN COVERAGE.—Subchapter A of chapter 1 of the  
 19 Internal Revenue Code of 1986 is amended by add-  
 20 ing at the end the following new part:

21 **“PART VIII—TAX ON FAILURE OF MEDICARE RE-**  
 22 **TIREES TO OBTAIN QUALIFIED HEALTH IN-**  
 23 **SURANCE COVERAGE**

“Sec. 59B. Failure of Medicare retirees to obtain qualified health insurance  
 coverage.

1 **“SEC. 59B. FAILURE OF MEDICARE RETIREES TO OBTAIN**  
2 **QUALIFIED HEALTH INSURANCE COVERAGE.**

3 “(a) IN GENERAL.—In the case of any individual who  
4 is eligible for benefits under part A, or to enroll for bene-  
5 fits under part B, of title XVIII of the Social Security  
6 Act, there is hereby imposed a tax with respect to each  
7 month beginning in the taxable year with respect to which  
8 such individual is not covered under qualified health insur-  
9 ance at all times during such month.

10 “(b) AMOUNT OF TAX.—The tax imposed under sub-  
11 section (a) with respect to any individual for any month  
12 shall be equal to the greater of—

13 “(1) the amount determined by the Secretary of  
14 Health and Human Services to be equal to the cost  
15 of coverage under a high deductible health plan for  
16 such month, or

17 “(2)  $\frac{1}{12}$  of the increase in such individual’s tax  
18 liability which would occur under section 1 for the  
19 taxable year in which such month begins if section  
20 139B did not apply for such taxable year.

21 “(c) EXCEPTION FOR MONTHS BEFORE INDIVIDUAL  
22 ATTAINS AGE 65.—Subsection (a) shall not apply with re-  
23 spect to any individual for any month unless such indi-  
24 vidual has attained age 65 as of the first day of such  
25 month.

1       “(d) QUALIFIED HEALTH INSURANCE.—For pur-  
2 poses of this section, the term ‘qualified health insurance’  
3 means a high deductible health plan (as defined in section  
4 223(c)(2) of the Internal Revenue Code of 1986) or an-  
5 other health benefits plan that includes benefits at least  
6 as comprehensive as those provided in such a high deduct-  
7 ible health plan.”.

8           (3) NOTIFICATION OF TREASURY BY HHS OF  
9 FAILURES.—If the Secretary of Health and Human  
10 Services determines that an individual has failed to  
11 meet the requirement of paragraph (1) for a month,  
12 the Secretary shall inform the Secretary of the  
13 Treasury of such fact.

14           (4) AVAILABILITY OF TAX RECEIPTS.—  
15 Amounts collected under section 59B of the Internal  
16 Revenue Code of 1986 shall be deposited into an ac-  
17 count in the Treasury that shall be available to the  
18 Secretary of Health and Human Services to reim-  
19 burse hospitals and other health care providers for  
20 bad debts related to the provision of health care  
21 services to individuals with respect to whom a tax is  
22 imposed under such section.

1 **SEC. 4. EMPLOYMENT TAXES, TAX ON SELF-EMPLOYMENT**  
2 **INCOME.**

3 (a) FICA TAX ON EMPLOYERS.—Section 3111 of the  
4 Internal Revenue Code of 1986 is amended by adding at  
5 the end the following new subsection:

6 “(d) REDUCTION IN RATE OF TAX TO REFLECT  
7 FUNDING OF SOCIAL SECURITY ESCROW FUND.—

8 “(1) IN GENERAL.—If the Secretary makes the  
9 certification described in paragraph (2) in any cal-  
10 endar year, the rate of tax imposed by subsection (a)  
11 shall be reduced by the Secretary for the next cal-  
12 endar year to a rate such that—

13 “(A) the Social Security Escrow Fund is  
14 projected not to have excess funds during such  
15 next calendar year, and

16 “(B) the rate of tax imposed by section  
17 1401(a) is equal to the sum of the tax imposed  
18 by subsection (a) and section 3101(a).

