

106TH CONGRESS
1ST SESSION

H. R. 2717

To improve the solvency of the Social Security Program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 5, 1999

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

A BILL

To improve the solvency of the Social Security Program,
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.**

4 This Act may be cited as the “Social Security Invest-
5 ment Act of 1999”.

6 **SEC. 2. INVESTMENT OF THE SOCIAL SECURITY TRUST**
7 **FUNDS.**

8 (a) IN GENERAL.—Section 201(d) of the Social Secu-
9 rity Act (42 U.S.C. 401(d)) is amended to read as follows:

1 “(d)(1) It shall be the duty of the Managing Trustee
2 to invest such portion of each of the Trust Funds as is
3 not, in his judgment, required to meet current with-
4 draws. Subject to paragraph (2), such investments may
5 be made only in interest-bearing obligations of the United
6 States or in obligations guaranteed as to both principal
7 and interest by the United States. For such purpose such
8 obligations may be acquired (A) on original issue at the
9 issue price, or (B) by purchase of outstanding obligations
10 at the market price.

11 “(2)(A) The Managing Trustee of the Federal Old-
12 Age and Survivors Insurance Trust Fund shall establish
13 in such Trust Fund a Common Stock Investment Account.
14 Such Account shall hold such amounts in such Trust Fund
15 as are deposited into such Account pursuant to this para-
16 graph, together with any dividends and capital gain de-
17 rived from the investment in accordance with this para-
18 graph of amounts maintained in such Account. For each
19 fiscal year, amounts held in such Account shall be invested
20 in common stock in accordance with the investment poli-
21 cies and other policies established by the Independent So-
22 cial Security Investment Oversight Board for such fiscal
23 year.

24 “(B) Upon receipt by the Federal Old-Age and Sur-
25 vivors Insurance Trust Fund of any amount appropriated

1 under subsection (n), the Managing Trustee shall deposit
 2 a portion of such amount into the Common Stock Invest-
 3 ment Account of the Trust Fund which is sufficient to
 4 maintain compliance with subsection (C).

5 “(C) The Managing Trustee shall limit deposits into
 6 the Common Stock Investment Account pursuant to sub-
 7 paragraph (B), and shall provide for withdrawals from
 8 such Account, to the extent necessary to ensure that the
 9 portion of the total amount held in the Federal Old-Age
 10 and Survivors Insurance Trust Fund which is maintained
 11 in such Account remains as close as practicable at the end
 12 of each target year (specified in the following table) at
 13 the applicable percentage (specified in such table) for that
 14 target year of the total amount held in such Trust Fund.

“For each target year consisting of:	The applicable percentage is:
2002	8 percent.
2005	16 percent.
2008	24 percent.
2011	32 percent.
2014 and each year thereafter	40 percent.

15 “(3)(A) The purposes for which obligations of the
 16 United States may be issued under chapter 31 of title 31,
 17 United States Code, are hereby extended to authorize the
 18 issuance at par of public-debt obligations for purchase by
 19 the Trust Funds under paragraph (1).

20 “(B) Such obligations issued for purchase by the
 21 Trust Funds shall have maturities fixed with due regard
 22 for the needs of the Trust Funds and shall bear interest

1 at a rate equal to the average market yield (computed by
2 the Managing Trustee on the basis of market quotations
3 as of the end of the calendar month next preceding the
4 date of such issue) on all marketable interest-bearing obli-
5 gations of the United States then forming a part of the
6 public debt which are not due or callable until after the
7 expiration of four years from the end of such calendar
8 month; except that where such average market yield is not
9 a multiple of one-eighth of 1 per centum, the rate of inter-
10 est of such obligations shall be the multiple of one-eighth
11 of 1 per centum nearest such market yield.

12 “(C) Each obligation issued for purchase by the
13 Trust Funds under subparagraph (A) shall be evidenced
14 by a paper instrument in the form of a bond, note, or
15 certificate of indebtedness issued by the Secretary of the
16 Treasury setting forth the principal amount, date of matu-
17 rity, and interest rate of the obligation, and stating on
18 its face that the obligation shall be incontestable in the
19 hands of the Trust Funds, that the obligation is supported
20 by the full faith and credit of the United States, and that
21 the United States is pledged to the payment of the obliga-
22 tion with respect to both principal and interest.

