S. 567

To improve the retirement security of American families by strengthening Social Security.

IN THE SENATE OF THE UNITED STATES

MARCH 14, 2013

Mr. HARKIN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To improve the retirement security of American families by strengthening Social Security.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Strengthening Social Security Act of 2013”.

SEC. 2. DETERMINATION OF TAXABLE WAGES AND SELF-EMPLOYMENT INCOME ABOVE CONTRIBUTION AND BENEFIT BASE AFTER 2013.

(a) Determination of Taxable Wages Above Contribution and Benefit Base After 2013.—
Amendments to the Internal Revenue Code of 1986.—Section 3121 of the Internal Revenue Code of 1986 is amended—

(A) in subsection (a)(1), by inserting “the applicable percentage (determined under subsection (c)(1)) of” before “that part of the remuneration”; and

(B) in subsection (c), by striking “(c) Included and Excluded Service.—For purposes of this chapter, if” and inserting the following:

“(c) Special Rules for Wages and Employment.—

“(1) Applicable percentage of remuneration in determining taxable wages.—For purposes of subsection (a)(1), the applicable percentage for a calendar year shall be equal to—

“(A) for 2014, 80 percent;

“(B) for 2015 through 2017, the applicable percentage under this paragraph for the previous year, decreased by 20 percentage points; and

“(C) for 2018 and each year thereafter, 0 percent.
“(2) INCLUDED AND EXCLUDED SERVICE.—For purposes of this chapter, if”.

(2) AMENDMENTS TO THE SOCIAL SECURITY ACT.—Section 209 of the Social Security Act (42 U.S.C. 409) is amended—

(A) in subsection (a)(1)(I)—

(i) by inserting “and before 2014” after “1974”; and

(ii) by inserting “and” after the semi-colon;

(B) in subsection (a)(1), by adding at the end the following new subparagraph:

“(J) The applicable percentage (determined under subsection (l)) of that part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to the contribution and benefit base (determined under section 230) with respect to employment has been paid to an individual during any calendar year after 2013 with respect to which such contribution and benefit base is effective, is paid to such individual during such calendar year;”;

and
(C) by adding at the end the following new subsection:

“(1) For purposes of subsection (a)(1)(J), the applicable percentage for a calendar year shall be equal to—

“(1) for 2014, 80 percent;

“(2) for 2015 through 2017, the applicable percentage under this subsection for the previous year, decreased by 20 percentage points; and

“(3) for 2018 and each year thereafter, 0 percent.”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to remuneration paid in calendar years after 2013.

(b) DETERMINATION OF TAXABLE SELF-EMPLOYMENT INCOME ABOVE CONTRIBUTION AND BENEFIT BASE AFTER 2013.—

(1) AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.—Section 1402 of the Internal Revenue Code of 1986 is amended—

(A) in subsection (b)(1), by striking “that part of the net earnings” and all that follows through “minus” and inserting the following:

“an amount equal to the applicable percentage (as determined under subsection (d)(2)) of that part of the net earnings from self-employment
which is in excess of the difference (not to be
less than zero) between (i) an amount equal to
the contribution and benefit base (as deter-
mined under section 230 of the Social Security
Act) which is effective for the calendar year in
which such taxable year begins, and”; and

(B) in subsection (d)—

(i) by striking “(d) EMPLOYEE AND
WAGES.—The term” and inserting the fol-
lowing:

“(d) RULES AND DEFINITIONS.—

“(1) EMPLOYEE AND WAGES.—The term”; and

(ii) by adding at the end the fol-
lowing:

“(2) APPLICABLE PERCENTAGE OF NET EARN-
INGS FROM SELF-EMPLOYMENT IN DETERMINING
TAXABLE SELF-EMPLOYMENT INCOME.—For pur-
poses of subsection (b)(1), the applicable percentage
for a taxable year beginning in any calendar year re-
ferred to in such paragraph shall be equal to—

“(A) for 2014, 80 percent;

“(B) for 2015 through 2017, the applica-
bable percentage under this paragraph for the
previous year, decreased by 20 percentage
points; and
“(C) for 2018 and each year thereafter, 0 percent.”.