19 “(2) CERTIFICATION.—If in any calendar year  
20 the Social Security Escrow Fund is projected—

21 “(A) to have excess funds during the next  
22 calendar year, and

23 “(B) to have no need to borrow funds for  
24 the next 10 calendar years,

1 then the Secretary shall certify such projection not  
2 later than September 30th of calendar year in which  
3 such projection was made.

4 “(3) EXCESS FUNDS.—For purposes of this  
5 subsection, the term ‘excess funds’ means that the  
6 Social Security Escrow Fund will not have a balance  
7 below \$100 billion at any time during the calendar  
8 year.”.

9 (b) TAX ON SELF-EMPLOYMENT INCOME.—Section  
10 1401 of such Code is amended by adding at the end the  
11 following new subsections:

12 “(d) REDUCTION IN RATE OF TAX TO REFLECT  
13 FUNDING OF SOCIAL SECURITY ESCROW FUND.—

14 “(1) IN GENERAL.—If the Secretary makes the  
15 certification described in paragraph (2) in any cal-  
16 endar year, the rate of tax imposed by subsection (a)  
17 shall be reduced by the Secretary for taxable years  
18 beginning in the next calendar year to a rate such  
19 that—

20 “(A) the Social Security Escrow Fund is  
21 projected not to have excess funds during such  
22 next calendar year, and

23 “(B) the rate of tax imposed by subsection  
24 (a) is equal to the sum of the tax imposed by  
25 section 3111(a) and section 3101(a).

1           “(2) CERTIFICATION.—If in any calendar year  
2           the Social Security Escrow Fund is projected by the  
3           Social Security Administration—

4                   “(A) to have excess funds during the next  
5           calendar year, and

6                   “(B) to have no need to borrow funds for  
7           the next 10 calendar years,

8           then the Secretary shall certify such projection not  
9           later than September 30th of calendar year in which  
10          such projection was made.

11           “(3) EXCESS FUNDS.—For purposes of the pre-  
12          ceding paragraph, excess funds means that the So-  
13          cial Security Escrow Fund will not have a balance  
14          below \$100 billion at any time during the calendar  
15          year.

16          “(e) REDUCTION IN RATE OF TAX TO REFLECT  
17          FUNDING OF PERSONAL SOCIAL SECURITY ACCOUNT.—

18          The amount of the tax which would (but for this sub-  
19          section) be imposed by subsection (a) on the self-employ-  
20          ment income of an individual for a taxable year shall be  
21          reduced (but not below zero) by any amount the self-em-  
22          ployed individual deposits in the personal social security  
23          account of the individual under section 251(b)(1) of the  
24          Social Security Act for the taxable year.”.

1 (c) FICA TAX ON EMPLOYEES.—Section 3101 of  
2 such Code is amended by adding at the end the following  
3 new subsection:

4 “(d) REDUCTION IN RATE OF TAX TO REFLECT  
5 FUNDING OF PERSONAL SOCIAL SECURITY ACCOUNT.—  
6 The amount of the tax which would (but for this sub-  
7 section) be imposed by subsection (a) on the income of  
8 any individual for any calendar year shall be reduced (but  
9 not below zero) by any amount the employer of such indi-  
10 vidual pays to the individual’s personal social security ac-  
11 count under section 251(a)(2)(B) of the Social Security  
12 Act for the calendar year.”.

13 (d) SOCIAL SECURITY AND MEDICARE CONTRIBU-  
14 TIONS NOT REQUIRED WITH RESPECT TO RETIREES.—

15 (1) Section 3101 of such Code is amended by  
16 adding at the end the following new subsection:

17 “(e) NO FICA TAX WITH RESPECT TO INDIVIDUAL  
18 WHO HAS ATTAINED RETIREMENT AGE.—The tax im-  
19 posed by this section shall not be imposed on the income  
20 of any individual who has attained retirement age (as de-  
21 fined in section 216(l) of the Social Security Act).”.

