

106TH CONGRESS
1ST SESSION

S. 21

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

IN THE SENATE OF THE UNITED STATES

JANUARY 19, 1999

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

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 1999”.

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. Modification of PIA factors to reflect changes in life expectancy.
 Sec. 10. Elimination of earnings test for individuals who have attained early retirement age.
 Sec. 11. Social security kidsave accounts.

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:

“In the case wages received during:	The applicable percentage shall be:
2000 through 2029	5.2
2030 through 2034	6.2
2035 through 2049	6.45
2050 through 2059	6.65
2060 or thereafter	6.85 .”

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:

“In the case wages paid during:	The applicable percentage shall be:
2000 and 2001	6.2
2002 through 2029	5.2
2030 through 2034	6.2
2035 through 2049	6.45
2050 through 2059	6.65
2060 or thereafter	6.85 .”

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:

“In the case of a taxable year		
Beginning after:	And before:	The applicable percentage is:
December 31, 1999	January 1, 2002	11.4
December 31, 2001	January 1, 2030	10.4
December 31, 2029	January 1, 2035	12.4
December 31, 2034	January 1, 2050	12.9
December 31, 2049	January 1, 2060	13.3
December 31, 2059 .....	.....	13.7 .”

(4) EFFECTIVE DATES.—

(A) EMPLOYEES AND EMPLOYERS.—The amendments made by paragraphs (1) and (2) apply to remuneration paid after December 31, 1999.

(B) SELF-EMPLOYED INDIVIDUALS.—The amendment made by paragraph (3) applies to taxable years beginning after December 31, 1999.

(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, 2000, and so reported, (R) 1.80 per centum of
 9 the wages (as so defined) paid after December 31,
 10 1999, and before January 1, 2030, and so reported,
 11 (S) 2.15 per centum of the wages (as so defined)
 12 paid after December 31, 2029, and before January
 13 1, 2035, and so reported, (T) 2.23 per centum of
 14 the wages (as so defined) paid after December 31,
 15 2034, and before January 1, 2050, and so reported,
 16 (U) 2.30 per centum of the wages (as so defined)
 17 paid after December 31, 2049, and before January
 18 1, 2060, and so reported, and (V) 2.39 per centum
 19 of the wages (as so defined) paid after December
 20 31, 2059, and so reported”.

21 (2) REALLOCATION OF TAX ON SELF-EMPLOY-
 22 MENT INCOME.—Section 201(b)(2) of such Act (42
 23 U.S.C. 401(b)(2)) is amended by striking “(Q) 1.70
 24 per centum of self-employment income (as so de-
 25 fined) so reported for any taxable year beginning

1 after December 31, 1996, and before January 1,
2 2000, and (R) 1.80 per centum of self-employment
3 income (as so defined) so reported for any taxable
4 year beginning after December 31, 1999” and in-
5 serting “(Q) 1.70 per centum of self-employment in-
6 come (as so defined) so reported for any taxable
7 year beginning after December 31, 1996, and before
8 January 1, 2000, (R) 1.80 per centum of self-em-
9 ployment income (as so defined) so reported for any
10 taxable year beginning after December 31, 1999,
11 and before January 1, 2030, (S) 2.15 per centum of
12 self-employment income (as so defined) so reported
13 for any taxable year beginning after December 31,
14 2029, and before January 1, 2035, (T) 2.23 per
15 centum of self-employment income (as so defined) so
16 reported for any taxable year beginning after De-
17 cember 31, 2034, and before January 1, 2050, (U)
18 2.30 per centum of self-employment income (as so
19 defined) so reported for any taxable year beginning
20 after December 31, 2049, and before January 1,
21 2060, and (V) 2.39 per centum of self-employment
22 income (as so defined) so reported for any taxable
23 year beginning after December 31, 2059”.

1 (c) FUTURE RATES AND ALLOCATION BETWEEN
2 TRUST FUNDS PROPOSED BY BOARD OF TRUSTEES FOR
3 LEGISLATIVE ACTION.—

4 (1) IN GENERAL.—Section 201(c) of the Social
5 Security Act (42 U.S.C. 401(c)) is amended in the
6 matter following paragraph (5) by striking “(as de-
7 fined by the Board of Trustees).” and inserting “(as
8 defined by the Board of Trustees. If such finding
9 shows that the combined Trust Funds are not in
10 close actuarial balance (as so defined), then such re-
11 port (beginning in April 2001) shall include a legis-
12 lative recommendation by the Board of Trustees
13 specifying new rates of tax under sections 3101(a),
14 3111(a), and 1401(a) of the Internal Revenue Code
15 of 1986, and the allocation of those rates between
16 the Trust Funds necessary in order to restore the
17 combined Trust Funds and each Trust Fund to ac-
18 tual balance. If such finding shows that the com-
19 bined Trust Funds are in close actuarial balance (as
20 so defined), but that 1 of the Trust Funds is not in
21 close actuarial balance, then such report (beginning
22 in April 2001) shall include a legislative rec-
23 ommendation by the Board of Trustees specifying a
24 new allocation of such rates of tax between the
25 Trust Funds, so that each Trust Fund is in close

1 actuarial balance. Such recommendation shall be
 2 considered by Congress under procedures described
 3 in subsection (n)).”.