23 “(D) The Managing Trustee may purchase interest-
24 bearing obligations of the United States or obligations
25 guaranteed as to both principal and interest by the United

1 States, other than obligations issued for purchase by the
 2 Trust Funds, on original issue or at the market price, for
 3 purposes of investment of the amounts held in the Trust
 4 Funds only where he determines that the purchase of such
 5 other obligations is in the public interest.”.

6 (b) EFFECTIVE DATE.—The amendment made by
 7 subsection (a) shall apply with respect to fiscal years be-
 8 ginning on or after October 1, 1999.

9 **SEC. 3. RULES GOVERNING INVESTMENT OF FEDERAL OLD-**
 10 **AGE AND SURVIVORS INSURANCE TRUST**
 11 **FUND IN COMMON STOCK.**

12 Title II of the Social Security Act is amended by add-
 13 ing at the end the following new section:

14 “INVESTMENT OF FEDERAL OLD-AGE AND SURVIVORS
 15 INSURANCE TRUST FUND IN COMMON STOCK

16 “SEC. 231. (a) SELECTION OF INDEX AND PORT-
 17 FOLIO DESIGN.—

18 “(1) SELECTION OF INDEX.—The Independent
 19 Social Security Investment Oversight Board shall se-
 20 lect, for purposes of investment of amounts held in
 21 the Common Stock Investment Account of the Fed-
 22 eral Old-Age and Survivors Insurance Trust Fund,
 23 an index which is a commonly recognized index com-
 24 prised of common stock the aggregate market value
 25 of which is a reasonably complete representation of
 26 the United States equity markets.

1 “(2) PORTFOLIO DESIGN.—Amounts held in the
2 Common Stock Investment Account of the Federal
3 Old-Age and Survivors Insurance Trust Fund shall
4 be invested in a portfolio designed to replicate the
5 performance of the index selected under paragraph
6 (1). The portfolio shall be designed such that, to the
7 extent practicable, the percentage of the balance in
8 such Account that is invested in each stock is the
9 same as the percentage determined by dividing the
10 aggregate market value of all shares of that stock by
11 the aggregate market value of all shares of all stocks
12 included in such index.

13 “(c) NO VOTING RIGHTS IN SECURITIES.—The Inde-
14 pendent Social Security Investment Oversight Board and
15 the Managing Trustee of the Federal Old-Age and Sur-
16 vivors Insurance Trust Fund may not exercise voting
17 rights associated with the ownership of securities by the
18 Trust Fund.

19 “(d) ENGAGEMENT OF QUALIFIED PUBLIC AC-
20 COUNTANT.—

21 “(1) IN GENERAL.—The Independent Social Se-
22 curity Investment Oversight Board shall annually
23 engage, on behalf of the Federal Old-Age and Sur-
24 vivors Insurance Trust Fund, an independent quali-
25 fied public accountant, who shall conduct an exam-

1 ination of all accounts and other books and records
2 maintained in the administration of this section as
3 the public accountant considers necessary to enable
4 the public accountant to make the determination re-
5 quired by paragraph (2). The examination shall be
6 conducted in accordance with generally accepted au-
7 diting standards and shall involve such tests of the
8 accounts, books, and records as the public account-
9 ant considers necessary.

10 “(2) EXAMINATION AND REPORT.—The public
11 accountant conducting an examination under para-
12 graph (1) shall determine whether the accounts,
13 books, and records referred to in paragraph (1) have
14 been maintained in conformity with generally accept-
15 ed accounting principles applied on a basis con-
16 sistent with the manner in which such principles
17 were applied during the examination conducted
18 under paragraph (1) during each preceding year
19 after 2000. The public accountant shall transmit to
20 the Board and the Comptroller General of the
21 United States a report on his examination, including
22 his determination under this paragraph.

23 “(3) DEFINITION.—For the purposes of this
24 subsection, the term ‘qualified public accountant’
25 shall have the same meaning as is provided in sec-

1 tion 103(a)(3)(D) of the Employee Retirement In-
2 come Security Act of 1974 (29 U.S.C.
3 1023(a)(3)(D)).