22 (2) Section 3111 of such Code, as amended by  
23 this section, is amended by adding at the end the  
24 following new subsection:



1       “(e) NO FICA TAX WITH RESPECT TO INDIVIDUAL  
2 WHO HAS ATTAINED RETIREMENT AGE.—The tax im-  
3 posed by this section shall not be imposed with respect  
4 to the wages of any individual who has attained retirement  
5 age (as defined in section 216(l) of the Social Security  
6 Act).”.

7           (3) Section 1401 of such Code, as amended by  
8 this section, is amended by adding at the end the  
9 following new subsection:

10       “(f) NO SECA TAX WITH RESPECT TO INDIVIDUAL  
11 WHO HAS ATTAINED RETIREMENT AGE.—The tax im-  
12 posed by this section shall not be imposed on the self-em-  
13 ployment income of any individual who has attained retire-  
14 ment age (as defined in section 216(l) of the Social Secu-  
15 rity Act).”.

16 **SEC. 5. TAX TREATMENT OF DISTRIBUTIONS.**

17       (a) IN GENERAL.—

18           (1) Paragraph (1) of Section 86(d) of the Inter-  
19 nal Revenue Code of 1986 (relating to social security  
20 benefit) is amended by adding at the end the fol-  
21 lowing new flush sentence:

22       “Such term does not include any distribution from  
23 a personal social security account or any amount re-  
24 ceived as an annuity under a qualified social security  
25 annuity.”.

1           (2) Part III of subchapter B of chapter 1 of  
2           such Code (relating to items specifically excluded  
3           from gross income) is amended by inserting after  
4           section 139A the following new section:

5   **“SEC. 139B. DISTRIBUTIONS FROM PERSONAL SOCIAL SE-**  
6                           **CURITY ACCOUNTS AND QUALIFIED SOCIAL**  
7                           **SECURITY ANNUITIES.**

8           “Gross income shall not include any distribution from  
9           a personal social security account or any amount received  
10          as an annuity under a qualified social security annuity,  
11          including any disinvestment and transfer pursuant to sec-  
12          tion 252(f) of the Social Security Act.”.

13          (b) **EFFECTIVE DATE.**—The amendments made by  
14          this section shall apply to distributions and amounts re-  
15          ceived as an annuity after the date of the enactment of  
16          this Act.

17   **SEC. 6. FEDERAL BUDGET REFORMS.**

18          (a) **ANNUAL TRANSFER OF BUDGET REFORM**  
19          **AMOUNT.**—Not later than November 30 of each calendar  
20          year beginning after the date of the enactment of this Act,  
21          the Secretary of Treasury shall transfer, from funds avail-  
22          able in the general fund of the Treasury to the Social Se-  
23          curity Escrow Fund, the budget reform amount (if any)  
24          for the fiscal year ending on September 30 of such year.  
25          Such budget reform amount for each such fiscal year is

1 hereby appropriated, and shall remain available without  
 2 fiscal year limitation, for the purposes set forth in section  
 3 252(b)(1)(D) of the Social Security Act (as amended by  
 4 this Act).

5 (b) BUDGET REFORM AMOUNT DEFINED.—For pur-  
 6 poses of this section, the term “budget reform amount”  
 7 means, for any fiscal year, any tax revenues received by  
 8 the Government of the United States during the previous  
 9 fiscal year in excess of the target revenue amount for such  
 10 previous fiscal year.

11 (c) TARGET REVENUE AMOUNT.—For purposes of  
 12 this section, the target revenue amount for a fiscal year  
 13 is the amount set forth in connection with such fiscal year  
 14 in the following table:

<b>For the following fiscal year:</b>	<b>The target rev- enue amount is:</b>
2006 .....	\$1,956,015,000
2007 .....	\$2,029,298,000
2008 .....	\$2,096,757,000
2009 .....	\$2,164,269,000
2010 .....	\$2,226,583,000
2011 .....	\$2,289,781,000
2012 .....	\$2,351,340,000
2013 .....	\$2,414,388,000
2014 .....	\$2,476,624,000
2015 .....	\$2,539,686,000
2016 .....	\$2,602,374,000
2017 .....	\$2,661,620,000
2018 .....	\$2,713,839,000
2019 .....	\$2,759,941,000
2020 .....	\$2,801,574,000
2021 .....	\$2,844,392,000
2022 .....	\$2,883,904,000
2023 .....	\$2,930,783,000
2024 .....	\$2,979,408,000
2025 .....	\$3,025,851,000
2026 .....	\$3,076,055,000
2027 .....	\$3,125,712,000

