

105TH CONGRESS  
2D SESSION

# S. 1792

To reduce social security payroll taxes, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MARCH 18, 1998

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

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## A BILL

To reduce social security payroll taxes, and for other  
purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Social Security Solvency Act of 1998”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Modification of FICA rates to provide pay-as-you-go financing of social  
security.

Sec. 3. Voluntary investment of payroll tax cut by employees.

Sec. 4. Increase of social security wage base.

Sec. 5. Cost-of-living adjustments.

Sec. 6. Tax treatment of social security payments.

Sec. 7. Coverage of newly hired State and local employees.

Sec. 8. Increase in length of computation period from 35 to 38 years.

Sec. 9. Phased in increase in social security retirement age.

Sec. 10. Elimination of earnings test for individuals who have attained early retirement age.

**1 SEC. 2. MODIFICATION OF FICA RATES TO PROVIDE PAY-**  
**2 AS-YOU-GO FINANCING OF SOCIAL SECURITY.**

**3 (a) IN GENERAL.—**

**4 (1) TAX ON EMPLOYEES.—**Section 3101(a) of  
**5 the Internal Revenue Code of 1986 (relating to tax**  
**6 on employees) is amended to read as follows:**

**7 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-**  
**8 ANCE.—**

**9 “(1) IN GENERAL.—**In addition to other taxes,  
**10 there is hereby imposed on the income of every indi-**  
**11 vidual a tax equal to the applicable percentage of the**  
**12 wages (as defined in section 3121(a)) received by**  
**13 him with respect to employment (as defined in sec-**  
**14 tion 3121(b)).**

**15 “(2) APPLICABLE PERCENTAGE.—**For purposes  
**16 of paragraph (1), the applicable percentage shall be**  
**17 the percentage set forth in the following table:**

<b>“In the case wages received during:</b>	<b>The applicable percentage shall be:</b>
1999 through 2024 .....	5.2
2025 through 2029 .....	5.7
2030 through 2044 .....	6.2
2045 through 2054 .....	6.35
2055 through 2059 .....	6.5
2060 or thereafter .....	6.7 .”

1           (2) TAX ON EMPLOYERS.—Section 3111(a) of  
 2           such Code (relating to tax on employers) is amended  
 3           to read as follows:

4           “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
 5           ANCE.—

6           “(1) IN GENERAL.—In addition to other taxes,  
 7           there is hereby imposed on every employer an excise  
 8           tax, with respect to having individuals in his employ,  
 9           equal to the applicable percentage of the wages (as  
 10          defined in section 3121(a)) paid by him with respect  
 11          to employment (as defined in section 3121(b)).

12          “(2) APPLICABLE PERCENTAGE.—For purposes  
 13          of paragraph (1), the applicable percentage shall be  
 14          the percentage set forth in the following table:

<b>“In the case wages paid during:</b>	<b>The applicable percentage shall be:</b>
1999 and 2000 .....	6.2
2001 through 2024 .....	5.2
2025 through 2029 .....	5.7
2030 through 2044 .....	6.2
2045 through 2054 .....	6.35
2055 through 2059 .....	6.5
2060 or thereafter .....	6.7 .”

15          (3) SELF-EMPLOYMENT TAX.—Section 1401(a)  
 16          of such Code (relating to tax on self-employment in-  
 17          come) is amended to read as follows:

18          “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
 19          ANCE.—

20          “(1) IN GENERAL.—In addition to other taxes,  
 21          there is hereby imposed for each taxable year, on the

self-employment income of every individual, a tax equal to the applicable percentage of the amount of the self-employment income for such taxable year.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage shall be the percentage set forth in the following table:

<b>“In the case of a taxable year</b>		
<b>Beginning after:</b>	<b>And before:</b>	<b>The applicable percentage is:</b>
December 31, 1998 .....	January 1, 2001 .....	11.4
December 31, 2000 .....	January 1, 2025 .....	10.4
December 31, 2024 .....	January 1, 2030 .....	11.4
December 31, 2029 .....	January 1, 2045 .....	12.4
December 31, 2044 .....	January 1, 2055 .....	12.7
December 31, 2054 .....	January 1, 2060 .....	13.0
December 31, 2059 .....	.....	13.4 .”

(4) EFFECTIVE DATES.—

(A) EMPLOYEES AND EMPLOYERS.—The amendments made by paragraphs (1) and (2) apply to remuneration paid after December 31, 1998.

(B) SELF-EMPLOYED INDIVIDUALS.—The amendment made by paragraph (3) applies to taxable years beginning after December 31, 1998.

(b) REALLOCATION OF EMPLOYMENT TAXES.—

(1) REALLOCATION OF TAX ON EMPLOYEES AND EMPLOYERS.—Section 201(b)(1) of the Social Security Act (42 U.S.C. 401(b)(1)) is amended by

1 striking “(Q) 1.70 per centum of the wages (as so  
2 defined) paid after December 31, 1996, and before  
3 January 1, 2000, and so reported, and (R) 1.80 per  
4 centum of the wages (as so defined) paid after De-  
5 cember 31, 1999, and so reported” and inserting  
6 “(Q) 1.70 per centum of the wages (as so defined)  
7 paid after December 31, 1996, and before January  
8 1, 1999, and so reported, (R) 1.80 per centum of  
9 the wages (as so defined) paid after December 31,  
10 1998, and before January 1, 2015, and so reported,  
11 (S) 2.00 per centum of the wages (as so defined)  
12 paid after December 31, 2014, and before January  
13 1, 2025, and so reported, (T) 2.30 per centum of  
14 the wages (as so defined) paid after December 31,  
15 2024, and before January 1, 2030, and so reported,  
16 (U) 2.20 per centum of the wages (as so defined)  
17 paid after December 31, 2029, and before January  
18 1, 2035, and so reported, (V) 2.30 per centum of  
19 the wages (as so defined) paid after December 31,  
20 2034, and before January 1, 2040, and so reported,  
21 (W) 2.40 per centum of the wages (as so defined)  
22 paid after December 31, 2039, and before January  
23 1, 2045, and so reported, (X) 2.80 per centum of  
24 the wages (as so defined) paid after December 31,  
25 2044, and before January 1, 2055, and so reported,

1 and (Y) 2.90 per centum of the wages (as so de-  
 2 fined) paid after December 31, 2054, and so re-  
 3 ported”.

4 (2) REALLOCATION OF TAX ON SELF-EMPLOY-  
 5 MENT INCOME.—Section 201(b)(2) of such Act (42  
 6 U.S.C. 401(b)(2)) is amended by striking “(Q) 1.70  
 7 per centum of self-employment income (as so de-  
 8 fined) so reported for any taxable year beginning  
 9 after December 31, 1996, and before January 1,  
 10 2000, and (R) 1.80 per centum of self-employment  
 11 income (as so defined) so reported for any taxable  
 12 year beginning after December 31, 1999” and in-  
 13 serting “(Q) 1.70 per centum of self-employment in-  
 14 come (as so defined) so reported for any taxable  
 15 year beginning after December 31, 1996, and before  
 16 January 1, 1999, (R) 1.80 per centum of self-em-  
 17 ployment income (as so defined) so reported for any  
 18 taxable year beginning after December 31, 1998,  
 19 and before January 1, 2015, (S) 2.00 per centum of  
 20 self-employment income (as so defined) so reported  
 21 for any taxable year beginning after December 31,  
 22 2014, and before January 1, 2025, (T) 2.30 per  
 23 centum of self-employment income (as so defined) so  
 24 reported for any taxable year beginning after De-  
 25 cember 31, 2024, and before January 1, 2030, (U)

1       2.20 per centum of self-employment income (as so  
 2       defined) so reported for any taxable year beginning  
 3       after December 31, 2029, and before January 1,  
 4       2035, (V) 2.30 per centum of self-employment in-  
 5       come (as so defined) so reported for any taxable  
 6       year beginning after December 31, 2034, and before  
 7       January 1, 2040, (W) 2.40 per centum of self-em-  
 8       ployment income (as so defined) so reported for any  
 9       taxable year beginning after December 31, 2039,  
 10      and before January 1, 2045, (X) 2.80 per centum  
 11      of self-employment income (as so defined) so re-  
 12      ported for any taxable year beginning after Decem-  
 13      ber 31, 2044, and before January 1, 2055, and (Y)  
 14      2.90 per centum of self-employment income (as so  
 15      defined) so reported for any taxable year beginning  
 16      after December 31, 2054”.

