

106TH CONGRESS
2D SESSION

S. 2086

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide incentives for older Americans to remain in the workforce beyond the age of eligibility for full social security benefits.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 22, 2000

Mr. LUGAR (for himself, Mr. GREGG, and Mr. BREAU) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide incentives for older Americans to remain in the workforce beyond the age of eligibility for full social security benefits.

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 “Retired Americans
5 Right of Employment Act II” or “RARE Act II”.

1 **SEC. 2. ELIMINATION OF EARNINGS TEST FOR INDIVID-**
2 **UALS WHO HAVE ATTAINED EARLY RETIRE-**
3 **MENT AGE.**

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

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

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

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

16 (4) in subsection (f)(3)—

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

23 (B) by striking “age 70” and inserting
24 “early retirement age (as defined in section
25 216(l))”;

1 (5) in subsection (h)(1)(A), by striking “age
2 70” each place it appears and inserting “early re-
3 tirement age (as defined in section 216(l))”; and

4 (6) in subsection (j)—

5 (A) in the heading, by striking “Age Sev-
6 enty” and inserting “Early Retirement Age”;
7 and

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

11 (b) CONFORMING AMENDMENTS ELIMINATING THE
12 SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE
13 ATTAINED AGE 62.—

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

21 (2) CONFORMING AMENDMENTS.—Section
22 203(f)(8)(B) of the Social Security Act (42 U.S.C.
23 403(f)(8)(B)) is amended—

24 (A) in the matter preceding clause (i), by
25 striking “Except” and all that follows through

“whichever” and inserting “The exempt amount which is applicable for each month of a particular taxable year shall be whichever”;

(B) in clauses (i) and (ii), by striking “corresponding” each place it appears; and

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

(3) REPEAL OF BASIS FOR COMPUTATION OF SPECIAL EXEMPT AMOUNT.—Section 203(f)(8)(D) of the Social Security Act (42 U.S.C. 403(f)(8)(D)) is repealed.

(c) ADDITIONAL CONFORMING AMENDMENTS.—

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

(A) in subsection (c), in the last sentence, by striking “nor shall any deduction” and all that follows and inserting “nor shall any deduction be made under this subsection from any widow’s or widower’s insurance benefit if the widow, surviving divorced wife, widower, or surviving divorced husband involved became entitled to such benefit prior to attaining age 60.”; and

1 (B) in subsection (f)(1), by striking clause
 2 (D) and inserting the following: “(D) for which
 3 such individual is entitled to widow’s or wid-
 4 ower’s insurance benefits if such individual be-
 5 came so entitled prior to attaining age 60,”.

6 (2) CONFORMING AMENDMENT TO PROVISIONS
 7 FOR DETERMINING AMOUNT OF INCREASE ON AC-
 8 COUNT OF DELAYED RETIREMENT.—Section
 9 202(w)(2)(B)(ii) of the Social Security Act (42
 10 U.S.C. 402(w)(2)(B)(ii)) is amended—

11 (A) by striking “either”; and

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

15 (d) EFFECTIVE DATE.—The amendments and re-
 16 peals made by subsections (a), (b), and (c) shall apply with
 17 respect to taxable years ending after December 31, 2002.

18 **SEC. 3. USE OF ALL YEARS IN COMPUTATION.**

19 (a) USE OF ALL YEARS OF EARNINGS IN BENEFIT
 20 COMPUTATION.—Section 215(b)(2)(B) of the Social Secu-
 21 rity Act (42 U.S.C. 415(b)(2)(B)) is amended by striking
 22 clauses (i) and (ii) and inserting the following:

23 “(i)(I) for calendar years before 2010, the term
 24 ‘benefit computation years’ means those computation
 25 base years equal in number to the number deter-

1 mined under subparagraph (A) plus the applicable
 2 number of years determined under subclause (III),
 3 for which the total of such individual's wages and
 4 self-employment income, after adjustment under
 5 paragraph (3), is the largest;

6 “(II) for calendar years after 2009, the term
 7 ‘benefit computation years’ means all of the com-
 8 putation base years; and

9 “(III) for purposes of subclause (I), the applica-
 10 ble number of years is the number of years specified
 11 in connection with the year in which such individual
 12 reaches early retirement age (as defined in section
 13 216(l)(2)), or, if earlier, the calendar year in which
 14 such individual dies, as set forth in the following
 15 table:

“If such calendar year is:	The applicable number of years is:
Before 2001	0
2001	1
2002	2
2003	3
2004	4
2005	5
2006	6
2007	7
2008	8
2009	9;

16 “(ii) the term ‘computation base years’ means
 17 the calendar years after 1950, except that such term
 18 excludes any calendar year entirely included in a pe-
 19 riod of disability; and”.

(b) CONFORMING AMENDMENT.—Section 215(b)(1)(B) of the Social Security Act (42 U.S.C. 415(b)(1)(B)) is amended by striking “in those years” and inserting “in an individual’s benefit computation years determined under paragraph (2)(A)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to benefit computation years beginning after December 31, 2000.

