

106TH CONGRESS
1ST SESSION

H. R. 105

To amend the Internal Revenue Code of 1986 to allow individuals a deduction for Social Security taxes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1999

Mr. KNOLLENBERG introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow individuals a deduction for Social Security taxes.

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.**

4 This Act may be cited as the “Taxpayer Fairness
5 Act”.

6 **SEC. 2. DEDUCTION FOR SOCIAL SECURITY TAXES.**

7 (a) IN GENERAL.—Subsection (f) of section 164 of
8 the Internal Revenue Code of 1986 (relating to deduction
9 of one-half of self-employment taxes) is amended to read
10 as follows:

1 “(f) DEDUCTION FOR EMPLOYEE PORTION OF SO-
2 CIAL SECURITY TAXES.—

3 “(1) IN GENERAL.—In the case of an individ-
4 ual, in addition to the taxes described in subsection
5 (a), there shall be allowed as a deduction for the
6 taxable year an amount equal to the social security
7 taxes for such taxable year.

8 “(2) SOCIAL SECURITY TAXES.—For purposes
9 of paragraph (1)—

10 “(A) IN GENERAL.—The term ‘social secu-
11 rity taxes’ means, with respect to any taxpayer
12 for any taxable year—

13 “(i) the amount of the taxes imposed
14 by sections 3101 and 3201(a) on amounts
15 received by the taxpayer during the cal-
16 endar year in which the taxable year be-
17 gins,

18 “(ii) 50 percent of the taxes imposed
19 by section 1401 on the self-employment in-
20 come of the taxpayer for the taxable year,
21 and

22 “(iii) 50 percent of the taxes imposed
23 by section 3211(a)(1) on amounts received
24 by the taxpayer during the calendar year
25 in which the taxable year begins.

1 “(B) COORDINATION WITH SPECIAL RE-
2 FUND OF SOCIAL SECURITY TAXES.—The term
3 ‘social security taxes’ shall not include any
4 taxes to the extent the taxpayer is entitled to
5 a special refund of such taxes under section
6 6413(c).

7 “(C) SPECIAL RULE.—Any amounts paid
8 pursuant to an agreement under section 3121(l)
9 (relating to agreements entered into by Amer-
10 ican employers with respect to foreign affiliates)
11 which are equivalent to the taxes referred to in
12 subparagraph (A)(i) shall be treated as taxes
13 referred to in such subparagraph.

14 “(3) DEDUCTION TREATED AS ATTRIBUTABLE
15 TO TRADE OR BUSINESS.—For purposes of this
16 chapter, the deduction allowed by paragraph (1)
17 shall be treated as attributable to a trade or busi-
18 ness carried on by the taxpayer which does not con-
19 sist of the performance of services by the taxpayer
20 as an employee.”

21 (b) CONFORMING AMENDMENT.—Paragraph (1) of
22 section 275(a) of such Code is amended by inserting “Ex-
23 cept as provided in section 164(f),” before “Federal in-
24 come”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1998.

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