17       (c) FUTURE RATES AND ALLOCATION BETWEEN  
 18 TRUST FUNDS PROPOSED BY BOARD OF TRUSTEES FOR  
 19 LEGISLATIVE ACTION.—

20           (1) IN GENERAL.—Section 201(c) of the Social  
 21       Security Act (42 U.S.C. 401(c)) is amended in the  
 22       matter following paragraph (5) by striking “(as de-  
 23       fined by the Board of Trustees).” and inserting “(as  
 24       defined by the Board of Trustees. If such finding  
 25       shows that the combined Trust Funds are not in

1 close actuarial balance (as so defined), then such re-  
 2 port (beginning in April 2000) shall include a legis-  
 3 lative recommendation by the Board of Trustees  
 4 specifying new rates of tax under sections 3101(a),  
 5 3111(a), and 1401(a) of the Internal Revenue Code  
 6 of 1986, and the allocation of those rates between  
 7 the Trust Funds necessary in order to restore the  
 8 combined Trust Funds and each Trust Fund to ac-  
 9 tual balance. If such finding shows that the com-  
 10 bined Trust Funds are in close actuarial balance (as  
 11 so defined), but that 1 of the Trust Funds is not in  
 12 close actuarial balance, then such report (beginning  
 13 in April 2000) shall include a legislative rec-  
 14 ommendation by the Board of Trustees specifying a  
 15 new allocation of such rates of tax between the  
 16 Trust Funds, so that each Trust Fund is in close  
 17 actuarial balance. Such recommendation shall be  
 18 considered by Congress under procedures described  
 19 in subsection (n)).”.

20 (2) FAST-TRACK CONSIDERATION OF LEGISLA-  
 21 TIVE RECOMMENDATIONS.—Section 201 of such Act  
 22 (42 U.S.C. 401) is amended by adding at the end  
 23 the following new subsection:

24 “(n)(1) Any legislative recommendation included in  
 25 the report provided for in subsection (c) shall—



1           “(A) not later than 3 days after the Board of  
2           Trustees submits such report, be introduced (by re-  
3           quest) in the House of Representatives by the Ma-  
4           jority Leader of the House and be introduced (by re-  
5           quest) in the Senate by the Majority Leader of the  
6           Senate; and

7           “(B) be given expedited consideration under the  
8           same provisions and in the same way, subject to  
9           paragraph (2), as a joint resolution under section  
10          2908 of the Defense Base Closure and Realignment  
11          Act of 1990 (10 U.S.C. 2678 note).

12          “(2) For purposes of applying paragraph (1) with re-  
13          spect to such provisions, the following rules shall apply:

14                 “(A) Section 2908(a) of the Defense Base Clo-  
15                 sure and Realignment Act of 1990 (10 U.S.C. 2678  
16                 note) shall not apply.

17                 “(B) Any reference to the resolution described  
18                 in subsection (a) shall be deemed to be a reference  
19                 to the legislative recommendation submitted under  
20                 subsection (c) of this Act.

21                 “(C) Any reference to the Committee on Na-  
22                 tional Security of the House of Representatives shall  
23                 be deemed to be a reference to the Committee on  
24                 Ways and Means of the House of Representatives  
25                 and any reference to the Committee on Armed Serv-

1       ices of the Senate shall be deemed to be a reference  
2       to the Committee on Finance of the Senate.

3           “(D) Any reference to the date on which the  
4       President transmits a report shall be deemed to be  
5       a reference to the date on which the recommenda-  
6       tion is submitted under subsection (c).”.

7       (d) CONFORMING AMENDMENTS TO FERS TO PRO-  
8       TECT PAYROLL TAX CUT.—The table contained in section  
9       8422(a)(3) of title 5, United States Code, is amended—

10           (1) by striking “7” the second place it appears  
11       and inserting “6”;

12           (2) by striking “7.25” and inserting “6.25”;

13           (3) by striking “7.4” and inserting “6.4”;

14           (4) by striking “7.5” the first, third, fifth, and  
15       seventh places it appears and inserting “6.5”;

16           (5) by striking “7.75” each place it appears  
17       and inserting “6.75”;

18           (6) by striking “7.9” each place it appears and  
19       inserting “6.9”; and

20           (7) by striking “8” each place it appears and  
21       inserting “7”.

22       **SEC. 3. VOLUNTARY INVESTMENT OF PAYROLL TAX CUT BY**  
23       **EMPLOYEES.**

24       (a) SHORT TITLE.—This section may be cited as the  
25       “Voluntary Investment Contribution Act (VICA)”.

1 (b) VOLUNTARY INVESTMENT OF PAYROLL TAX  
 2 CUT.—

3 (1) IN GENERAL.—Title II of the Social Secu-  
 4 rity Act (42 U.S.C. 401 et seq.) is amended—

5 (A) by inserting before section 201 the fol-  
 6 lowing:

7 “PART A—INSURANCE BENEFITS”;

8 and

9 (B) by adding at the end the following:

10 “PART B—VOLUNTARY INVESTMENT ACCOUNTS  
 11 “EMPLOYEE ELECTION AND DESIGNATION OF VOL-  
 12 UNTARY INVESTMENT ACCOUNT UNDER PAYROLL  
 13 DEDUCTION PLAN

14 “SEC. 251. (a) IN GENERAL.—An individual who is  
 15 an employee of a covered employer may elect to participate  
 16 in the employer’s voluntary investment account payroll de-  
 17 duction plan either—

18 “(1) not later than 10 business days after the  
 19 individual becomes an employee of the employer, or

20 “(2) during any open enrollment period.

21 The Commissioner shall by regulation provide for at least  
 22 1 open enrollment period annually.

23 “(b) PERIOD OF ELECTION.—

24 “(1) TIME ELECTION TAKES EFFECT.—An elec-  
 25 tion under subsection (a) shall take effect with re-

1       spect to the first pay period beginning more than 14  
2       days after the date of the election.

3               “(2) TERMINATION.—An election under sub-  
4       section (a) shall terminate—

5                       “(A) upon the termination of employment  
6                       of the employee of the covered employer, or

7                       “(B) with respect to pay periods beginning  
8                       more than 14 days after the employee termi-  
9                       nates such election.

10       “(c) DESIGNATION OF VOLUNTARY INVESTMENT AC-  
11       COUNT.—

12               “(1) INITIAL ELECTION.—An employee shall, at  
13       the time an election is made under subsection (a),  
14       designate the voluntary investment account to which  
15       voluntary investment account contributions on behalf  
16       of the employee are to be deposited.

17               “(2) CHANGES.—The Commissioner shall by  
18       regulation provide the time and manner by which an  
19       employee may—

20                       “(A) designate another voluntary invest-  
21                       ment account to which contributions are to be  
22                       deposited, and

23                       “(B) transfer amounts from one such ac-  
24                       count to another.

1       “(d) FORM OF ELECTIONS.—Elections under this  
2 section shall be made—

3               “(1) on W-4 forms (or any successor forms), or

4               “(2) in such other manner as the Commissioner  
5 may prescribe in order to ensure ease of administra-  
6 tion and reductions in burdens on employers.

7       “VOLUNTARY INVESTMENT ACCOUNT PAYROLL

8                               DEDUCTION PLANS

9       “SEC. 252. (a) IN GENERAL.—Each person who is  
10 a covered employer for a calendar year shall have in effect  
11 a voluntary investment account payroll deduction plan for  
12 such calendar year for such person’s electing employees.

13       “(b) VOLUNTARY INVESTMENT ACCOUNT PAYROLL  
14 DEDUCTION PLANS.—For purposes of this part, the term  
15 ‘voluntary investment account payroll deduction plan’  
16 means a written plan of an employer—

17               “(1) which applies only with respect to wages of  
18 any employee who elects to become an electing em-  
19 ployee in accordance with section 251,

20               “(2) under which the voluntary investment ac-  
21 count contributions under section 3101(a) of the In-  
22 ternal Revenue Code of 1986 will be deducted from  
23 an electing employee’s wages and, together with such  
24 contributions under section 3111(a) of such Code on  
25 behalf of such employee, will be paid to the Social  
26 Security Administration for deposit in 1 or more vol-

1       untary investment accounts designated by such em-  
 2       ployee in accordance with section 251,

3           “(3) under which the employer is required to  
 4       pay the amount so contributed with respect to the  
 5       specified voluntary investment account of the elect-  
 6       ing employee within the same time period as other  
 7       taxes under sections 3101 and 3111 with respect to  
 8       the wages of such employee,

9           “(4) under which the employer receives no com-  
 10      pensation for the cost of administering such plan,  
 11      and

12           “(5) under which the employer does not make  
 13      any endorsement with respect to any voluntary in-  
 14      vestment account.

15      “(c) PENALTIES FOR FAILURE TO ESTABLISH VOL-  
 16      UNTARY INVESTMENT ACCOUNT PAYROLL DEDUCTION  
 17      PLAN.—

18           “(1) IN GENERAL.—Any covered employer who  
 19      fails to meet the requirements of this section for any  
 20      calendar year shall be subject to a civil penalty of  
 21      not to exceed the greater of—

22                   “(A) \$2,500, or

23                   “(B) \$100 for each electing employee of  
 24      such employer as of the beginning of such cal-  
 25      endar year.