2028	.....	\$3,176,333,000
2029	.....	\$3,223,483,000
2030	.....	\$3,274,179,000
2031	.....	\$3,323,715,000
2032	.....	\$3,372,756,000
2033	.....	\$3,426,555,000
2034	.....	\$3,485,485,000
2035	.....	\$3,541,705,000
2036	.....	\$3,599,813,000
2037	.....	\$3,666,494,000
2038	.....	\$3,735,584,000
2039	.....	\$3,809,846,000
2040	.....	\$3,883,455,000
2041	.....	\$3,955,701,000
2042	.....	\$4,033,543,000
2043	.....	\$4,113,343,000
2044	.....	\$4,188,523,000
2045	.....	\$4,270,982,000
2046	.....	\$4,351,604,000
2047	.....	\$4,434,549,000
2048	.....	\$4,517,034,000
2049	.....	\$4,600,903,000
2050	.....	\$4,689,922,000
2051	.....	\$4,783,922,000
2052	.....	\$4,873,926,000
2053	.....	\$4,969,960,000
2054	.....	\$5,062,068,000
2055	.....	\$5,159,031,000
2056	.....	\$5,256,136,000
2057	.....	\$5,354,613,000
2058	.....	\$5,447,721,000
2059	.....	\$5,549,438,000
2060	.....	\$5,651,129,000
2061	.....	\$5,752,442,000
2062	.....	\$5,864,053,000
2063	.....	\$5,978,264,000
2064	.....	\$6,091,036,000
2065	.....	\$6,217,270,000
2066	.....	\$6,338,021,000
2067	.....	\$6,454,702,000
2068	.....	\$6,577,762,000
2069	.....	\$6,698,285,000
2070	.....	\$6,819,665,000

1           (d) DEDICATION OF SOCIAL SECURITY SURPLUSES  
2 TO REDUCTION IN THE PUBLIC DEBT.—

3           (1) IN GENERAL.—Title III of the Congres-  
4 sional Budget Act of 1974 is amended by adding at  
5 the end the following new section:

1 “DEDICATION OF SOCIAL SECURITY SURPLUSES TO  
2 REDUCTION IN THE PUBLIC DEBT

3 “SEC. 316. (a) IN GENERAL.—

4 “(1) CONCURRENT RESOLUTIONS ON THE  
5 BUDGET.—It shall not be in order in the House of  
6 Representatives or the Senate to consider any con-  
7 current resolution on the budget, or an amendment  
8 thereto or conference report thereon, that would set  
9 forth a deficit for any fiscal year for which there are  
10 projected excess assets in the Social Security Escrow  
11 Fund.

12 “(2) SPENDING AND TAX LEGISLATION.—It  
13 shall not be in order in the House of Representatives  
14 or the Senate to consider any bill, joint resolution,  
15 amendment, motion, or conference report if—

16 “(A) the enactment of that bill or resolu-  
17 tion, as reported;

18 “(B) the adoption and enactment of that  
19 amendment; or

20 “(C) the enactment of that bill or resolu-  
21 tion in the form recommended in that con-  
22 ference report,

23 would cause a deficit for any fiscal year for which  
24 there are projected excess assets in the Social Secu-  
25 rity Escrow Fund.

1 “(b) ENFORCEMENT.—

2 “(1) BUDGETARY LEVELS WITH RESPECT TO  
3 CONCURRENT RESOLUTIONS ON THE BUDGET.—For  
4 purposes of enforcing any point of order under sub-  
5 section (a)(1), the extent to which there is a deficit  
6 for any fiscal year shall be determined on the basis  
7 of budgetary aggregates set forth in the later of the  
8 concurrent resolution on the budget, as reported, or  
9 in the conference report on the concurrent resolution  
10 on the budget, adjusted to the maximum extent al-  
11 lowable under all procedures that allow budgetary  
12 aggregates to be adjusted for legislation that would  
13 cause a decrease in any surplus or an increase in  
14 any deficit for any fiscal year covered by the concur-  
15 rent resolution on the budget (other than procedures  
16 described in paragraph (2)(A)(ii)).