4 “(e) FIDUCIARY RESPONSIBILITIES.—

5 “(1) IN GENERAL.—Under regulations of the
6 Secretary of Labor, the provisions of sections 8477
7 and 8478 of title 5, United States Code, shall apply
8 in connection with the amounts maintained in the
9 Common Stock Investment Account of the Federal
10 Old-Age and Survivors Insurance Trust Fund in the
11 same manner and to the same extent as such provi-
12 sions apply in connection with the Thrift Savings
13 Fund.

14 “(2) INVESTIGATIVE AUTHORITY.—Any author-
15 ity available to the Secretary of Labor under section
16 504 of the Employee Retirement Income Security
17 Act of 1974 is hereby made available to the Sec-
18 retary of Labor, and any officer designated by the
19 Secretary of Labor, to determine whether any person
20 has violated, or is about to violate, any provision ap-
21 plicable under paragraph (1).

22 “(3) EXCULPATORY PROVISIONS; INSURANCE.—

23 “(A) IN GENERAL.—Any provision in an
24 agreement or instrument which purports to re-
25 lieve a fiduciary from responsibility or liability

1 for any responsibility, obligation, or duty under
 2 this section shall be void.

3 “(B) INSURANCE.—Amounts held in the
 4 Federal Old-Age and Survivors Insurance Trust
 5 Fund available for administrative expenses shall
 6 be available and may be used at the discretion
 7 of the Independent Social Security Investment
 8 Oversight Board to purchase insurance to cover
 9 potential liability of persons who serve in a fi-
 10 duciary capacity with respect to amounts main-
 11 tained in the Common Stock Investment Ac-
 12 count of such Trust Fund, without regard to
 13 whether a policy of insurance permits recourse
 14 by the insurer against the fiduciary in the case
 15 of a breach of a fiduciary obligation.”.

16 **SEC. 4. ESTABLISHMENT OF THE INDEPENDENT SOCIAL SE-**
 17 **CURITY INVESTMENT OVERSIGHT BOARD.**

18 Title VII of the Social Security Act is amended by
 19 inserting after section 705 (42 U.S.C. 906) the following
 20 new section:

21 “INDEPENDENT SOCIAL SECURITY INVESTMENT
 22 OVERSIGHT BOARD

23 “SEC. 706. (a) There is established in the Social Se-
 24 curity Administration an Independent Social Security In-
 25 vestment Oversight Board.

1 “(b) The Board shall be composed of a Chairman and
2 four additional members. The Chairman and each addi-
3 tional member shall be appointed by the President, by and
4 with the advice and consent of the Senate.

5 “(c) Members of the Board shall have substantial ex-
6 perience, training, and expertise in the management of fi-
7 nancial investments and service in a fiduciary capacity.

8 “(d)(1) A member of the Board shall be appointed
9 for a term of 10 years, except that of the members first
10 appointed—

11 “(A) the member appointed as Chairman shall
12 be appointed for a term of 10 years;

13 “(B) one member shall be appointed for a term
14 of 8 years;

15 “(C) one member shall be appointed for a term
16 of 6 years;

17 “(D) one member shall be appointed for a term
18 of 4 years; and

19 “(E) one member shall be appointed for a term
20 of 2 years,

21 as designated by the President at the time of appointment.

22 “(2)(A) A vacancy on the Board shall be filled in the
23 manner in which the original appointment was made and
24 shall be subject to any conditions which applied with re-
25 spect to the original appointment.

1 “(B) An individual chosen to fill a vacancy shall be
2 appointed for the unexpired term of the member replaced.

3 “(C) The term of any member shall not expire before
4 the date on which the member’s successor takes office.

5 “(3) An individual appointed as a member of the
6 Board may be removed from office only pursuant to a
7 finding by the President of neglect of duty or malfeasance
8 in office.

9 “(e) The member of the Board designated by the
10 President as Chairman shall serve as Chairman for a term
11 of 4 years (or until the expiration of his term as member
12 of the Board, if earlier). A member serving as Chairman
13 may be reappointed as Chairman.