1           “(2) RULES FOR APPLICATION OF SUB-  
2       SECTION.—

3           “(A) PENALTIES ASSESSED BY COMMIS-  
4       SIONER.—Any civil penalty assessed by this  
5       subsection shall be imposed by the Commis-  
6       sioner of Social Security and collected in a civil  
7       action.

8           “(B) COMPROMISES.—The Commissioner  
9       may compromise the amount of any civil pen-  
10      alty imposed by this subsection.

11          “(C) AUTHORITY TO WAIVE PENALTY IN  
12      CERTAIN CASES.—The Commissioner may waive  
13      the application of this subsection with respect  
14      to any failure if the Commissioner determines  
15      that such failure is due to reasonable cause and  
16      not to intentional disregard of rules and regula-  
17      tions.

18      “PARTICIPATION BY SELF-EMPLOYED INDIVIDUALS

19      “SEC. 253. An individual shall make an election to  
20      become an electing self-employed individual, designate a  
21      voluntary investment account, and have in effect a vol-  
22      untary investment account payroll deduction plan under  
23      rules similar to the rules under sections 251 and 252.

24      “DEFINITIONS AND SPECIAL RULES

25      “SEC. 254. For purposes of this part—

26      “(1) VOLUNTARY INVESTMENT ACCOUNT.—

1           “(A) IN GENERAL.—The term ‘voluntary  
2 investment account’ means—

3           “(i) any voluntary investment account  
4 in the Voluntary Investment Fund (estab-  
5 lished under section 255) which is adminis-  
6 tered by the Voluntary Investment Board,  
7 or

8           “(ii) any individual retirement plan  
9 (as defined in section 7701(a)(37) of the  
10 Internal Revenue Code of 1986), other  
11 than a Roth IRA (as defined in section  
12 408A(b) of such Code), which is des-  
13 ignated by the electing employee as a vol-  
14 untary investment account (in such man-  
15 ner as the Secretary of the Treasury may  
16 prescribe) and which is administered or  
17 issued by a bank or other person referred  
18 to in section 408(a)(2) of such Code.

19           “(B) TREATMENT OF ACCOUNTS.—

20           “(i) IN GENERAL.—Except as pro-  
21 vided in clause (ii)—

22           “(I) any voluntary investment ac-  
23 count described in subparagraph  
24 (A)(i) shall be treated in the same  
25 manner as an account in the Thrift



1 Savings Fund under subchapter III of  
2 chapter 84 of title 5, United States  
3 Code, and

4 “(II) any voluntary investment  
5 account described in subparagraph  
6 (A)(ii) shall be treated in the same  
7 manner as an individual retirement  
8 plan (as so defined).

9 “(ii) EXCEPTIONS.—

10 “(I) CONTRIBUTION LIMIT.—The  
11 aggregate amount of contributions for  
12 any taxable year to all voluntary in-  
13 vestment accounts of an electing em-  
14 ployee shall not exceed the aggregate  
15 amount of contributions made pursu-  
16 ant to sections 3101(a)(3),  
17 3111(a)(3), and 1401(a)(3) of the In-  
18 ternal Revenue Code of 1986 and paid  
19 pursuant to section 252 or 253 on be-  
20 half of such employee.

21 “(II) NO DEDUCTION AL-  
22 LOWED.—No deduction shall be al-  
23 lowed under section 219 of the Inter-  
24 nal Revenue Code of 1986 for a con-  
25 tribution to a voluntary investment

1 account described in subparagraph  
2 (A)(ii).

3 “(III) ROLLOVER CONTRIBU-  
4 TIONS.—No rollover contribution may  
5 be made to a voluntary investment ac-  
6 count unless it is from another vol-  
7 untary investment account. A rollover  
8 described in the preceding sentence  
9 shall not be taken into account for  
10 purposes of subclause (I).

11 “(IV) DISTRIBUTIONS ALLOWED  
12 TO SOCIAL SECURITY BENE-  
13 FICIARIES.—Notwithstanding any  
14 other provision of law, distributions  
15 may only be made from a voluntary  
16 investment account of an electing em-  
17 ployee on or after the earlier of the  
18 date on which the employee begins re-  
19 ceiving benefits under this title or the  
20 date of the employee’s death.

21 “(2) COVERED EMPLOYER.—The term ‘covered  
22 employer’ means, for any calendar year, any person  
23 on whom an excise tax is imposed under section  
24 3111 of the Internal Revenue Code of 1986 with re-  
25 spect to having an individual in the person’s employ

1 to whom wages are paid by such person during such  
2 calendar year.

3 “(3) ELECTING EMPLOYEE.—The term ‘electing  
4 employee’ means an individual with respect to whom  
5 an election under section 251 is in effect.

6 “(4) ELECTING SELF-EMPLOYED INDIVID-  
7 UAL.—The term ‘electing self-employed individual’  
8 means an individual with respect to whom an elec-  
9 tion under section 253 is in effect.

10 “VOLUNTARY INVESTMENT FUND

11 “SEC. 255. (a) ESTABLISHMENT.—There is estab-  
12 lished and maintained in the Treasury of the United  
13 States a Voluntary Investment Fund in the same manner  
14 as the Thrift Savings Fund under sections 8437, 8438,  
15 and 8439 of title 5, United States Code.

16 “(b) VOLUNTARY INVESTMENT FUND BOARD.—

17 “(1) IN GENERAL.—There is established and  
18 operated in the Social Security Administration a  
19 Voluntary Investment Fund Board in the same man-  
20 ner as the Federal Retirement Thrift Investment  
21 Board under subchapter VII of chapter 84 of title  
22 5, United States Code.

23 “(2) SPECIFIC INVESTMENT DUTIES.—The Vol-  
24 untary Investment Fund shall be managed by the  
25 Voluntary Investment Fund Board in the same man-  
26 ner as the Thrift Savings Fund is managed under

1 subchapter VIII of chapter 84 of title 5, United  
2 States Code.”.

3 (2) EXEMPTION FROM ERISA REQUIRE-  
4 MENTS.—Section 4(b) of the Employee Retirement  
5 Income Security Act of 1974 (29 U.S.C. 1003(b)) is  
6 amended—

7 (A) in paragraph (4), by striking “or”;

8 (B) in paragraph (5), by striking the pe-  
9 riod and inserting “; or”; and

10 (C) by inserting after paragraph (5) the  
11 following:

12 “(6) such plan is a voluntary investment ac-  
13 count payroll deduction plan established under part  
14 B of title II of the Social Security Act.”.

15 (3) EFFECTIVE DATE AND NOTICE REQUIRE-  
16 MENTS.—

17 (A) EFFECTIVE DATE.—The amendments  
18 made by this subsection (and any voluntary in-  
19 vestment account payroll deduction plan re-  
20 quired thereunder) apply with respect to wages  
21 paid after December 31, 2000, for pay periods  
22 beginning after such date and self-employment  
23 income for taxable years beginning after such  
24 date.

25 (B) NOTICE REQUIREMENTS.—

1 (i) IN GENERAL.—Not later than Oc-  
2 tober 1, 2000, the Commissioner of Social  
3 Security shall—

4 (I) send to the last known ad-  
5 dress of each eligible individual a de-  
6 scription of the program established  
7 by the amendments made by this sub-  
8 section, which shall be written in the  
9 form of a pamphlet in language which  
10 may be readily understood by the av-  
11 erage worker,

12 (II) provide for toll-free access by  
13 telephone from all localities in the  
14 United States and access by the Inter-  
15 net to the Social Security Administra-  
16 tion through which individuals may  
17 obtain information and answers to  
18 questions regarding such program,  
19 and

20 (III) provide information to the  
21 media in all localities of the United  
22 States about such program and such  
23 toll-free access by telephone and ac-  
24 cess by Internet.

1           (ii) ELIGIBLE INDIVIDUAL.—For pur-  
2           poses of this subparagraph, the term “eli-  
3           gible individual” means an individual who,  
4           as of the date of the pamphlet sent pursu-  
5           ant to clause (i), is indicated within the  
6           records of the Social Security Administra-  
7           tion as being credited with 1 or more quar-  
8           ters of coverage under section 213 of the  
9           Social Security Act (42 U.S.C. 413).

10          (iii) MATTERS TO BE INCLUDED.—  
11          The Commissioner shall include with the  
12          pamphlet sent to each eligible individual  
13          pursuant to clause (i)—

14               (I) a statement of the number of  
15               quarters of coverage indicated in the  
16               records of the Social Security Admin-  
17               istration as of the date of the descrip-  
18               tion as credited to such individual  
19               under section 213 of such Act and the  
20               date as of which such records may be  
21               considered accurate, and

22               (II) the number for toll-free ac-  
23               cess by telephone established by the  
24               Commissioner pursuant to clause (i).