SEC. 4. ACTUARIAL ADJUSTMENT FOR RETIREMENT.

(a) EARLY RETIREMENT.—

(1) IN GENERAL.—Section 202(q) of the Social Security Act (42 U.S.C. 402(q)) is amended—

(A) in paragraph (1)(A), by striking “ $\frac{5}{9}$ ” and inserting “the applicable fraction (determined under paragraph (12))”; and

(B) by adding at the end the following:

“(12) For purposes of paragraph (1)(A), the ‘applicable fraction’ for an individual who attains the age of 62 in—

“(A) any year before 2001, is $\frac{5}{9}$;

“(B) 2001, is $\frac{7}{12}$;

“(C) 2002, is $\frac{11}{18}$;

“(D) 2003, is $\frac{23}{36}$;

“(E) 2004, is $\frac{2}{3}$; and

“(F) 2005 or any succeeding year, is $\frac{25}{36}$.”.

1 (2) MONTHS BEYOND FIRST 36 MONTHS.—Sec-
 2 tion 202(q) of such Act (42 U.S.C. 402(q)(9)) (as
 3 amended by paragraph (1)) is amended—

4 (A) in paragraph (9)(A), by striking “five-
 5 twelfths” and inserting “the applicable fraction
 6 (determined under paragraph (13))”; and

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

8 “(13) For purposes of paragraph (9)(A), the ‘applica-
 9 ble fraction’ for an individual who attains the age of 62
 10 in—

11 “(A) any year before 2001, is $\frac{5}{12}$;

12 “(B) 2001, is $\frac{16}{36}$;

13 “(C) 2002, is $\frac{16}{36}$;

14 “(D) 2003, is $\frac{17}{36}$;

15 “(E) 2004, is $\frac{17}{36}$; and

16 “(F) 2005 or any succeeding year, is $\frac{1}{2}$.”.

17 (3) EFFECTIVE DATE.—The amendments made
 18 by paragraphs (1) and (2) shall apply to individuals
 19 who attain the age of 62 in years after 1999.

20 (b) DELAYED RETIREMENT.—Section 202(w)(6) of
 21 the Social Security Act (42 U.S.C. 402(w)(6)) is
 22 amended—

23 (1) in subparagraph (C), by striking “and” at
 24 the end;

1 (2) in subparagraph (D), by striking “2004.”
 2 and inserting “2004 and before 2007;” and

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

4 “(E) $1\frac{7}{24}$ of 1 percent in the case of an indi-
 5 vidual who attains the age of 62 in a calendar year
 6 after 2006 and before 2009;

7 “(F) $\frac{3}{4}$ of 1 percent in the case of an indi-
 8 vidual who attains the age of 62 in a calendar year
 9 after 2008 and before 2011;

10 “(G) $1\frac{9}{24}$ of 1 percent in the case of an indi-
 11 vidual who attains the age of 62 in a calendar year
 12 after 2010 and before 2013; and

13 “(H) $\frac{5}{6}$ of 1 percent in the case of an indi-
 14 vidual who attains the age of 62 in a calendar year
 15 after 2012.”.

16 **SEC. 5. NONREFUNDABLE CREDIT FOR INDIVIDUALS WHO**
 17 **WORK BEYOND NORMAL RETIREMENT AGE.**

18 (a) IN GENERAL.—Subpart A of part IV of sub-
 19 chapter A of chapter 1 of the Internal Revenue Code of
 20 1986 (relating to nonrefundable personal credits) is
 21 amended by inserting after section 25A the following:

22 **“SEC. 25B. CREDIT FOR INDIVIDUALS WHO WORK BEYOND**
 23 **NORMAL RETIREMENT AGE.**

24 “(a) IN GENERAL.—In the case of a qualified indi-
 25 vidual, there shall be allowed as a credit against the tax

1 imposed by this chapter for the taxable year an amount
 2 equal to the lesser of—

3 “(1) 10 percent of the amount of such tax, or

4 “(2) the earned income (as defined in section
 5 32(b)(2)) of such individual for such taxable year.

6 “(b) APPLICATION WITH OTHER CREDITS.—In de-
 7 termining any credit allowed under this subpart, the tax
 8 imposed by this chapter shall (before any other reductions)
 9 be reduced by the credit allowed under subsection (a).

10 “(c) QUALIFIED INDIVIDUAL.—For purposes of this
 11 section, the term ‘qualified individual’ means any indi-
 12 vidual who has attained retirement age (as defined in sec-
 13 tion 216(l)(1) of the Social Security Act) before the close
 14 of the taxable year.”.

15 (b) CONFORMING AMENDMENT.—The table of sec-
 16 tions for subpart A of part IV of subchapter A of chapter
 17 1 of the Internal Revenue Code of 1986 is amended by
 18 inserting after the item relating to section 25A the fol-
 19 lowing:

“Sec. 25B. Credit for individuals who work beyond normal retire-
 ment age.”.

20 (c) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply to taxable years beginning after
 22 December 31, 2000.

○