14 “(f) The Board shall—

15 “(1) establish policies for investments in com-
16 mon stock of amounts in the Common Stock Invest-
17 ment Account of the Federal Old-Age and Survivors
18 Insurance Trust Fund under section 201(d)(2),
19 including—

20 “(A) the risk and return parameters for
21 such investments; and

22 “(B) the number and structure of the port-
23 folios in which such investments are main-
24 tained;

1 “(2) review bids from, and select managers for,
2 such investments;

3 “(3) annually review the performance of each
4 investment manager selected pursuant to paragraph
5 (2) and provide for reallocation of funds among
6 them by the Managing Trustee as appropriate;

7 “(4) report annually to each House of the Con-
8 gress and to the President regarding the earnings on
9 such investments and publish such reports annually
10 in the Federal Register; and

11 “(5) review and approve the budget of the
12 Board.

13 “(g)(1) The Board may—

14 “(A) adopt, alter, and use a seal;

15 “(B) establish policies with which the Managing
16 Trustee of the Federal Old-Age and Survivors Insur-
17 ance Trust Fund is required to comply under section
18 201(d)(2); and

19 “(C) take such other actions as may be nec-
20 essary to carry out the functions of the Board.

21 “(2) The policies of the Board may not require the
22 Managing Trustee to invest or to cause to be invested any
23 sums in the Federal Old-Age and Survivors Insurance
24 Trust Fund in a specific asset or to dispose of or cause
25 to be disposed of any specific asset of such Trust Fund.

1 “(h)(1) The Board shall meet—

2 “(A) not less than once during each month; and

3 “(B) at additional times at the call of the
4 Chairman.

5 “(2)(A) The Board shall perform the functions and
6 exercise the powers of the Board on a majority vote of
7 a quorum of the Board.

8 “(B) A vacancy on the Board shall not impair the
9 authority of a quorum of the Board to perform the func-
10 tions and exercise the powers of the Board.

11 “(3) Three members of the Board shall constitute a
12 quorum for the transaction of business.

13 “(4)(A) Each member of the Board who is not an
14 officer or employee of the Federal Government shall be
15 compensated at the daily rate of basic pay payable for level
16 IV of the Executive Schedule for each day during which
17 such member is engaged in performing a function of the
18 Board.

19 “(B) A member of the Board shall be paid travel,
20 per diem, and other necessary expenses under subchapter
21 I of chapter 57 of title 5, United States Code, while trav-
22 eling away from such member’s home or regular place of
23 business in the performance of the duties of the Board.

24 “(5) The accrued annual leave of any officer or em-
25 ployee of the Federal Government who is a member of the

1 Board shall not be charged for any time used in per-
2 forming services for the Board.

3 “(i) The members of the Board shall discharge their
4 responsibilities solely in the interest of the Federal Old-
5 Age and Survivors Insurance Trust Fund in connection
6 with investments of amounts in the Common Stock Invest-
7 ment Account of such Trust Fund under section
8 201(d)(2).

9 “(j) The Board shall prepare and submit to the Presi-
10 dent, and, at the same time, to the appropriate committees
11 of Congress, an annual budget of the expenses and other
12 items relating to the Board which shall be included as a
13 separate item in the budget required to be transmitted to
14 the Congress under section 1105 of title 31, United States
15 Code.

16 “(k) The Board may submit to the President, and,
17 at the same time, shall submit to each House of Congress,
18 any legislative recommendations of the Board relating to
19 any of its functions under this section.

20 “(l) There are hereby made available from Federal
21 Old-Age and Survivors Insurance Trust Fund such sums
22 as are necessary to carry out the provisions of this section
23 and to administer the provisions of section 231, in accord-
24 ance with certifications which shall be made from time to
25 time by the Board to the Secretary of the Treasury.”.

1 **SEC. 5. REPEAL OF LIMITATION ON SOCIAL SECURITY**
2 **WAGE BASE FOR FICA AND SECA TAXES.**

3 (a) FICA TAX.—Paragraph (1) of section 3121(a)
4 of the Internal Revenue Code of 1986 (defining wages)
5 is hereby repealed.

6 (b) SECA TAX.—Subsection (b) of section 1402 of
7 such Code (relating to definitions) is amended to read as
8 follows:

9 “(b) SELF-EMPLOYMENT INCOME.—

10 “(1) IN GENERAL.—The term ‘self-employment
11 income’ means the net earnings from self-employ-
12 ment derived by an individual (other than a non-
13 resident alien individual, except as provided by an
14 agreement under section 233 of the Social Security
15 Act) during any taxable year.