1       (c) CONFORMING AMENDMENTS TO PAYROLL TAX  
2 PROVISIONS.—

3           (1) EMPLOYEES VOLUNTARY INVESTMENT CON-  
4 TRIBUTIONS.—Section 3101(a) of the Internal Reve-  
5 nue Code of 1986 (relating to tax on employees), as  
6 amended by section 2(a)(1), is amended by adding  
7 at the end the following:

8           “(3) VOLUNTARY INVESTMENT ACCOUNT CON-  
9 TRIBUTION.—In the case of an electing employee (as  
10 defined in section 254(3) of the Social Security Act),  
11 in addition to other taxes, there is hereby imposed  
12 on the income of such employee a voluntary invest-  
13 ment account contribution equal to 1 percent of the  
14 wages (as so defined) received by him with respect  
15 to employment (as so defined).”.

16          (2) EMPLOYERS MATCHING CONTRIBUTIONS.—  
17 Section 3111(a) of such Code (relating to tax on em-  
18 ployers), as amended by section 2(a)(2), is amended  
19 by adding at the end the following:

20          “(3) MATCHING CONTRIBUTION TO EMPLOYEE  
21 VOLUNTARY INVESTMENT ACCOUNT CONTRIBU-  
22 TION.—In the case of an employer having in his em-  
23 ploy an electing employee (as defined in section  
24 254(3) of the Social Security Act), in addition to  
25 other taxes, there is hereby imposed on such em-

1        ployer a voluntary investment account contribution  
 2        equal to 1 percent of the wages (as so defined) paid  
 3        by him with respect to employment (as so defined)  
 4        of such employee.”.

5            (3) SELF-EMPLOYMENT VOLUNTARY INVEST-  
 6        MENT ACCOUNT CONTRIBUTIONS.—Section 1401(a)  
 7        of such Code (relating to tax on self-employment in-  
 8        come), as amended by section 2(a)(3), is amended  
 9        by adding at the end the following:

10           “(3) VOLUNTARY INVESTMENT ACCOUNT CON-  
 11        TRIBUTION.—In the case of an electing self-em-  
 12        ployed individual (as defined in section 254(4) of the  
 13        Social Security Act), in addition to other taxes,  
 14        there is hereby imposed for each taxable year, on the  
 15        self-employment income of such individual, a vol-  
 16        untary investment account contribution equal to 2  
 17        percent of the amount of the self-employment in-  
 18        come for such taxable year.”.

19           (4) EFFECTIVE DATES.—

20           (A) EMPLOYEES AND EMPLOYERS.—The  
 21        amendments made by paragraphs (1) and (2)  
 22        apply to remuneration paid after December 31,  
 23        2000.

24           (B) SELF-EMPLOYED INDIVIDUALS.—The  
 25        amendment made by paragraph (3) applies to



1 taxable years beginning after December 31,  
2 2000.

3 **SEC. 4. INCREASE OF SOCIAL SECURITY WAGE BASE.**

4 (a) IN GENERAL.—Section 230 of the Social Security  
5 Act (42 U.S.C. 430) is amended—

6 (1) in subsection (b)—

7 (A) in paragraph (1), by striking  
8 “\$60,600” and inserting “\$97,500”; and

9 (B) in paragraph (2), by striking “1992”  
10 and inserting “2001”; and

11 (2) in subsection (c)—

12 (A) by striking “(1)” and all that follows  
13 through “\$29,700.” and inserting “the ‘con-  
14 tribution and benefit base’ with respect to re-  
15 muneration paid (and taxable years begin-  
16 ning)—

17 “(1) in 2001 shall be \$85,000,

18 “(2) in 2002 shall be \$92,000, and

19 “(3) in 2003 shall be \$97,500.”; and

20 (B) by striking “specified in clause (2) of  
21 the preceding sentence” and inserting “specified  
22 in the preceding sentence”.

23 (b) EFFECTIVE DATE.—The amendments made by  
24 this section take effect on January 1, 2001.

1 **SEC. 5. COST-OF-LIVING ADJUSTMENTS.**

2 (a) COST-OF-LIVING BOARD.—Title XI of the Social  
3 Security Act (42 U.S.C. 1301 et seq.) is amended by add-  
4 ing at the end the following:

5 “PART D—COST-OF-LIVING ADJUSTMENTS

6 “DETERMINATION OF INFLATION ADJUSTMENT

7 “SEC. 1180. (a) MODIFICATION OF COST-OF-LIVING  
8 ADJUSTMENT.—

9 “(1) IN GENERAL.—Notwithstanding any other  
10 provision of law, any cost-of-living adjustment de-  
11 scribed in subsection (e) shall be reduced by the ap-  
12 plicable percentage point.

13 “(2) APPLICABLE PERCENTAGE POINT.—In this  
14 section, the term ‘applicable percentage point’  
15 means—

16 “(A) except as provided in subparagraph  
17 (B), 1 percentage point; or

18 “(B) the applicable percentage point  
19 adopted by the Cost-of-Living Board under sub-  
20 section (b) for the calendar year.

21 “(b) COST-OF-LIVING BOARD DETERMINATION.—

22 “(1) IN GENERAL.—The Cost-of-Living Board  
23 established under section 1181 shall for each cal-  
24 endar year after 1998 determine if a new applicable  
25 percentage point is necessary to replace the applica-  
26 ble percentage point described in subsection

1 (a)(2)(A) to ensure an accurate cost-of-living adjust-  
 2 ment which shall apply to any cost-of-living adjust-  
 3 ment taking effect during such year.

4 “(2) ADOPTION OR REJECTION OF NEW APPLI-  
 5 CABLE PERCENTAGE POINT.—

6 “(A) ADOPTION.—

7 “(i) IN GENERAL.—If the Cost-of-Liv-  
 8 ing Board adopts by majority vote a new  
 9 applicable percentage point under para-  
 10 graph (1), then, for purposes of subsection  
 11 (a)(1), the new applicable percentage point  
 12 shall remain in effect during the following  
 13 calendar year.

14 “(ii) APPROPRIATE ADJUSTMENTS.—  
 15 The Cost-of-Living Board shall make ap-  
 16 propriate adjustments to the applicable  
 17 percentage point applied to any cost-of-liv-  
 18 ing adjustment if—

19 “(I) the period during which the  
 20 change in the cost-of-living is meas-  
 21 ured for such adjustment is different  
 22 than the period used by the Cost-of-  
 23 Living Board; or

1                   “(II) the adjustment is based on  
2                   a component of an index rather than  
3                   the entire index.

4                   “(B) REJECTION.—If the Cost-of-Living  
5                   Board fails by majority vote to adopt a new ap-  
6                   plicable percentage point under paragraph (1)  
7                   for any calendar year, then the applicable per-  
8                   centage point for such calendar year shall be  
9                   the applicable percentage point described in  
10                  subsection (a)(2)(A).

11                  “(c) REPORT.—Not later than November 1 of each  
12                  calendar year, the Cost-of-Living Board shall submit a re-  
13                  port to the President and Congress containing a detailed  
14                  statement with respect to the new applicable percentage  
15                  point (if any) agreed to by the Board under subsection  
16                  (b).

17                  “(d) JUDICIAL REVIEW.—Any determination by the  
18                  Cost-of Living Board under subsection (b) shall not be  
19                  subject to judicial review.

20                  “(e) COST-OF-LIVING ADJUSTMENT DESCRIBED.—A  
21                  cost-of-living adjustment described in this subsection is  
22                  any cost-of-living adjustment for a calendar year after  
23                  1998 determined by reference to a percentage change in  
24                  a consumer price index or any component thereof (as pub-  
25                  lished by the Bureau of Labor Statistics of the Depart-

1 ment of Labor and determined without regard to this sec-  
 2 tion) and used in any of the following:

3 “(1) The Internal Revenue Code of 1986.

4 “(2) Titles II, XVIII, and XIX of this Act.

5 “(3) Any other Federal program (not including  
 6 programs under title XVI of this Act).

7 “COST-OF-LIVING BOARD

8 “SEC. 1181. (a) ESTABLISHMENT OF BOARD.—

9 “(1) ESTABLISHMENT.—There is established a  
 10 board to be known as the Cost-of-Living Board (in  
 11 this section referred to as the ‘Board’).

12 “(2) MEMBERSHIP.—

13 “(A) COMPOSITION.—The Board shall be  
 14 composed of 5 members of whom—

15 “(i) 1 shall be the Chairman of the  
 16 Board of Governors of the Federal Reserve  
 17 System;

18 “(ii) 1 shall be the Chairman of the  
 19 President’s Council of Economic Advisers;  
 20 and

21 “(iii) 3 shall be appointed by the  
 22 President, by and with the advice and con-  
 23 sent of the Senate.

24 The President shall consult with the leadership  
 25 of the House of Representatives and the Senate

1 in the appointment of the Board members  
2 under clause (iii).

