To amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

IN THE SENATE OF THE UNITED STATES

March 15, 2011

Mr. McCain (for himself and Mr. Rubio) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

2 SECTION 1. SHORT TITLE.

3 This Act may be cited as the “Debt Buy-Down Act”.

4
SEC. 2. DESIGNATION OF AMOUNTS FOR REDUCTION OF PUBLIC DEBT.

(a) In General.—Subchapter A of chapter 61 of the Internal Revenue Code of 1986 (relating to returns and records) is amended by adding at the end the following new part:

“PART IX—DESIGNATION FOR REDUCTION OF PUBLIC DEBT

“(Sec. 6097. Designation.

“SEC. 6097. DESIGNATION.

“(a) In General.—Every individual with adjusted income tax liability for any taxable year may designate that a portion of such liability (not to exceed 10 percent thereof) shall be used to reduce the public debt.

“(b) Manner and Time of Designation.—A designation under subsection (a) may be made with respect to any taxable year only at the time of filing the return of tax imposed by chapter 1 for the taxable year. The designation shall be made on the first page of the return or on the page bearing the taxpayer’s signature.

“(c) Adjusted Income Tax Liability.—For purposes of this section, the adjusted income tax liability of an individual for any taxable year is the income tax liability of the individual for the taxable year determined under section 6096(b), reduced by any amount designated under section 6096(a).”
(b) Clerical Amendment.—The table of parts for such subchapter A is amended by adding at the end the following new item:

“PART IX. DESIGNATION FOR REDUCTION OF PUBLIC DEBT”.

c) Effective Date.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 3. PUBLIC DEBT REDUCTION TRUST FUND.

(a) In General.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 (relating to trust fund code) is amended by adding at the end the following section:

“SEC. 9511. PUBLIC DEBT REDUCTION TRUST FUND.

“(a) Creation of Trust Fund.—There is established in the Treasury of the United States a trust fund to be known as the ‘Public Debt Reduction Trust Fund’, consisting of any amount appropriated or credited to the Trust Fund as provided in this section or section 9602(b).

“(b) Transfers to Trust Fund.—There are hereby appropriated to the Public Debt Reduction Trust Fund amounts equivalent to the amounts designated under section 6097 (relating to designation for public debt reduction).

“(c) Expenditures.—Amounts in the Public Debt Reduction Trust Fund shall be used by the Secretary for purposes of paying at maturity, or to redeem or buy before
maturity, any obligation of the Federal Government included in the public debt (other than an obligation held by the Federal Old-Age and Survivors Insurance Trust Fund or the Department of Defense Military Retirement Fund). Any obligation which is paid, redeemed, or bought with amounts from the Public Debt Reduction Trust Fund shall be canceled and retired and may not be reissued.”.

(b) CLERICAL AMENDMENT.—The table of sections for such subchapter is amended by adding at the end the following new item:

“Sec. 9511. Public Debt Reduction Trust Fund.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after the date of the enactment of this Act.

SEC. 4. TAXPAYER-GENERATED SEQUESTRATION OF FEDERAL SPENDING TO REDUCE THE PUBLIC DEBT.

(a) SEQUESTRATION TO REDUCE THE PUBLIC DEBT.—Part C of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting after section 253 the following new section:

“SEC. 253A. SEQUESTRATION TO REDUCE THE PUBLIC DEBT.

“(a) SEQUESTRATION.—Notwithstanding sections 255 and 256, within 15 days after Congress adjourns to end a session, and on the same day as sequestration (if
any) under sections 251, 252, and 253, and under section 5(b) of the Statutory Pay-As-You-Go Act of 2010, but after any sequestration required by those sections, there shall be a sequestration equivalent to the estimated aggregate amount designated under section 6097 of the Internal Revenue Code of 1986 for the last taxable year ending one year before the beginning of that session of Congress, as estimated by the Department of the Treasury on October 1 and as modified by the total of—

“(1) any amounts by which net discretionary spending is reduced by legislation below the discretionary spending limits enacted after the enactment of this section related to the fiscal year subject to the sequestration (or, in the absence of such limits, any net deficit change from the baseline amount calculated under section 257; and

“(2) the net deficit change that has resulted from all direct spending legislation enacted after the enactment of this section related to the fiscal year subject to the sequestration, as estimated by OMB.

If the reduction in spending under paragraphs (1) and (2) for a fiscal year is greater than the estimated aggregate amount designated under section 6097 of the Internal Revenue Code of 1986 respecting that fiscal year, then there shall be no sequestration under this section.
“(b) **APPLICABILITY.**—

“(1) **IN GENERAL.**—Except as provided by paragraph (2), each account of the United States shall be reduced by a dollar amount calculated by multiplying the level of budgetary resources in that account at that time by the uniform percentage necessary to carry out subsection (a). All obligational authority reduced under this section shall be done in a manner that makes such reductions permanent.

“(2) **EXEMPT ACCOUNTS.**—No order issued under this part may—

“(A) reduce benefits payable to the old-age and survivors insurance program established under title II of the Social Security Act;

“(B) reduce retired or retainer pay payable to a member or former member of the uniformed services; or

“(C) reduce payments for net interest (all of major functional category 900).”.

(b) **REPORTS.**—Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subsection (a), by adding at the end of the table the following new item:

“October 1 ..................................... Department of Treasury report to Congress estimating amount of income tax designated pursuant to section 6097 of the Internal Revenue Code of 1986.”;
(2) in subsection (c)(1), by inserting “, and se-
questration to reduce the public debt,” after “se-
questration”;

(3) in subsection (c), by redesignating para-
graph (5) as paragraph (6) and by inserting after
paragraph (4) the following new paragraph:

“(5) Reports on sequestration to reduce
the public debt.—The preview reports shall set
forth for the budget year estimates for each of the
following:

“(A) The aggregate amount designated
under section 6097 of the Internal Revenue
Code of 1986 for the last taxable year ending
before the budget year.

“(B) The amount of reductions required
under section 253A and the deficit remaining
after those reductions have been made.

“(C) The sequestration percentage nec-
essary to achieve the required reduction in ac-
counts under section 253A(b).”; and

(4) in subsection (f), by redesignating para-
graphs (4) and (5) as paragraphs (5) and (6), re-
spectively, and by inserting after paragraph (3) the
following new paragraph:
“(4) Reports on sequestration to reduce the public debt.—The final reports shall contain all of the information contained in the public debt taxation designation report required on October 1.”.

(c) Conforming Amendment.—The table of contents in section 250(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting after the item relating to section 253 the following new item:

“Sec. 253A. Sequestration to reduce the public debt.”.

(d) Effective Date.—Notwithstanding section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, the expiration date set forth in that section shall not apply to the amendments made by this section. The amendments made by this section shall cease to have any effect after the first fiscal year during which there is no public debt.