(2) AMENDMENTS TO THE SOCIAL SECURITY ACT.—Section 211 of the Social Security Act (42 U.S.C. 411) is amended—

(A) in subsection (b)—

(i) in paragraph (1)(I)—

(I) by striking “or” after the semicolon; and

(II) by inserting “and before 2014” after “1974”;  

(ii) by redesignating paragraph (2) as paragraph (3); and

(iii) by inserting after paragraph (1) the following:

“(2) For any taxable year beginning in any calendar year after 2013, an amount equal to the applicable percentage (as determined under subsection (l)) of that part of net earnings from self-employment which is in excess of the difference (not to be less than zero) between—

“(A) an amount equal to the contribution and benefit base (as determined under section 230) that is effective for such calendar year, and
“(B) the amount of the wages paid to such
individual during such taxable year; or”; and

(B) by adding at the end the following:

“(l) For purposes of subsection (b)(2), the applicable
percentage for a taxable year beginning in any calendar
year referred to in such paragraph shall be equal to—

“(1) for 2014, 80 percent;

“(2) for 2015 through 2017, the applicable per-
centage under this subsection for the previous year,
decreased by 20 percentage points; and

“(3) for 2018 and each year thereafter, 0 per-
cent.”.

(3) Effective date.—The amendments made
by this subsection shall apply with respect to taxable
years beginning during or after calendar year 2014.

SEC. 3. ADJUSTMENTS TO BEND POINTS IN DETERMINING
PRIMARY INSURANCE AMOUNT AND INCLU-
SION OF SURPLUS EARNINGS FOR BENEFIT
DETERMINATIONS.

(a) Inclusion of Surplus Average Indexed
Monthly Earnings in Determination of Primary
Insurance Amounts.—

(1) In general.—Section 215(a)(1)(A) of the
Social Security Act (42 U.S.C. 415(a)(1)(A)) is
amended—
(A) in clauses (i), (ii), and (iii), by inserting “basic” before “average indexed monthly earnings” each place it appears;

(B) in clause (ii), by striking “and” at the end;

(C) in clause (iii), by adding “and” at the end; and

(D) by inserting after clause (iii) the following new clause:

“(iv) 5 percent of the individual’s surplus average indexed monthly earnings,”.

(2) BEND POINT ADJUSTMENT.—Section 215(a)(1)(B) of such Act (42 U.S.C. 415(a)(1)(B)) is amended—

(A) by redesignating clause (iii) as clause (iv); and

(B) by inserting after clause (ii) the following new clause:

“(iii) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits) in any calendar year after 2018, the amount determined under clause (i) of this subparagraph for purposes of subparagraph (A)(i) for such calendar year shall be increased by—
“(I) for calendar year 2019, 1 percent;

“(II) for each of calendar years 2020 through 2032, the percent determined under this clause for the preceding year increased by 1 percentage point; and

“(III) for calendar year 2033 and each year thereafter, 15 percent.”.

(b) Basic AIME and Surplus AIME.—

(1) Basic AIME.—Section 215(b)(1) of such Act (42 U.S.C. 415(b)(1)) is amended—

(A) by inserting “basic” before “average”; and

(B) in subparagraph (A), by striking “paragraph (3)” and inserting “paragraph (3)(A)” and by inserting before the comma the following: “to the extent such total does not exceed the contribution and benefit base for the applicable year”.

(2) Surplus AIME.—

(A) In general.—Section 215(b)(1) of such Act (as amended by paragraph (1)) is amended—

(i) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;
(ii) by inserting “(A)” after “(b)(1)”;

and

(iii) by adding at the end the following new subparagraph:

“(B)(i) An individual’s surplus average indexed monthly earnings shall be equal to the quotient obtained by dividing—

“(I) the total (after adjustment under paragraph (3)(B)) of such individual’s surplus earnings (determined under clause (ii)) for such individual’s benefit computation years (determined under paragraph (2)), by

“(II) the number of months in those years.