4 (2) FAST-TRACK CONSIDERATION OF LEGISLA-
 5 TIVE RECOMMENDATIONS.—Section 201 of such Act
 6 (42 U.S.C. 401) is amended by adding at the end
 7 the following new subsection:

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

10 “(A) not later than 3 days after the Board of
 11 Trustees submits such report, be introduced (by re-
 12 quest) in the House of Representatives by the Ma-
 13 jority Leader of the House and be introduced (by re-
 14 quest) in the Senate by the Majority Leader of the
 15 Senate; and

16 “(B) be given expedited consideration under the
 17 same provisions and in the same way, subject to
 18 paragraph (2), as a joint resolution under section
 19 2908 of the Defense Base Closure and Realignment
 20 Act of 1990 (10 U.S.C. 2678 note).

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

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

1 “(B) Any reference to the resolution described
2 in subsection (a) shall be deemed to be a reference
3 to the legislative recommendation submitted under
4 subsection (c) of this Act.

5 “(C) Any reference to the Committee on Na-
6 tional Security of the House of Representatives shall
7 be deemed to be a reference to the Committee on
8 Ways and Means of the House of Representatives
9 and any reference to the Committee on Armed Serv-
10 ices of the Senate shall be deemed to be a reference
11 to the Committee on Finance of the Senate.

12 “(D) Any reference to the date on which the
13 President transmits a report shall be deemed to be
14 a reference to the date on which the recommenda-
15 tion is submitted under subsection (c).”.

16 (d) CONFORMING AMENDMENTS TO FERS TO PRO-
17 TECT PAYROLL TAX CUT.—The table contained in section
18 8422(a)(3) of title 5, United States Code, is amended—

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

21 (2) by striking “7.4” and inserting “6.4”;

22 (3) by striking “7.5” the first, third, fifth, and
23 seventh places it appears and inserting “6.5”;

24 (4) by striking “7.9” each place it appears and
25 inserting “6.9”; and

1 (5) by striking “8” each place it appears and
 2 inserting “7”.

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

5 (a) VOLUNTARY INVESTMENT OF PAYROLL TAX
 6 CUT.—

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

9 (A) by inserting before section 201 the fol-
 10 lowing:

11 “PART A—INSURANCE BENEFITS”;

12 and

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

14 “PART B—VOLUNTARY INVESTMENT ACCOUNTS
 15 “EMPLOYEE ELECTION AND DESIGNATION OF VOL-
 16 UNTARY INVESTMENT ACCOUNT UNDER PAYROLL
 17 DEDUCTION PLAN

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

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

24 “(2) during any open enrollment period.

1 The Commissioner shall by regulation provide for at least
2 1 open enrollment period annually.

3 “(b) PERIOD OF ELECTION.—

4 “(1) TIME ELECTION TAKES EFFECT.—An elec-
5 tion under subsection (a) shall take effect with re-
6 spect to the first pay period beginning more than 14
7 days after the date of the election.

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

10 “(A) upon the termination of employment
11 of the employee of the covered employer, or

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

15 “(c) DESIGNATION OF VOLUNTARY INVESTMENT AC-
16 COUNT.—

17 “(1) INITIAL ELECTION.—An employee shall, at
18 the time an election is made under subsection (a),
19 designate the voluntary investment account to which
20 voluntary investment account contributions on behalf
21 of the employee are to be deposited.

22 “(2) CHANGES.—The Commissioner shall by
23 regulation provide the time and manner by which an
24 employee or a person described in section 254(d) on
25 behalf of such employee may—

1 “(A) designate another voluntary invest-
 2 ment account to which contributions are to be
 3 deposited, and

4 “(B) transfer amounts from one such ac-
 5 count to another.