3 “(B) EXPERTISE.—The members of the  
4 Board appointed under subparagraph (A)(iii)  
5 shall be experts in the field of economics and  
6 should be familiar with the issues related to the  
7 calculation of changes in the cost of living. In  
8 appointing members under subparagraph  
9 (A)(iii), the President shall consider appoint-  
10 ing—

11 “(i) former members of the Presi-  
12 dent’s Council of Economic Advisers;

13 “(ii) former Treasury department offi-  
14 cials;

15 “(iii) former members of the Board of  
16 Governors of the Federal Reserve System;

17 “(iv) other individuals with relevant  
18 prior government experience in positions  
19 requiring appointment by the President  
20 and Senate confirmation; and

21 “(v) academic experts in the field of  
22 price statistics.

23 “(C) DATE.—

24 “(i) NOMINATIONS.—Not later than  
25 30 days after the date of enactment of the

1 Social Security Solvency Act of 1998, the  
 2 President shall submit the nominations of  
 3 the members of the Board described in  
 4 subparagraph (A)(iii) to the Senate.

5 “(ii) SENATE ACTION.—Not later  
 6 than 60 days after the Senate receives the  
 7 nominations under clause (i), the Senate  
 8 shall vote on confirmation of the nomina-  
 9 tions.

10 “(3) TERMS AND VACANCIES.—

11 “(A) TERMS.—A member of the Board ap-  
 12 pointed under paragraph (2)(A)(iii) shall be ap-  
 13 pointed for a term of 5 years, except that of the  
 14 members first appointed under that para-  
 15 graph—

16 “(i) 1 member shall be appointed for  
 17 a term of 1 year;

18 “(ii) 1 member shall be appointed for  
 19 a term of 3 years; and

20 “(iii) 1 member shall be appointed for  
 21 a term of 5 years.

22 “(B) VACANCIES.—

23 “(i) IN GENERAL.—A vacancy on the  
 24 Board shall be filled in the manner in  
 25 which the original appointment was made

1           and shall be subject to any conditions  
2           which applied with respect to the original  
3           appointment.

4           “(ii) FILLING UNEXPIRED TERM.—An  
5           individual chosen to fill a vacancy shall be  
6           appointed for the unexpired term of the  
7           member replaced.

8           “(C) EXPIRATION OF TERMS.—The term  
9           of any member appointed under paragraph  
10          (2)(A)(iii) shall not expire before the date on  
11          which the member’s successor takes office.

12          “(4) INITIAL MEETING.—Not later than 30  
13          days after the date on which all members of the  
14          Board have been appointed, the Board shall hold its  
15          first meeting. Subsequent meetings shall be deter-  
16          mined by the Board by majority vote.

17          “(5) OPEN MEETINGS.—Notwithstanding sec-  
18          tion 552b of title 5, United States Code, or section  
19          10 of the Federal Advisory Committee Act (5 U.S.C.  
20          App.), the Board may, by majority vote, close any  
21          meeting of the Board to the public otherwise re-  
22          quired to be open under that section. The Board  
23          shall make the records of any such closed meeting  
24          available to the public not later than 30 days of that  
25          meeting.



1           “(6) QUORUM.—A majority of the members of  
2           the Board shall constitute a quorum, but a lesser  
3           number of members may hold hearings.

4           “(7) CHAIRPERSON AND VICE CHAIRPERSON.—  
5           The Board shall select a Chairperson and Vice  
6           Chairperson from among the members appointed  
7           under paragraph (2)(A)(iii).

8           “(b) POWERS OF THE BOARD.—

9           “(1) HEARINGS.—The Board may hold such  
10          hearings, sit and act at such times and places, take  
11          such testimony, and receive such evidence as the  
12          Board considers advisable to carry out the purposes  
13          of this part.

14          “(2) INFORMATION FROM FEDERAL AGEN-  
15          CIES.—The Board may secure directly from any  
16          Federal department or agency such information as  
17          the Board considers necessary to carry out the pro-  
18          visions of this part, including the published and un-  
19          published data and analytical products of the Bu-  
20          reau of Labor Statistics. Upon request of the Chair-  
21          person of the Board, the head of such department  
22          or agency shall furnish such information to the  
23          Board.

24          “(3) POSTAL SERVICES.—The Board may use  
25          the United States mails in the same manner and

1 under the same conditions as other departments and  
2 agencies of the Federal Government.

3 “(4) GIFTS.—The Board may accept, use, and  
4 dispose of gifts or donations of services or property.

5 “(c) BOARD PERSONNEL MATTERS.—

6 “(1) COMPENSATION OF MEMBERS.—Each  
7 member of the Board who is not otherwise an officer  
8 or employee of the Federal Government shall be  
9 compensated at a rate equal to the daily equivalent  
10 of the annual rate of basic pay prescribed for level  
11 III of the Executive Schedule under section 5315 of  
12 title 5, United States Code, for each day (including  
13 travel time) during which such member is engaged  
14 in the performance of the duties of the Board. All  
15 members of the Board who otherwise are officers or  
16 employees of the United States shall serve without  
17 compensation in addition to that received for their  
18 services as officers or employees of the United  
19 States.

20 “(2) TRAVEL EXPENSES.—The members of the  
21 Board shall be allowed travel expenses, including per  
22 diem in lieu of subsistence, at rates authorized for  
23 employees of agencies under subchapter I of chapter  
24 57 of title 5, United States Code, while away from

1       their homes or regular places of business in the per-  
2       formance of services for the Board.

3           “(3) STAFF.—

4               “(A) IN GENERAL.—The Chairperson of  
5       the Board may, without regard to the civil serv-  
6       ice laws and regulations, appoint and terminate  
7       an executive director and such other additional  
8       personnel as may be necessary to enable the  
9       Board to perform its duties. The employment of  
10      an executive director shall be subject to con-  
11      firmation by the Board.

12           “(B) COMPENSATION.—The Chairperson  
13      of the Board may fix the compensation of the  
14      executive director and other personnel without  
15      regard to the provisions of chapter 51 and sub-  
16      chapter III of chapter 53 of title 5, United  
17      States Code, relating to classification of posi-  
18      tions and General Schedule pay rates, except  
19      that the rate of pay for the executive director  
20      and other personnel may not exceed the rate  
21      payable for level IV of the Executive Schedule  
22      under section 5316 of such title.

23           “(4) DETAIL OF GOVERNMENT EMPLOYEES.—

24      Any Federal Government employee may be detailed  
25      to the Board without additional reimbursement

1 (other than the employee's regular compensation),  
 2 and such detail shall be without interruption or loss  
 3 of civil service status or privilege.

4 “(5) PROCUREMENT OF TEMPORARY AND  
 5 INTERMITTENT SERVICES.—The Chairperson of the  
 6 Board may procure temporary and intermittent serv-  
 7 ices under section 3109(b) of title 5, United States  
 8 Code, at rates for individuals which do not exceed  
 9 the daily equivalent of the annual rate of basic pay  
 10 prescribed for level V of the Executive Schedule  
 11 under section 5316 of such title.

12 “(d) TERMINATION.—Section 14 of the Federal Advi-  
 13 sory Committee Act (5 U.S.C. App.) shall not apply to  
 14 the Board.

15 “(e) AUTHORIZATION OF APPROPRIATIONS.—There  
 16 are authorized to be appropriated to the Board such sums  
 17 as are necessary to carry out the purposes of this part.”.

18 (c) TERMINATION OF WAGE INDEX ADJUSTMENT.—  
 19 Section 215(i)(1)(C) of the Social Security Act (42 U.S.C.  
 20 415(i)(1)(C)) is amended—

21 (1) in clause (i)—

22 (A) by inserting “and before 1999” after  
 23 “after 1988”; and

24 (B) by inserting “, or in any calendar year  
 25 after 1998, the CPI increase percentage”; and

1           (2) in clause (ii), by inserting “and before  
2           1999” after “after 1988”.

3 **SEC. 6. TAX TREATMENT OF SOCIAL SECURITY PAYMENTS.**

4           (a) IN GENERAL.—Section 86(a) of the Internal Rev-  
5 enue Code of 1986 (relating to social security and tier 1  
6 railroad retirement benefits) is amended to read as fol-  
7 lows:

8           “(a) IN GENERAL.—Notwithstanding section 207 of  
9 the Social Security Act, social security benefits shall be  
10 included in the gross income of a taxpayer for any taxable  
11 year in the manner provided under section 72.”.

12          (b) CONFORMING AMENDMENTS.—Section 86 of the  
13 Internal Revenue Code of 1986 is amended by striking  
14 subsections (b), (c), and (e) and by redesignating sub-  
15 sections (d) and (f) as subsections (b) and (c), respec-  
16 tively.

17          (c) TRANSFERS TO TRUST FUNDS.—Paragraph  
18 (1)(A) of section 121(e) of the Social Security Amend-  
19 ments of 1983, as amended by section 13215(c)(1) of the  
20 Omnibus Budget Reconciliation Act of 1993, is amended  
21 by striking “1993.” and inserting “1993, plus (iii) the  
22 amounts equivalent to the aggregate increase in tax liabil-  
23 ities under chapter 1 of the Internal Revenue Code of  
24 1986 which is attributable to the amendments to section

1 86 of such Code made by section 6 of the Social Security  
2 Solvency Act of 1998.”.