“(ii) For purposes of clause (i) and paragraph (3)(B), an individual’s surplus earnings for a benefit computation year are the total of such individual’s wages paid in and self-employment income credited to such benefit computation year, to the extent such total (before adjustment under paragraph (3)(B)) exceeds the contribution and benefit base for such year.”.

(B) CONFORMING AMENDMENT.—The heading for section 215(b) of such Act is amended by striking “Average Indexed Monthly Earnings” and inserting “Basic Average In-
(3) ADJUSTMENT OF SURPLUS EARNINGS FOR PURPOSES OF DETERMINING SURPLUS AIME.—Section 215(b)(3) of such Act (42 U.S.C. 415(b)(3)) is amended—

(A) in subparagraph (A), by striking “subparagraph (B)” and inserting “subparagraph (C)” and by inserting “and determination of basic average indexed monthly income” after “paragraph (2)”;

(B) by redesignating subparagraph (B) as subparagraph (C); and

(C) by inserting after subparagraph (A) the following new subparagraph:

“(B) For purposes of determining under paragraph (1)(B) an individual’s surplus average indexed monthly earnings, the individual’s surplus earnings (described in paragraph (2)(B)(ii)) for a benefit computation year shall be deemed to be equal to the product of—

“(i) the individual’s surplus earnings for such year (as determined without regard to this subparagraph), and

“(ii) the quotient described in subparagraph (A)(ii).”.

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(c) Effective Date.—The amendments made by this section shall apply with respect to individuals who initially become eligible (within the meaning of section 215(a)(3)(B) of the Social Security Act) for old-age or disability insurance benefits under title II of the Social Security Act, or who die (before becoming eligible for such benefits), in any calendar year after 2018.

SEC. 4. CONSUMER PRICE INDEX FOR ELDERLY CONSUMERS.

(a) In General.—The Bureau of Labor Statistics of the Department of Labor shall prepare and publish an index for each calendar month to be known as the “Consumer Price Index for Elderly Consumers” that indicates changes over time in expenditures for consumption which are typical for individuals in the United States who have attained early retirement age (as defined under section 216(l)(2) of the Social Security Act (42 U.S.C. 416(l)(2)) for purposes of an old-age, wife’s, or husband’s insurance benefit).

(b) Effective Date.—Subsection (a) shall apply with respect to calendar months ending on or after June 30 of the calendar year in which this Act is enacted.

(e) Authorization of Appropriations.—There are authorized to be appropriated such sums as are necessary to carry out the provisions of this section.
SEC. 5. COMPUTATION OF COST-OF-LIVING INCREASES FOR SOCIAL SECURITY BENEFITS.

(a) IN GENERAL.—Section 215(i) of the Social Security Act (42 U.S.C. 415(i)) is amended—

(1) in paragraph (1)(G), by inserting before the period the following: “, and, with respect to any monthly insurance benefit payable under this title, effective for adjustments under this subsection to the primary insurance amount on which such benefit is based (or to any such benefit under section 227 or 228), the applicable Consumer Price Index shall be deemed to be the Consumer Price Index for Elderly Consumers and such primary insurance amount shall be deemed adjusted under this subsection using such Index”;

(2) in paragraph (4), by striking “and by section 9001” and inserting “, by section 9001”, and by inserting after “1986,” the following: “and by section 5(a) of the Strengthening Social Security Act of 2013,”.

(b) CONFORMING AMENDMENTS IN APPLICABLE FORMER LAW.—Section 215(i)(1)(C) of the Social Security Act, as in effect in December 1978 and applied in certain cases under the provisions of such Act in effect after December 1978, is amended by inserting before the period the following: “, and, with respect to any monthly
insurance benefit payable under this title, effective for adjustments under this subsection to the primary insurance amount on which such benefit is based (or to any such benefit under section 227 or 228), the applicable Consumer Price Index shall be deemed to be the Consumer Price Index for Elderly Consumers and such primary insurance amount shall be deemed adjusted under this subsection using such Index”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to determinations made by the Commissioner of Social Security under section 215(i)(2) of the Social Security Act (42 U.S.C. 415(i)(2)) with respect to cost-of-living computation quarters ending on or after September 30, 2014.