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

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

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

12 “VOLUNTARY INVESTMENT ACCOUNT PAYROLL

13 DEDUCTION PLANS

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

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

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

25 “(2) under which the voluntary investment ac-
 26 count contributions under section 3101(a) of the In-

1 ternal Revenue Code of 1986 will be deducted from
 2 an electing employee’s wages and, together with such
 3 contributions under section 3111(a) of such Code on
 4 behalf of such employee, will be paid to the Social
 5 Security Administration for deposit in 1 or more vol-
 6 untary investment accounts designated by such em-
 7 ployee in accordance with section 251,

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

14 “(4) under which the employer receives no com-
 15 pensation for the cost of administering such plan,
 16 and

17 “(5) under which the employer does not make
 18 any endorsement with respect to any voluntary in-
 19 vestment account.

20 “(c) PENALTIES FOR FAILURE TO ESTABLISH VOL-
 21 UNTARY INVESTMENT ACCOUNT PAYROLL DEDUCTION
 22 PLAN.—

23 “(1) IN GENERAL.—Any covered employer who
 24 fails to meet the requirements of this section for any

1 calendar year shall be subject to a civil penalty of
2 not to exceed the greater of—

3 “(A) \$2,500, or

4 “(B) \$100 for each electing employee of
5 such employer as of the beginning of such cal-
6 endar year.

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

9 “(A) PENALTIES ASSESSED BY COMMIS-
10 SIONER.—Any civil penalty assessed by this
11 subsection shall be imposed by the Commis-
12 sioner of Social Security and collected in a civil
13 action.

14 “(B) COMPROMISES.—The Commissioner
15 may compromise the amount of any civil pen-
16 alty imposed by this subsection.

17 “(C) AUTHORITY TO WAIVE PENALTY IN
18 CERTAIN CASES.—The Commissioner may waive
19 the application of this subsection with respect
20 to any failure if the Commissioner determines
21 that such failure is due to reasonable cause and
22 not to intentional disregard of rules and regula-
23 tions.

24 “PARTICIPATION BY SELF-EMPLOYED INDIVIDUALS

25 “SEC. 253. An individual shall make an election to
26 become an electing self-employed individual, designate a

1 voluntary investment account, and have in effect a vol-
 2 untary investment account payroll deduction plan under
 3 rules similar to the rules under sections 251 and 252.

4 “DEFINITIONS AND SPECIAL RULES

5 “SEC. 254. (a) VOLUNTARY INVESTMENT AC-
 6 COUNT.—For purposes of this part—

7 “(1) a voluntary investment account described
 8 in this paragraph is a voluntary investment account
 9 in the Voluntary Investment Fund (established
 10 under section 255),

11 “(2) a voluntary investment account described
 12 in this paragraph is an individual retirement plan
 13 (as defined in section 7701(a)(37) of the Internal
 14 Revenue Code of 1986), other than a Roth IRA (as
 15 defined in section 408A(b) of such Code), which is
 16 designated by the electing employee as a voluntary
 17 investment account (in such manner as the Sec-
 18 retary of the Treasury may prescribe) and which is
 19 administered or issued by a bank or other person re-
 20 ferred to in section 408(a)(2) of such Code, and

21 “(3) a voluntary investment account described
 22 in this paragraph is a KidSave Account (as de-
 23 scribed in paragraph (1) or (2) of section 262(a)) of
 24 the electing employee, which is designated by the
 25 electing employee as a voluntary investment account

1 (in such manner as the Secretary of the Treasury
2 may prescribe).

3 “(b) TREATMENT OF ACCOUNTS.—

4 “(1) IN GENERAL.—Except as provided in para-
5 graph (2)—

6 “(A) any voluntary investment account de-
7 scribed in paragraph (1) of subsection (a) shall
8 be treated in the same manner as an account
9 in the Thrift Savings Fund under subchapter
10 III of chapter 84 of title 5, United States Code,

11 “(B) any voluntary investment account de-
12 scribed in paragraph (2) of subsection (a) shall
13 be treated in the same manner as an individual
14 retirement plan (as so defined), and

15 “(C) any voluntary investment account de-
16 scribed in paragraph (3) of subsection (a) shall
17 be treated in the same manner as the des-
18 ignated KidSave Account would have been
19 treated under section 262(b).

20 “(2) EXCEPTIONS.—

21 “(A) CONTRIBUTION LIMIT.—The aggre-
22 gate amount of contributions for any taxable
23 year to all voluntary investment accounts of an
24 electing employee shall not exceed the aggregate
25 amount of contributions made pursuant to sec-

tions 3101(a)(3), 3111(a)(3), and 1401(a)(3) of the Internal Revenue Code of 1986 and paid pursuant to section 252 or 253 on behalf of such employee.