16 “(2) EXCEPTION FOR MINIMUM NET EARN-
17 INGS.—

18 “(A) IN GENERAL.—The term ‘self-employ-
19 ment income’ shall not include the net earnings
20 from self-employment, if such net earnings for
21 the taxable year are less than \$400.

22 “(B) APPLICATION OF SPECIAL RULES.—

23 In the case of church employee income, the spe-
24 cial rules of subsection (j)(2) shall apply for
25 purposes of subparagraph (A).

1 “(3) DETERMINATION OF NONRESIDENT ALIEN
2 STATUS.—An individual who is not a citizen of the
3 United States but who is a resident of the Common-
4 wealth of Puerto Rico, the Virgin Islands, Guam, or
5 American Samoa shall not, for purposes of this
6 chapter, be considered to be a nonresident alien indi-
7 vidual.”.

8 (c) CONFORMING AMENDMENTS.—

9 (1) Subsection (b) of section 31 of the Internal
10 Revenue Code of 1986 is hereby repealed.

11 (2) Subparagraph (A) of section 51(h)(1) of
12 such Code is amended by striking “so much” and all
13 the follows through the period and inserting “the
14 lesser of—

15 “(i) so much of such remuneration as
16 constitutes ‘wages’ within the meaning of
17 section 3121(a), or

18 “(ii) \$6,000.”.

19 (3) Subsection (s) of section 3121 of such Code
20 is amended by striking “sections 3102, 3111, and
21 3121(a)(1)” and inserting “sections 3102 and
22 3111”.

23 (4) Section 3122 of such Code is amended by
24 striking the fourth sentence.

1 (5) Subsections (a), (b), (c), and (d) of section
2 3125 of such Code are each amended by striking the
3 last sentence.

4 (6) Subsection (c) of section 6413 of such Code
5 is hereby repealed.

6 (7) Subsection (c) of section 230 of the Social
7 Security Act is amended by striking “and sections
8 1402, 3121, 3122, 3125, 6413, and 6654 of the In-
9 ternal Revenue Code of 1986”.

10 (d) EFFECTIVE DATE.—The amendments made by
11 this section shall take effect on January 1, 2000.

12 **SEC. 6. BASIC EXEMPTION FROM EMPLOYEE SOCIAL SECU-**
13 **RITY TAXES.**

14 (a) WAGES.—Subsection (a) of section 3121 of the
15 Internal Revenue Code of 1986 is amended by inserting
16 before paragraph (2) the following new paragraph:

17 “(1) in the case of tax imposed by section
18 3101(a), so much of the wages (determined without
19 regard to this paragraph) paid to an individual dur-
20 ing the calendar year as does not exceed the basic
21 exemption (as defined in subsection (k)) unless such
22 individual designates a lower amount with respect to
23 the employer;”.

1 (b) BASIC EXEMPTION.—Section 3121 of such Code
 2 is amended further by inserting after subsection (j) the
 3 following new subsection:

4 “(k) BASIC EXEMPTION.—

5 “(1) IN GENERAL.—For purposes of subsection
 6 (a)(1) and this subsection, the term ‘basic exemp-
 7 tion’ for a taxable year means \$4,000 for the taxable
 8 year ending with or during calendar year 2000 and
 9 the amount determined under paragraph (2) for tax-
 10 able years ending with or during calendar years
 11 after 2000.

12 “(2) ANNUAL ADJUSTMENT.—The Secretary
 13 shall, on or before November 1 of 2000 and of every
 14 year thereafter, determine and publish in the Fed-
 15 eral Register the basic exemption for taxable years
 16 ending with or during the succeeding calendar year.
 17 The amount of the basic exemption determined
 18 under this paragraph shall be the larger of—

19 “(A) the amount of the basic exemption in
 20 effect for taxable years ending with or during
 21 the calendar year in which the determination
 22 under this subsection is made, or

23 “(B) the product of the amount prescribed
 24 in paragraph (1) in effect for the taxable year
 25 ending with or during calendar year 2000 and

1 the ratio of the national average wage index (as
 2 defined in section 209(k)(1) of the Social Secu-
 3 rity Act) for taxable years ending with or dur-
 4 ing the calendar year before the calendar year
 5 in which the determination under this para-
 6 graph is made to the national average wage
 7 index (as so defined) for 1998,

8 with such product, if not a multiple of \$10, being
 9 rounded to the next higher multiple of \$10 where
 10 such amount is a multiple of \$5 but not of \$10 and
 11 to the nearest multiple of \$10 in any other case.”.