3 (d) EFFECTIVE DATE; APPLICATION; WAIVER OF  
4 PENALTY.—

5 (1) EFFECTIVE DATE.—The amendments made  
6 by this section apply to taxable years ending after  
7 June 30, 1998.

8 (2) APPLICATION OF AMENDMENTS TO TAX-  
9 ABLE YEAR 1998.—In the case of any taxable year  
10 which includes July 1, 1998, the amount a taxpayer  
11 is required to include in gross income under section  
12 86 of the Internal Revenue Code of 1986 shall (in  
13 lieu of the amount otherwise determined) be equal to  
14 50 percent of the sum of—

15 (A) the amount of social security benefits  
16 of the taxpayer to be included in gross income  
17 for such year under such section 86, determined  
18 as if the amendments made by this section had  
19 not been enacted, plus

20 (B) such amount determined as if such  
21 amendments had been in effect for the entire  
22 taxable year.

23 (3) WAIVER OF CERTAIN ESTIMATED TAX PEN-  
24 ALTIES.—No addition to tax shall be imposed under  
25 section 6654 of the Internal Revenue Code of 1986

1 (relating to failure to pay estimated income tax)  
 2 with respect to any underpayment of an installment  
 3 required to be paid with respect to a taxable year to  
 4 which paragraph (2) applies to the extent that such  
 5 underpayment was created or increased by the  
 6 amendments made by this section.

7 **SEC. 7. COVERAGE OF NEWLY HIRED STATE AND LOCAL**  
 8 **EMPLOYEES.**

9 (a) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

10 (1) IN GENERAL.—Paragraph (7) of section  
 11 210(a) of the Social Security Act (42 U.S.C.  
 12 410(a)(7)) is amended to read as follows:

13 “(7) Excluded State or local government em-  
 14 ployment (as defined in subsection (s));”.

15 (2) EXCLUDED STATE OR LOCAL GOVERNMENT  
 16 EMPLOYMENT.—

17 (A) IN GENERAL.—Section 210 of such  
 18 Act (42 U.S.C. 410) is amended by adding at  
 19 the end the following new subsection:

20 “Excluded State or Local Government Employment

21 “(s)(1) IN GENERAL.—The term ‘excluded State or  
 22 local government employment’ means any service per-  
 23 formed in the employ of a State, of any political subdivi-  
 24 sion thereof, or of any instrumentality of any one or more  
 25 of the foregoing which is wholly owned thereby, if—

1           “(A)(i) such service would be excluded from the  
 2           term ‘employment’ for purposes of this title if the  
 3           preceding provisions of this section as in effect on  
 4           December 31, 2000, had remained in effect, and (ii)  
 5           the requirements of paragraph (2) are met with re-  
 6           spect to such service, or

7           “(B) the requirements of paragraph (3) are met  
 8           with respect to such service.

9           “(2) EXCEPTION FOR CURRENT EMPLOYMENT  
 10          WHICH CONTINUES.—

11           “(A) IN GENERAL.—The requirements of this  
 12           paragraph are met with respect to service for any  
 13           employer if—

14           “(i) such service is performed by an indi-  
 15           vidual—

16           “(I) who was performing substantial  
 17           and regular service for remuneration for  
 18           that employer before January 1, 2001,

19           “(II) who is a bona fide employee of  
 20           that employer on December 31, 2000, and

21           “(III) whose employment relationship  
 22           with that employer was not entered into  
 23           for purposes of meeting the requirements  
 24           of this subparagraph, and



1           “(ii) the employment relationship with that  
 2           employer has not been terminated after Decem-  
 3           ber 31, 2000.

4           “(B) TREATMENT OF MULTIPLE AGENCIES AND  
 5           INSTRUMENTALITIES.—For purposes of subpara-  
 6           graph (A), under regulations (consistent with regula-  
 7           tions established under section 3121(t)(2)(B) of the  
 8           Internal Revenue Code of 1986)—

9           “(i) all agencies and instrumentalities of a  
 10          State (as defined in section 218(b)) or of the  
 11          District of Columbia shall be treated as a single  
 12          employer, and

13          “(ii) all agencies and instrumentalities of a  
 14          political subdivision of a State (as so defined)  
 15          shall be treated as a single employer and shall  
 16          not be treated as described in clause (i).

17          “(3) EXCEPTION FOR CERTAIN SERVICES.—

18          “(A) IN GENERAL.—The requirements of this  
 19          paragraph are met with respect to service if such  
 20          service is performed—

21          “(i) by an individual who is employed by a  
 22          State or political subdivision thereof to relieve  
 23          such individual from unemployment,

24          “(ii) in a hospital, home, or other institu-  
 25          tion by a patient or inmate thereof as an em-

1        ployee of a State or political subdivision thereof  
2        or of the District of Columbia,

3            “(iii) by an individual, as an employee of  
4        a State or political subdivision thereof or of the  
5        District of Columbia, serving on a temporary  
6        basis in case of fire, storm, snow, earthquake,  
7        flood, or other similar emergency,

8            “(iv) by any individual as an employee in-  
9        cluded under section 5351(2) of title 5, United  
10       States Code (relating to certain interns, student  
11       nurses, and other student employees of hos-  
12       pitals of the District of Columbia Government),  
13       other than as a medical or dental intern or a  
14       medical or dental resident in training,

15           “(v) by an election official or election  
16       worker if the remuneration paid in a calendar  
17       year for such service is less than \$1,000 with  
18       respect to service performed during 2001, and  
19       the adjusted amount determined under sub-  
20       paragraph (C) for any subsequent year with re-  
21       spect to service performed during such subse-  
22       quent year, except to the extent that service by  
23       such election official or election worker is in-  
24       cluded in employment under an agreement  
25       under section 218, or

1           “(vi) by an employee in a position com-  
 2           pensated solely on a fee basis which is treated  
 3           pursuant to section 211(c)(2)(E) as a trade or  
 4           business for purposes of inclusion of such fees  
 5           in net earnings from self-employment.

6           “(B) DEFINITIONS.—As used in this para-  
 7           graph, the terms ‘State’ and ‘political subdivision’  
 8           have the meanings given those terms in section  
 9           218(b).

10          “(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR  
 11          ELECTION OFFICIALS AND ELECTION WORKERS.—  
 12          For each year after 2001, the Secretary shall adjust  
 13          the amount referred to in subparagraph (A)(v) at  
 14          the same time and in the same manner as is pro-  
 15          vided under section 215(a)(1)(B)(ii) with respect to  
 16          the amounts referred to in section 215(a)(1)(B)(i),  
 17          except that—

18               “(i) for purposes of this subparagraph,  
 19               1998 shall be substituted for the calendar year  
 20               referred to in section 215(a)(1)(B)(ii)(II), and

21               “(ii) such amount as so adjusted, if not a  
 22               multiple of \$50, shall be rounded to the nearest  
 23               multiple of \$50.

24          The Commissioner of Social Security shall determine  
 25          and publish in the Federal Register each adjusted

1 amount determined under this subparagraph not  
 2 later than November 1 preceding the year for which  
 3 the adjustment is made.”.

4 (B) CONFORMING AMENDMENTS.—

5 (i) Subsection (k) of section 210 of  
 6 such Act (42 U.S.C. 410(k)) (relating to  
 7 covered transportation service) is repealed.

8 (ii) Section 210(p) of such Act (42  
 9 U.S.C. 410(p)) is amended—

10 (I) in paragraph (2), by striking  
 11 “service is performed” and all that  
 12 follows and inserting “service is serv-  
 13 ice described in subsection (s)(3)(A).”;  
 14 and

15 (II) in paragraph (3)(A), by in-  
 16 serting “under subsection (a)(7) as in  
 17 effect on December 31, 2000” after  
 18 “section”.

19 (iii) Section 218(c)(6) of such Act (42  
 20 U.S.C. 418(c)(6)) is amended—

21 (I) by striking subparagraph (C);

22 (II) by redesignating subpara-  
 23 graphs (D) and (E) as subparagraphs  
 24 (C) and (D), respectively; and

1 (III) by striking subparagraph  
 2 (F) and inserting the following:

3 “(E) service which is included as employment  
 4 under section 210(a).”

5 (b) AMENDMENTS TO THE INTERNAL REVENUE  
 6 CODE OF 1986.—

7 (1) IN GENERAL.—Paragraph (7) of section  
 8 3121(b) of the Internal Revenue Code of 1986 (re-  
 9 lating to employment) is amended to read as follows:

10 “(7) excluded State or local government em-  
 11 ployment (as defined in subsection (t));”.