“(B) NO DEDUCTION ALLOWED.—No deduction shall be allowed under section 219 of the Internal Revenue Code of 1986 for a contribution to a voluntary investment account.

“(C) ROLLOVER CONTRIBUTIONS.—No rollover contribution may be made to a voluntary investment account unless it is from another voluntary investment account or a KidSave Account (as described in paragraph (1) or (2) of section 262(a)). A rollover described in the preceding sentence shall not be taken into account for purposes of subparagraph (A).

“(D) DISTRIBUTIONS ALLOWED TO SOCIAL SECURITY BENEFICIARIES.—Notwithstanding any other provision of law, distributions may only be made from a voluntary investment account of an electing employee on or after the earlier of—

“(i) the date on which the employee begins receiving benefits under this title, or

1 “(ii) the date of the employee’s death.

2 “(c) OTHER DEFINITIONS.—For purposes of this
3 part—

4 “(1) COVERED EMPLOYER.—The term ‘covered
5 employer’ means, for any calendar year, any person
6 on whom an excise tax is imposed under section
7 3111 of the Internal Revenue Code of 1986 with re-
8 spect to having an individual in the person’s employ
9 to whom wages are paid by such person during such
10 calendar year.

11 “(2) ELECTING EMPLOYEE.—The term ‘electing
12 employee’ means an individual with respect to whom
13 an election under section 251 is in effect.

14 “(3) ELECTING SELF-EMPLOYED INDIVID-
15 UAL.—The term ‘electing self-employed individual’
16 means an individual with respect to whom an elec-
17 tion under section 253 is in effect.

18 “(d) TREATMENT OF INCOMPETENT INDIVIDUALS.—
19 Any designation under section 251(c)(2) to be made by
20 an individual mentally incompetent or under other legal
21 disability may be made by the person who is constituted
22 guardian or other fiduciary by the law of the State of resi-
23 dence of the individual or is otherwise legally vested with
24 the care of the individual or his estate. Payment under
25 this part due an individual mentally incompetent or under

1 other legal disability may be made to the person who is
 2 constituted guardian or other fiduciary by the law of the
 3 State of residence of the claimant or is otherwise legally
 4 vested with the care of the claimant or his estate. In any
 5 case in which a guardian or other fiduciary of the individ-
 6 ual under legal disability has not been appointed under
 7 the law of the State of residence of the individual, if any
 8 other person, in the judgment of the Commissioner, is re-
 9 sponsible for the care of such individual, any designation
 10 under section 251(c)(2) which may otherwise be made by
 11 such individual may be made by such person, any payment
 12 under this part which is otherwise payable to such individ-
 13 ual may be made to such person, and the payment of an
 14 annuity payment under this part to such person bars re-
 15 covery by any other person.

16 “VOLUNTARY INVESTMENT FUND

17 “SEC. 255. (a) ESTABLISHMENT.—There is estab-
 18 lished and maintained in the Treasury of the United
 19 States a Voluntary Investment Fund in the same manner
 20 as the Thrift Savings Fund under sections 8437, 8438,
 21 and 8439 of title 5, United States Code.

22 “(b) VOLUNTARY INVESTMENT FUND BOARD.—

23 “(1) IN GENERAL.—There is established and
 24 operated in the Social Security Administration a
 25 Voluntary Investment Fund Board in the same man-
 26 ner as the Federal Retirement Thrift Investment

Board under subchapter VII of chapter 84 of title 5, United States Code.

“(2) SPECIFIC INVESTMENT DUTIES.—The Voluntary Investment Fund shall be managed by the Voluntary Investment Fund Board in the same manner as the Thrift Savings Fund is managed under subchapter VIII of chapter 84 of title 5, United States Code.”.

(2) EXEMPTION FROM ERISA REQUIREMENTS.—Section 4(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003(b)) is amended—

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

(B) in paragraph (5), by striking the period and inserting “; or”; and

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

“(6) such plan is a voluntary investment account payroll deduction plan established under part B of title II of the Social Security Act.”.

(3) EFFECTIVE DATE AND NOTICE REQUIREMENTS.—

(A) EFFECTIVE DATE.—The amendments made by this subsection (and any voluntary investment account payroll deduction plan re-

1 quired thereunder) apply with respect to wages
2 paid after December 31, 2001, for pay periods
3 beginning after such date and self-employment
4 income for taxable years beginning after such
5 date.