17 “(2) CURRENT LEVELS WITH RESPECT TO  
18 SPENDING AND TAX LEGISLATION.—

19 “(A) IN GENERAL.—For purposes of en-  
20 forcing subsection (a)(2), the extent to which  
21 there is a deficit for any fiscal year shall be—

22 “(i) calculated using the following as-  
23 sumptions—

24 “(I) direct spending and revenue  
25 levels at the baseline levels underlying

1 the most recently agreed to concur-  
2 rent resolution on the budget; and

3 “(II) for the budget year, discre-  
4 tionary spending levels at current law  
5 levels and, for outyears, discretionary  
6 spending levels at the baseline levels  
7 underlying the most recently agreed to  
8 concurrent resolution on the budget;  
9 and

10 “(ii) adjusted for changes in the sur-  
11 plus or deficit levels set forth in the most  
12 recently agreed to concurrent resolution on  
13 the budget pursuant to procedures in such  
14 resolution that authorize adjustments in  
15 budgetary aggregates for updated economic  
16 and technical assumptions in the mid-ses-  
17 sion report of the Director of the Congres-  
18 sional Budget Office.

19 Such revisions shall be included in the first cur-  
20 rent level report on the congressional budget  
21 submitted for publication in the Congressional  
22 Record after the release of such mid-session re-  
23 port.

24 “(B) ADJUSTMENT IN ASSUMED REVENUE  
25 LEVELS TO REFLECT PROJECTED EXCESS AS-

1           SETS IN SOCIAL SECURITY ESCROW FUND.—For  
2           any fiscal year for which there are projected ex-  
3           cess assets in the Social Security Escrow Fund,  
4           the amount of revenue levels assumed under  
5           subparagraph (A) shall be reduced, below the  
6           amount which would otherwise be assumed but  
7           for this subparagraph, by the amount of such  
8           projected excess assets.

9           “(C) EXCESS ASSETS.—For purposes of  
10          this paragraph, the term ‘excess assets’ shall, in  
11          connection with any fiscal year, have the mean-  
12          ing provided in 201(d)(3) of the Social Security  
13          Act in connection with such fiscal year.

14          “(c) WAIVER AND APPEAL.—Subsection (a) may be  
15          waived or suspended in the Senate only by an affirmative  
16          vote of three-fifths of the Members, duly chosen and  
17          sworn. An affirmative vote of three-fifths of the Members  
18          of the Senate, duly chosen and sworn, shall be required  
19          in the Senate to sustain an appeal of the ruling of the  
20          Chair on a point of order raised under this section.”.

21          (2) CONFORMING AMENDMENT.—The item re-  
22          lating to section 316 in the table of contents set  
23          forth in section 1(b) of the Congressional Budget  
24          and Impoundment Control Act of 1974 is amended  
25          to read as follows:



“Sec. 316. Dedication of social security surpluses to reduction in the public debt.”.

1 **SEC. 7. CHANGE IN CONSUMER PRICE INDEX USED FOR**  
2 **COST-OF-LIVING INCREASES.**

3 (a) **IN GENERAL.**—Section 215(i)(1)(D) of the Social  
4 Security Act (42 U.S.C. 415(i)(1)(D)) is amended by  
5 striking “Consumer Price Index” and inserting “Chained  
6 Consumer Price Index for all Urban Consumers”.

7 (b) **EFFECTIVE DATE.**—The amendment made by  
8 subsection (a) shall apply with respect to increases under  
9 section 215(i)(2)(A)(ii) of the Social Security Act effective  
10 with the month of December of each calendar year begin-  
11 ning after the date of the enactment of this Act.

○