12 (2) EXCLUDED STATE OR LOCAL GOVERNMENT  
 13 EMPLOYMENT.—Section 3121 of such Code is  
 14 amended by inserting after subsection (s) the follow-  
 15 ing new subsection:

16 “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-  
 17 PLOYMENT.—

18 “(1) IN GENERAL.—For purposes of this chap-  
 19 ter, the term ‘excluded State or local government  
 20 employment’ means any service performed in the  
 21 employ of a State, of any political subdivision there-  
 22 of, or of any instrumentality of any one or more of  
 23 the foregoing which is wholly owned thereby, if—

24 “(A)(i) such service would be excluded  
 25 from the term ‘employment’ for purposes of this

chapter if the provisions of subsection (b)(7) as  
 in effect on December 31, 2000, had remained  
 in effect, and (ii) the requirements of para-  
 graph (2) are met with respect to such service,  
 or

“(B) the requirements of paragraph (3)  
 are met with respect to such service.

“(2) EXCEPTION FOR CURRENT EMPLOYMENT  
 WHICH CONTINUES.—

“(A) IN GENERAL.—The requirements of  
 this paragraph are met with respect to service  
 for any employer if—

“(i) such service is performed by an  
 individual—

“(I) who was performing sub-  
 stantial and regular service for remun-  
 eration for that employer before Jan-  
 uary 1, 2001,

“(II) who is a bona fide employee  
 of that employer on December 31,  
 2000, and

“(III) whose employment rela-  
 tionship with that employer was not  
 entered into for purposes of meeting

1                   the requirements of this subpara-  
2                   graph, and

3                   “(ii) the employment relationship with  
4                   that employer has not been terminated  
5                   after December 31, 2000.

6                   “(B) TREATMENT OF MULTIPLE AGENCIES  
7                   AND INSTRUMENTALITIES.—For purposes of  
8                   subparagraph (A), under regulations—

9                   “(i) all agencies and instrumentalities  
10                  of a State (as defined in section 218(b) of  
11                  the Social Security Act) or of the District  
12                  of Columbia shall be treated as a single  
13                  employer, and

14                  “(ii) all agencies and instrumentalities  
15                  of a political subdivision of a State (as so  
16                  defined) shall be treated as a single em-  
17                  ployer and shall not be treated as de-  
18                  scribed in clause (i).

19                  “(3) EXCEPTION FOR CERTAIN SERVICES.—

20                  “(A) IN GENERAL.—The requirements of  
21                  this paragraph are met with respect to service  
22                  if such service is performed—

23                  “(i) by an individual who is employed  
24                  by a State or political subdivision thereof

1 to relieve such individual from unemploy-  
2 ment,

3 “(ii) in a hospital, home, or other in-  
4 stitution by a patient or inmate thereof as  
5 an employee of a State or political subdivi-  
6 sion thereof or of the District of Columbia,

7 “(iii) by an individual, as an employee  
8 of a State or political subdivision thereof  
9 or of the District of Columbia, serving on  
10 a temporary basis in case of fire, storm,  
11 snow, earthquake, flood, or other similar  
12 emergency,

13 “(iv) by any individual as an employee  
14 included under section 5351(2) of title 5,  
15 United States Code (relating to certain in-  
16 terns, student nurses, and other student  
17 employees of hospitals of the District of  
18 Columbia Government), other than as a  
19 medical or dental intern or a medical or  
20 dental resident in training,

21 “(v) by an election official or election  
22 worker if the remuneration paid in a cal-  
23 endar year for such service is less than  
24 \$1,000 with respect to service performed  
25 during 2001, and the adjusted amount de-



1           terminated under section 210(s)(3)(C) of the  
 2           Social Security Act for any subsequent  
 3           year with respect to service performed dur-  
 4           ing such subsequent year, except to the ex-  
 5           tent that service by such election official or  
 6           election worker is included in employment  
 7           under an agreement under section 218 of  
 8           the Social Security Act, or

9           “(vi) by an employee in a position  
 10          compensated solely on a fee basis which is  
 11          treated pursuant to section 1402(c)(2)(E)  
 12          as a trade or business for purposes of in-  
 13          clusion of such fees in net earnings from  
 14          self-employment.

15          “(B) DEFINITIONS.—As used in this para-  
 16          graph, the terms ‘State’ and ‘political subdivi-  
 17          sion’ have the meanings given those terms in  
 18          section 218(b) of the Social Security Act.”.

19          (3) CONFORMING AMENDMENTS.—

20                (A) Subsection (j) of section 3121 of such  
 21                Code (relating to covered transportation serv-  
 22                ice) is repealed.

23                (B) Paragraph (2) of section 3121(u) of  
 24                such Code (relating to application of hospital

1 insurance tax to Federal, State, and local em-  
 2 ployment) is amended—

3 (i) in subparagraph (B), by striking  
 4 “service is performed” in clause (ii) and all  
 5 that follows through the end of such sub-  
 6 paragraph and inserting “service is service  
 7 described in subsection (t)(3)(A).”; and

8 (ii) in subparagraph (C)(i), by insert-  
 9 ing “under subsection (b)(7) as in effect  
 10 on December 31, 2000” after “chapter”.

11 (c) EFFECTIVE DATE.—Except as otherwise provided  
 12 in this section, the amendments made by this section shall  
 13 apply with respect to service performed after December  
 14 31, 2000.

15 **SEC. 8. INCREASE IN LENGTH OF COMPUTATION PERIOD**  
 16 **FROM 35 TO 38 YEARS.**

17 Section 215(b)(2)(B) of the Social Security Act (42  
 18 U.S.C. 415(b)(2)) is amended—

19 (1) in clause (ii), by striking “and” at the end;  
 20 (2) in clause (iii)—

21 (A) by striking “age 62” and inserting  
 22 “the applicable age”; and

23 (B) by striking the period at the end and  
 24 inserting “; and”; and

25 (3) by adding at the end the following:

1 “(iv) the term ‘applicable age’ means with re-  
 2 spect to individuals who attain age 62—

3 “(I) before 2001, age 62;

4 “(II) in 2001, age 63;

5 “(III) in 2002, age 64; and

6 “(IV) after 2002, age 65.”.

7 **SEC. 9. PHASED IN INCREASE IN SOCIAL SECURITY RETIRE-**  
 8 **MENT AGE.**

9 (a) IN GENERAL.—Section 216(l) of the Social Secu-  
 10 rity Act (42 U.S.C. 416(l) is amended—

11 (1) in paragraph (1), by striking subparagraphs  
 12 (B), (C), (D), and (E) and inserting the following:

13 “(B) with respect to an individual who at-  
 14 tains early retirement age after December 31,  
 15 1999, and before January 1, 2018, 65 years of  
 16 age plus  $\frac{2}{12}$  of the number of months in the  
 17 period beginning with January 2000 and ending  
 18 with December of the year in which the individ-  
 19 ual attains early retirement age;

20 “(C) with respect to an individual who at-  
 21 tains early retirement age after December 31,  
 22 2017, and before January 1, 2066, 68 years of  
 23 age plus  $\frac{1}{24}$  of the number of months in the  
 24 period beginning with January 2018 and ending  
 25 with December of the year in which the individ-

1           ual attains early retirement age, rounded down  
2           to the lowest whole month; and

3                   “(D) with respect to an individual who at-  
4           tains early retirement age after December 31,  
5           2065, 70 years of age.”; and

6           (2) by striking paragraph (3).

7           (b) CONFORMING REDUCTIONS FOR RECEIVING BEN-  
8   EFITS BEFORE NORMAL RETIREMENT AGE.—Section  
9   202(q)(9)(A) of the Social Security Act (42 U.S.C.  
10   402(q)(9)(A)) is amended by striking “and five-twelfths  
11   of 1 percent for any additional months included in such  
12   periods” and inserting “five-twelfths of 1 percent for the  
13   next 24 months included in such periods, three-eighths of  
14   1 percent for the next 24 months included in such periods,  
15   and one-third of 1 percent for any additional months in-  
16   cluded in such periods”.

17          (c) STUDY OF THE EFFECT OF INCREASING THE RE-  
18   TIREMENT AGE.—

19           (1) STUDY PLAN.—Not later than February 15,  
20   2000, the Commissioner of Social Security shall sub-  
21   mit to Congress a detailed study plan for evaluating  
22   the effects of increases in the retirement age sched-  
23   uled under section 216(l) of the Social Security Act  
24   on the day before the date of enactment of the  
25   amendments made by subsection (a) and under such

1 amendments. The study plan shall include a descrip-  
2 tion of the methodology, data, and funding that will  
3 be required in order to provide to Congress not later  
4 than February 15, 2005—

5 (A) an evaluation of trends in mortality  
6 and their relationship to trends in health sta-  
7 tus, among individuals approaching eligibility  
8 for social security retirement benefits;

9 (B) an evaluation of trends in labor force  
10 participation among individuals approaching eli-  
11 gibility for social security retirement benefits  
12 and among individuals receiving retirement ben-  
13 efits, and of the factors that influence the  
14 choice between retirement and participation in  
15 the labor force;

16 (C) an evaluation of changes, if any, in the  
17 social security disability program that would re-  
18 duce the impact of increases in the retirement  
19 age on workers in poor health or physically de-  
20 manding occupations;

21 (D) an evaluation of the methodology used  
22 to develop projections for trends in mortality,  
23 health status, and labor force participation  
24 among individuals approaching eligibility for so-

1           cial security retirement benefits and among in-  
 2           dividuals receiving retirement benefits; and

3           (E) an evaluation of such other matters as  
 4           the Commissioner deems appropriate for evalu-  
 5           ating the effects of increases in the retirement  
 6           age.