6 (B) NOTICE REQUIREMENTS.—

7 (i) IN GENERAL.—Not later than Oc-
8 tober 1, 2001, the Commissioner of Social
9 Security shall—

10 (I) send to the last known ad-
11 dress of each eligible individual a de-
12 scription of the program established
13 by the amendments made by this sub-
14 section, which shall be written in the
15 form of a pamphlet in language which
16 may be readily understood by the av-
17 erage worker,

18 (II) provide for toll-free access by
19 telephone from all localities in the
20 United States and access by the Inter-
21 net to the Social Security Administra-
22 tion through which individuals may
23 obtain information and answers to
24 questions regarding such program,
25 and

1 (III) provide information to the
2 media in all localities of the United
3 States about such program and such
4 toll-free access by telephone and ac-
5 cess by Internet.

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

15 (iii) MATTERS TO BE INCLUDED.—
16 The Commissioner shall include with the
17 pamphlet sent to each eligible individual
18 pursuant to clause (i)—

19 (I) a statement of the number of
20 quarters of coverage indicated in the
21 records of the Social Security Admin-
22 istration as of the date of the descrip-
23 tion as credited to such individual
24 under section 213 of such Act and the

1 date as of which such records may be
 2 considered accurate, and

3 (II) the number for toll-free ac-
 4 cess by telephone established by the
 5 Commissioner pursuant to clause (i).

6 (b) CONFORMING AMENDMENTS TO PAYROLL TAX
 7 PROVISIONS.—

8 (1) EMPLOYEES VOLUNTARY INVESTMENT CON-
 9 TRIBUTIONS.—Section 3101(a) of the Internal Reve-
 10 nue Code of 1986 (relating to tax on employees), as
 11 amended by section 2(a)(1), is amended by adding
 12 at the end the following:

13 “(3) VOLUNTARY INVESTMENT ACCOUNT CON-
 14 TRIBUTION.—In the case of an electing employee (as
 15 defined in section 254(c)(2) of the Social Security
 16 Act), in addition to other taxes, there is hereby im-
 17 posed on the income of such employee a voluntary
 18 investment account contribution equal to 1 percent
 19 of the wages (as so defined) received by him with re-
 20 spect to employment (as so defined).”.

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

1 “(3) MATCHING CONTRIBUTION TO EMPLOYEE
 2 VOLUNTARY INVESTMENT ACCOUNT CONTRIBU-
 3 TION.—In the case of an employer having in his em-
 4 ploy an electing employee (as defined in section
 5 254(c)(2) of the Social Security Act), in addition to
 6 other taxes, there is hereby imposed on such em-
 7 ployer a voluntary investment account contribution
 8 equal to 1 percent of the wages (as so defined) paid
 9 by him with respect to employment (as so defined)
 10 of such employee.”.

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

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

25 (4) EFFECTIVE DATES.—

1 (A) EMPLOYEES AND EMPLOYERS.—The
 2 amendments made by paragraphs (1) and (2)
 3 apply to remuneration paid after December 31,
 4 2001.

5 (B) SELF-EMPLOYED INDIVIDUALS.—The
 6 amendment made by paragraph (3) applies to
 7 taxable years beginning after December 31,
 8 2001.

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

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

12 (1) in subsection (b)—

13 (A) in paragraph (1), by striking
 14 “\$60,600” and inserting “\$99,900”; and

15 (B) in paragraph (2), by striking “1992”
 16 and inserting “2002”; and

17 (2) in subsection (c)—

18 (A) by striking “(1)” and all that follows
 19 through “\$29,700.” and inserting “the ‘con-
 20 tribution and benefit base’ with respect to re-
 21 muneration paid (and taxable years begin-
 22 ning)—

23 “(1) in 2002 shall be \$87,000,

24 “(2) in 2003 shall be \$94,000, and

25 “(3) in 2004 shall be \$99,900.”; and

1 (B) by striking “specified in clause (2) of
 2 the preceding sentence” and inserting “specified
 3 in the preceding sentence”.

4 (b) EFFECTIVE DATE.—The amendments made by
 5 this section take effect on January 1, 2002.

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

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

10 “PART D—COST-OF-LIVING ADJUSTMENTS

11 “DETERMINATION OF INFLATION ADJUSTMENT

12 “SEC. 1180. (a) MODIFICATION OF COST-OF-LIVING
 13 ADJUSTMENT.—

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

18 “(2) APPLICABLE PERCENTAGE POINT.—In this
 19 section, the term ‘applicable percentage point’
 20 means—

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

23 “(B) the applicable percentage point
 24 adopted by the Cost-of-Living Board under sub-
 25 section (b) for the calendar year.

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

2 “(1) IN GENERAL.—The Cost-of-Living Board
3 established under section 1181 shall for each cal-
4 endar year after 1999 determine if a new applicable
5 percentage point is necessary to replace the applica-
6 ble percentage point described in subsection
7 (a)(2)(A) to ensure an accurate cost-of-living adjust-
8 ment which shall apply to any cost-of-living adjust-
9 ment taking effect during such year.