12 (c) SELF-EMPLOYMENT INCOME.—Section 1401 of
 13 such Code is amended by redesignating subsection (c) as
 14 subsection (d) and by inserting after subsection (b) the
 15 following new subsection:

16 “(c) COORDINATION WITH BASIC EXEMPTION FROM
 17 EMPLOYEE FICA TAX.—

18 “(1) COMPARABLE EXEMPTION.—Notwith-
 19 standing subsection (a), the rate of tax imposed by
 20 subsection (a) shall be $\frac{1}{2}$ the otherwise applicable
 21 rate but only with respect to so much of the self-em-
 22 ployment income for the taxable year as does not ex-
 23 ceed an amount equal to the basic exemption (as de-
 24 fined in section 3121(k)) for the calendar year be-

1 ginning with or during such taxable year, subject to
2 paragraph (2).

3 “(2) COORDINATION.—The amount described in
4 paragraph (1) shall be reduced by the amount of re-
5 muneration received during the taxable year which
6 would (but for section 3121(a)(1)) be treated as
7 wages as defined in section 3121(a). If the amount
8 of the reduction required under the preceding sen-
9 tence exceeds the amount described in paragraph
10 (1)—

11 “(A) the self-employment income of the in-
12 dividual for such taxable year shall be increased
13 by the amount of such excess, but

14 “(B) the tax imposed by this section on
15 such excess shall be at a rate equal to $\frac{1}{2}$ of the
16 otherwise applicable rate of tax under sub-
17 section (a).”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 1999.”.

21 **SEC. 7. INCREASE IN BENEFITS AT AGE 85.**

22 Section 202 of the Social Security Act (42 U.S.C.
23 402) is amended by adding at the end the following new
24 subsection:

1 “(z) Notwithstanding the preceding provisions
2 of this section, the amount of an individual’s month-
3 ly insurance benefit under this section for any
4 month ending after the date on which such indi-
5 vidual attains age 85 shall be increased to an
6 amount equal to the product derived by multiplying
7 the amount of such benefit (before the application of
8 this subsection) by the percentage specified in con-
9 nection with the calendar year in which such indi-
10 vidual attains 85 years of age, as set forth in the
11 following table:

“If such calendar year is:	The percentage is:
2001	0.25 percent.
2002	0.50 percent.
2003	0.75 percent.
2004	1.00 percent.
2005	1.25 percent.
2006	1.50 percent.
2007	1.75 percent.
2008	2.00 percent.
2009	2.25 percent.
2010	2.50 percent.
2011	2.75 percent.
2012	3.00 percent.
2013	3.25 percent.
2014	3.50 percent.
2015	3.75 percent.
2016	4.00 percent.
2017	4.25 percent.
2018	4.50 percent.
2019	4.75 percent.
After 2019	5.00 percent.”.

1 **SEC. 8. YEARS OF LOW EARNINGS WHILE PROVIDING**
2 **CHILD CARE DISREGARDED IN DETERMINING**
3 **BENEFIT COMPUTATION YEARS.**

4 (a) IN GENERAL.—Section 215(b)(2) of the Social
5 Security Act (42 U.S.C. 415(b)(2)) is amended—

6 (1) by striking the period at the end of clause

7 (ii) of subparagraph (A) and inserting a comma;

8 (2) by striking “Clause (ii), once” after and
9 below clause (ii) of subparagraph (A) and inserting
10 the following:

11 “and reduced further to the extent provided in sub-
12 paragraph (B). Clause (ii), once”;

13 (3) by striking “If an individual” in the matter
14 following clause (ii) of subparagraph (A) and all that
15 follows through the end of subparagraph (A);

16 (4) by redesignating subparagraph (B) as sub-
17 paragraph (E); and

18 (5) by inserting after subparagraph (A) the fol-
19 lowing new subparagraphs:

20 “(B) Subject to subparagraph (D), in any case in
21 which—

22 “(i) in any calendar year which is included in
23 an individual’s computation base years, such indi-
24 vidual is living with a child (of such individual or his
25 or her spouse) under the age of 12,

1 “(ii) such calendar year is not disregarded pur-
2 suant to subparagraphs (A) and (F) (in determining
3 such individual’s benefit computation years) by rea-
4 son of any reduction in the number of such individ-
5 ual’s elapsed years under subparagraph (A), and

6 “(iii) at any time during or after such calendar
7 year and on or before the date of the application by
8 such individual for benefits based on such individ-
9 ual’s wages and self-employment income, such indi-
10 vidual submits to the Commissioner of Social Secu-
11 rity, in such form as the Commissioner shall pre-
12 scribe by regulations, a written statement that the
13 requirements of clause (i) are met with respect to
14 such calendar year,

15 then the number by which such elapsed years are reduced
16 under this paragraph pursuant to subparagraph (A) shall
17 be increased by one (up to the maximum number applica-
18 ble under subparagraph (C)) for each such calendar year.

19 “(C) For purposes of subparagraph (B), the max-
20 imum number by which elapsed years may be reduced pur-
21 suant to such subparagraph is the number of years speci-
22 fied in connection with the calendar year in which such
23 individual first meets all requirements for entitlement to
24 old-age insurance benefits or disability insurance benefits
25 (other than filing application therefor), or dies (before

1 first meeting such requirements), as set forth in the fol-
 2 lowing table:

“If such calendar year is:	The applicable maximum num- ber of years is:
After 2004 and before 2007	1.
After 2006 and before 2009	2.
After 2008 and before 2011	3.
After 2010 and before 2013	4.
After 2012	5.

3 “(D)(i) No calendar year shall be disregarded by rea-
 4 son of subparagraph (B) (in determining such individual’s
 5 benefit computation years) in connection with a child un-
 6 less the individual was living with the child substantially
 7 throughout the period in such year in which the child was
 8 alive and under the age of 12 in such year and the indi-
 9 vidual had no earnings as described in section 203(f)(5)
 10 in such year.

11 “(ii) The particular calendar years to be disregarded
 12 under subparagraph (B) (in determining such benefit
 13 computation years) shall be those years (not otherwise dis-
 14 regarded under subparagraph (A)) which, before the appli-
 15 cation of subsection (f), meet the conditions of clause (i).

16 “(iii) Subparagraph (B) shall apply only to the extent
 17 that its application would not result in a lower primary
 18 insurance amount.”.

19 (b) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply only with respect to individuals
 21 first meeting all requirements for entitlement to old-age
 22 insurance benefits or disability insurance benefits (other

1 than filing application therefor), or dying (before first
2 meeting such requirements), after December 31, 2004.

3 **SEC. 9. PHASED-IN INCREASE IN NUMBER OF BENEFIT**
4 **COMPUTATION YEARS TO 40.**

5 (a) IN GENERAL.—Section 215(b)(2) of the Social
6 Security Act (42 U.S.C. 415(b)(2)) (as amended by sec-
7 tion 8) is amended further—

8 (1) in subparagraph (A)(i), by striking “by 5
9 years” and inserting “to the extent provided in sub-
10 paragraph (F)”;

11 (2) by adding at the end of paragraph (2) the
12 following new subparagraph:

13 “(F) For purposes of clause (i) of subparagraph (A),
14 the number of elapsed years shall be reduced pursuant to
15 such clause by the number of years specified in connection
16 with the calendar year in which such individual becomes
17 eligible for old-age insurance benefits, or dies (before be-
18 coming eligible for such benefits), as set forth in the fol-
19 lowing table:

“If such calendar year is:	The applicable number of years is:
After 2004 and before 2007	4.
After 2006 and before 2009	3.
After 2008 and before 2011	2.
After 2010 and before 2013	1.
After 2012	0.”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 this section shall apply with respect to individuals attain-
22 ing early retirement age (as defined in section 216(l)(2)

1 of the Social Security Act), or dying (before attaining such
2 age), after December 31, 2004.

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