7           (2) REPORT ON RESULTS OF STUDY.—Not later  
 8           than February 15, 2005, the Commissioner of Social  
 9           Security shall provide to Congress an evaluation of  
 10          the implications of the trends studied under para-  
 11          graph (1), along with recommendations, if any, of  
 12          the extent to which the conclusions of such evalua-  
 13          tions indicate that future scheduled increases in the  
 14          retirement age should be modified. Furthermore,  
 15          such report should include recommendations for  
 16          modifying the social security disability program and  
 17          other income support programs that should be con-  
 18          sidered in conjunction with scheduled increases in  
 19          the retirement age.

20 **SEC. 10. ELIMINATION OF EARNINGS TEST FOR INDIVID-**  
 21 **UALS WHO HAVE ATTAINED EARLY RETIRE-**  
 22 **MENT AGE.**

23          (a) IN GENERAL.—Section 203 of the Social Security  
 24          Act (42 U.S.C. 403) is amended—

1           (1) in subsection (c)(1), by striking “the age of  
2       seventy” and inserting “early retirement age (as de-  
3       fined in section 216(l))”;

4           (2) in paragraphs (1)(A) and (2) of subsection  
5       (d), by striking “the age of seventy” each place it  
6       appears and inserting “early retirement age (as de-  
7       fined in section 216(l))”;

8           (3) in subsection (f)(1)(B), by striking “was  
9       age seventy or over” and inserting “was at or above  
10      early retirement age (as defined in section 216(l))”;

11          (4) in subsection (f)(3)—

12               (A) by striking “33 $\frac{1}{3}$  percent” and all  
13          that follows through “any other individual,”  
14          and inserting “50 percent of such individual’s  
15          earnings for such year in excess of the product  
16          of the exempt amount as determined under  
17          paragraph (8),”; and

18               (B) by striking “age 70” and inserting  
19          “early retirement age (as defined in section  
20          216(l))”;

21          (5) in subsection (h)(1)(A), by striking “age  
22          70” each place it appears and inserting “early re-  
23          tirement age (as defined in section 216(l))”; and

24          (6) in subsection (j)—

1 (A) in the heading, by striking “Age Sev-  
 2 enty” and inserting “Early Retirement Age”;  
 3 and

4 (B) by striking “seventy years of age” and  
 5 inserting “having attained early retirement age  
 6 (as defined in section 216(l))”.

7 (b) CONFORMING AMENDMENTS ELIMINATING THE  
 8 SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE  
 9 ATTAINED AGE 62.—

10 (1) UNIFORM EXEMPT AMOUNT.—Section  
 11 203(f)(8)(A) of the Social Security Act (42 U.S.C.  
 12 403(f)(8)(A)) is amended by striking “the new ex-  
 13 empt amounts (separately stated for individuals de-  
 14 scribed in subparagraph (D) and for other individ-  
 15 uals) which are to be applicable” and inserting “a  
 16 new exempt amount which shall be applicable”.

17 (2) CONFORMING AMENDMENTS.—Section  
 18 203(f)(8)(B) of the Social Security Act (42 U.S.C.  
 19 403(f)(8)(B)) is amended—

20 (A) in the matter preceding clause (i), by  
 21 striking “Except” and all that follows through  
 22 “whichever” and inserting “The exempt amount  
 23 which is applicable for each month of a particu-  
 24 lar taxable year shall be whichever”;



1 (B) in clauses (i) and (ii), by striking “cor-  
 2 responding” each place it appears; and

3 (C) in the last sentence, by striking “an  
 4 exempt amount” and inserting “the exempt  
 5 amount”.

6 (3) REPEAL OF BASIS FOR COMPUTATION OF  
 7 SPECIAL EXEMPT AMOUNT.—Section 203(f)(8)(D) of  
 8 the Social Security Act (42 U.S.C. (f)(8)(D)) is re-  
 9 pealed.

10 (c) ADDITIONAL CONFORMING AMENDMENTS.—

11 (1) ELIMINATION OF REDUNDANT REFERENCES  
 12 TO RETIREMENT AGE.—Section 203 of the Social  
 13 Security Act (42 U.S.C. 403) is amended—

14 (A) in subsection (c), in the last sentence,  
 15 by striking “nor shall any deduction” and all  
 16 that follows and inserting “nor shall any deduc-  
 17 tion be made under this subsection from any  
 18 widow’s or widower’s insurance benefit if the  
 19 widow, surviving divorced wife, widower, or sur-  
 20 viving divorced husband involved became enti-  
 21 tled to such benefit prior to attaining age 60.”;  
 22 and

23 (B) in subsection (f)(1), by striking clause  
 24 (D) and inserting the following: “(D) for which  
 25 such individual is entitled to widow’s or widow-

1           er’s insurance benefits if such individual be-  
 2           came so entitled prior to attaining age 60,”.

3           (2) CONFORMING AMENDMENT TO PROVISIONS  
 4           FOR DETERMINING AMOUNT OF INCREASE ON AC-  
 5           COUNT OF DELAYED RETIREMENT.—Section  
 6           202(w)(2)(B)(ii) of the Social Security Act (42  
 7           U.S.C. 402(w)(2)(B)(ii)) is amended—

8                   (A) by striking “either”; and

9                   (B) by striking “or suffered deductions  
 10           under section 203(b) or 203(c) in amounts  
 11           equal to the amount of such benefit”.

12           (3) PROVISIONS RELATING TO EARNINGS  
 13           TAKEN INTO ACCOUNT IN DETERMINING SUBSTAN-  
 14           TIAL GAINFUL ACTIVITY OF BLIND INDIVIDUALS.—  
 15           The second sentence of section 223(d)(4) of such  
 16           Act (42 U.S.C. 423(d)(4)) is amended by striking  
 17           “if section 102 of the Senior Citizens’ Right to  
 18           Work Act of 1996 had not been enacted” and insert-  
 19           ing the following: “if the amendments to section 203  
 20           made by section 102 of the Senior Citizens’ Right to  
 21           Work Act of 1996 and by the Social Security Sol-  
 22           vency Act of 1998 had not been enacted”.

23           (d) STUDY OF THE EFFECT OF TAKING EARNINGS  
 24           INTO ACCOUNT IN DETERMINING SUBSTANTIAL GAINFUL  
 25           ACTIVITY OF DISABLED INDIVIDUALS.—

1           (1) IN GENERAL.—Not later than February 15,  
2           2000, the Commissioner of Social Security shall con-  
3           duct a study on the effect that taking earnings into  
4           account in determining substantial gainful activity of  
5           individuals receiving disability insurance benefits has  
6           on the incentive for such individuals to work and  
7           submit to Congress a report on the study.

8           (2) CONTENTS OF STUDY.—The study con-  
9           ducted under paragraph (1) shall include the evalua-  
10          tion of—

11                (A) the effect of the current limit on earn-  
12                ings on the incentive for individuals receiving  
13                disability insurance benefits to work;

14                (B) the effect of increasing the earnings  
15                limit or changing the manner in which disability  
16                insurance benefits are reduced or terminated as  
17                a result of substantial gainful activity (includ-  
18                ing reducing the benefits gradually when the  
19                earnings limit is exceeded) on—

20                       (i) the incentive to work; and

21                       (ii) the financial status of the Federal  
22                Disability Insurance Trust Fund;

23                (C) the effect of extending eligibility for  
24                the Medicare program to individuals during the  
25                period in which disability insurance benefits of

1 the individual are gradually reduced as a result  
 2 of substantial gainful activity and extending  
 3 such eligibility for a fixed period of time after  
 4 the benefits are terminated on—

5 (i) the incentive to work; and

6 (ii) the financial status of the Federal  
 7 Hospital Insurance Trust Fund and the  
 8 Federal Supplementary Medical Insurance  
 9 Trust Fund; and

10 (D) the relationship between the effect of  
 11 substantial gainful activity limits on blind indi-  
 12 viduals receiving disability insurance benefits  
 13 and other individuals receiving disability insur-  
 14 ance benefits.

15 (3) CONSULTATION.—The analysis under para-  
 16 graph (2)(C) shall be done in consultation with the  
 17 Administrator of the Health Care Financing Admin-  
 18 istration.

19 (e) EFFECTIVE DATE.—The amendments and re-  
 20 peals made by subsections (a), (b), and (c) shall apply with  
 21 respect to taxable years ending after December 31, 2002.

○