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

12 “(A) ADOPTION.—

13 “(i) IN GENERAL.—If the Cost-of-Liv-
14 ing Board adopts by majority vote a new
15 applicable percentage point under para-
16 graph (1), then, for purposes of subsection
17 (a)(1), the new applicable percentage point
18 shall remain in effect during the following
19 calendar year.

20 “(ii) APPROPRIATE ADJUSTMENTS.—

21 The Cost-of-Living Board shall make ap-
22 propriate adjustments to the applicable
23 percentage point applied to any cost-of-liv-
24 ing adjustment if—

1 “(I) the period during which the
 2 change in the cost-of-living is meas-
 3 ured for such adjustment is different
 4 than the period used by the Cost-of-
 5 Living Board; or

6 “(II) the adjustment is based on
 7 a component of an index rather than
 8 the entire index.

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

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

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

1 “(e) COST-OF-LIVING ADJUSTMENT DESCRIBED.—A
 2 cost-of-living adjustment described in this subsection is
 3 any cost-of-living adjustment for a calendar year after
 4 1999 determined by reference to a percentage change in
 5 a consumer price index or any component thereof (as pub-
 6 lished by the Bureau of Labor Statistics of the Depart-
 7 ment of Labor and determined without regard to this sec-
 8 tion) and used in any of the following:

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

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

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

13 “COST-OF-LIVING BOARD

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

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

18 “(2) MEMBERSHIP.—

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

21 “(i) 1 shall be the Chairman of the
 22 Board of Governors of the Federal Reserve
 23 System;

24 “(ii) 1 shall be the Chairman of the
 25 President’s Council of Economic Advisers;
 26 and

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

4 The President shall consult with the leadership
5 of the House of Representatives and the Senate
6 in the appointment of the Board members
7 under clause (iii).

8 “(B) EXPERTISE.—The members of the
9 Board appointed under subparagraph (A)(iii)
10 shall be experts in the field of economics and
11 should be familiar with the issues related to the
12 calculation of changes in the cost of living. In
13 appointing members under subparagraph
14 (A)(iii), the President shall consider
15 appointing—

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

18 “(ii) former Treasury department offi-
19 cials;

20 “(iii) former members of the Board of
21 Governors of the Federal Reserve System;

22 “(iv) other individuals with relevant
23 prior government experience in positions
24 requiring appointment by the President
25 and Senate confirmation; and

1 “(v) academic experts in the field of
2 price statistics.

3 “(C) DATE.—

4 “(i) NOMINATIONS.—Not later than
5 30 days after the date of enactment of the
6 Social Security Solvency Act of 1999, the
7 President shall submit the nominations of
8 the members of the Board described in
9 subparagraph (A)(iii) to the Senate.

10 “(ii) SENATE ACTION.—Not later
11 than 60 days after the Senate receives the
12 nominations under clause (i), the Senate
13 shall vote on confirmation of the nomina-
14 tions.

15 “(3) TERMS AND VACANCIES.—

16 “(A) TERMS.—A member of the Board ap-
17 pointed under paragraph (2)(A)(iii) shall be ap-
18 pointed for a term of 5 years, except that of the
19 members first appointed under that
20 paragraph—

21 “(i) 1 member shall be appointed for
22 a term of 1 year;

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

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

3 “(B) VACANCIES.—

4 “(i) IN GENERAL.—A vacancy on the
5 Board shall be filled in the manner in
6 which the original appointment was made
7 and shall be subject to any conditions
8 which applied with respect to the original
9 appointment.

10 “(ii) FILLING UNEXPIRED TERM.—An
11 individual chosen to fill a vacancy shall be
12 appointed for the unexpired term of the
13 member replaced.

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

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

23 “(5) OPEN MEETINGS.—Notwithstanding sec-
24 tion 552b of title 5, United States Code, or section
25 10 of the Federal Advisory Committee Act (5 U.S.C.

1 App.), the Board may, by majority vote, close any
 2 meeting of the Board to the public otherwise re-
 3 quired to be open under that section. The Board
 4 shall make the records of any such closed meeting
 5 available to the public not later than 30 days of that
 6 meeting.

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

10 “(7) CHAIRPERSON AND VICE CHAIRPERSON.—
 11 The Board shall select a Chairperson and Vice
 12 Chairperson from among the members appointed
 13 under paragraph (2)(A)(iii).

14 “(b) POWERS OF THE BOARD.—

15 “(1) HEARINGS.—The Board may hold such
 16 hearings, sit and act at such times and places, take
 17 such testimony, and receive such evidence as the
 18 Board considers advisable to carry out the purposes
 19 of this part.

20 “(2) INFORMATION FROM FEDERAL AGEN-
 21 CIES.—The Board may secure directly from any
 22 Federal department or agency such information as
 23 the Board considers necessary to carry out the pro-
 24 visions of this part, including the published and un-
 25 published data and analytical products of the Bu-

1 reau of Labor Statistics. Upon request of the Chair-
 2 person of the Board, the head of such department
 3 or agency shall furnish such information to the
 4 Board.

5 “(3) POSTAL SERVICES.—The Board may use
 6 the United States mails in the same manner and
 7 under the same conditions as other departments and
 8 agencies of the Federal Government.

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

11 “(c) BOARD PERSONNEL MATTERS.—

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

1 “(2) TRAVEL EXPENSES.—The members of the
 2 Board shall be allowed travel expenses, including per
 3 diem in lieu of subsistence, at rates authorized for
 4 employees of agencies under subchapter I of chapter
 5 57 of title 5, United States Code, while away from
 6 their homes or regular places of business in the per-
 7 formance of services for the Board.

8 “(3) STAFF.—

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

17 “(B) COMPENSATION.—The Chairperson
 18 of the Board may fix the compensation of the
 19 executive director and other personnel without
 20 regard to the provisions of chapter 51 and sub-
 21 chapter III of chapter 53 of title 5, United
 22 States Code, relating to classification of posi-
 23 tions and General Schedule pay rates, except
 24 that the rate of pay for the executive director
 25 and other personnel may not exceed the rate

1 payable for level IV of the Executive Schedule
2 under section 5316 of such title.

3 “(4) DETAIL OF GOVERNMENT EMPLOYEES.—
4 Any Federal Government employee may be detailed
5 to the Board without additional reimbursement
6 (other than the employee’s regular compensation),
7 and such detail shall be without interruption or loss
8 of civil service status or privilege.

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

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

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

23 (c) TERMINATION OF WAGE INDEX ADJUSTMENT.—
24 Section 215(i)(1)(C) of the Social Security Act (42 U.S.C.
25 415(i)(1)(C)) is amended—

1 (1) in clause (i)—

2 (A) by inserting “and before 2000” after
3 “after 1988”; and

4 (B) by inserting “, or in any calendar year
5 after 1999, the CPI increase percentage”; and

6 (2) in clause (ii), by inserting “and before
7 2000” after “after 1988”.

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

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

13 “(a) INCOME INCLUSION.—

14 “(1) GENERAL RULE.—Notwithstanding section
15 207 of the Social Security Act, social security bene-
16 fits shall be included in the gross income of a tax-
17 payer for any taxable year in the manner provided
18 under section 72.

19 “(2) TRANSITION RULES.—

20 “(A) IN GENERAL.—Notwithstanding para-
21 graph (1), with respect to any taxable year be-
22 ginning in 2000, 2001, 2002, or 2003, gross in-
23 come of the taxpayer shall include social secu-
24 rity benefits in an amount equal to the greater
25 of—

1 “(i) the applicable percentage of the
 2 amount which would have been included
 3 under paragraph (1) for such year, or

4 “(ii) the amount which would have
 5 been included under this section for such
 6 year if the amendments made by section 6
 7 of the Social Security Solvency Act of
 8 1999 had not been enacted.

9 “(B) APPLICABLE PERCENTAGE.—For
 10 purposes of subparagraph (A)(i), the applicable
 11 percentage for any taxable year shall be deter-
 12 mined in accordance with the following table:

“In the case of any taxable year beginning in—		The applicable percentage is:	
2000	.....	20	
2001	.....	40	
2002	.....	60	
2003	.....	80.”.	

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

18 (c) TRANSFERS TO TRUST FUNDS.—Paragraph
 19 (1)(A) of section 121(e) of the Social Security Amend-
 20 ments of 1983, as amended by section 13215(c)(1) of the
 21 Omnibus Budget Reconciliation Act of 1993, is amended
 22 by striking “1993.” and inserting “1993, plus (iii) the

1 amounts equivalent to the aggregate increase in tax liabil-
 2 ities under chapter 1 of the Internal Revenue Code of
 3 1986 which is attributable to the amendments to section
 4 86 of such Code made by section 6 of the Social Security
 5 Solvency Act of 1999.”.

6 (d) EFFECTIVE DATE.—The amendments made by
 7 this section apply to taxable years ending after December
 8 31, 1999.

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

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

12 (1) IN GENERAL.—Paragraph (7) of section
 13 210(a) of the Social Security Act (42 U.S.C.
 14 410(a)(7)) is amended to read as follows:

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

17 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
 18 EMPLOYMENT.—

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

22 “Excluded State or Local Government Employment

23 “(s)(1) IN GENERAL.—The term ‘excluded State or
 24 local government employment’ means any service per-
 25 formed in the employ of a State, of any political subdivi-

1 sion thereof, or of any instrumentality of any one or more
 2 of the foregoing which is wholly owned thereby, if—

3 “(A)(i) such service would be excluded from the
 4 term ‘employment’ for purposes of this title if the
 5 preceding provisions of this section as in effect on
 6 December 31, 2001, had remained in effect, and (ii)
 7 the requirements of paragraph (2) are met with re-
 8 spect to such service, or

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

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

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

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

18 “(I) who was performing substantial
 19 and regular service for remuneration for
 20 that employer before January 1, 2002,

21 “(II) who is a bona fide employee of
 22 that employer on December 31, 2001, and

23 “(III) whose employment relationship
 24 with that employer was not entered into

1 for purposes of meeting the requirements
2 of this subparagraph, and

3 “(ii) the employment relationship with that
4 employer has not been terminated after Decem-
5 ber 31, 2001.

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

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

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

19 “(3) EXCEPTION FOR CERTAIN SERVICES.—

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

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

1 “(ii) in a hospital, home, or other institu-
2 tion by a patient or inmate thereof as an em-
3 ployee of a State or political subdivision thereof
4 or of the District of Columbia,

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

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

17 “(v) by an election official or election
18 worker if the remuneration paid in a calendar
19 year for such service is less than \$1,000 with
20 respect to service performed during 2002, and
21 the adjusted amount determined under sub-
22 paragraph (C) for any subsequent year with re-
23 spect to service performed during such subse-
24 quent year, except to the extent that service by
25 such election official or election worker is in-

cluded in employment under an agreement
under section 218, or

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

“(B) DEFINITIONS.—As used in this paragraph, the terms ‘State’ and ‘political subdivision’ have the meanings given those terms in section 218(b).

“(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR ELECTION OFFICIALS AND ELECTION WORKERS.—For each year after 2002, the Secretary shall adjust the amount referred to in subparagraph (A)(v) at the same time and in the same manner as is provided under section 215(a)(1)(B)(ii) with respect to the amounts referred to in section 215(a)(1)(B)(i), except that—

“(i) for purposes of this subparagraph, 1999 shall be substituted for the calendar year referred to in section 215(a)(1)(B)(ii)(II), and

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

1 The Commissioner of Social Security shall determine
 2 and publish in the Federal Register each adjusted
 3 amount determined under this subparagraph not
 4 later than November 1 preceding the year for which
 5 the adjustment is made.”.

6 (B) CONFORMING AMENDMENTS.—

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

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

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

17 (II) in paragraph (3)(A), by in-
 18 serting “under subsection (a)(7) as in
 19 effect on December 31, 2001” after
 20 “section”.

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

23 (I) by striking subparagraph (C);

1 (II) by redesignating subpara-
 2 graphs (D) and (E) as subparagraphs
 3 (C) and (D), respectively; and
 4 (III) by striking subparagraph
 5 (F) and inserting the following:

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

8 (b) AMENDMENTS TO THE INTERNAL REVENUE
 9 CODE OF 1986.—

10 (1) IN GENERAL.—Paragraph (7) of section
 11 3121(b) of the Internal Revenue Code of 1986 (re-
 12 lating to employment) is amended to read as follows:

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

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

19 “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-
 20 PLOYMENT.—

21 “(1) IN GENERAL.—For purposes of this chap-
 22 ter, the term ‘excluded State or local government
 23 employment’ means any service performed in the
 24 employ of a State, of any political subdivision there-

1 of, or of any instrumentality of any one or more of
 2 the foregoing which is wholly owned thereby, if—

3 “(A)(i) such service would be excluded
 4 from the term ‘employment’ for purposes of this
 5 chapter if the provisions of subsection (b)(7) as
 6 in effect on December 31, 2001, had remained
 7 in effect, and (ii) the requirements of para-
 8 graph (2) are met with respect to such service,
 9 or

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

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

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

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

19 “(I) who was performing sub-
 20 stantial and regular service for remun-
 21 eration for that employer before Jan-
 22 uary 1, 2002,

23 “(II) who is a bona fide employee
 24 of that employer on December 31,
 25 2001, and

1 “(III) whose employment rela-
 2 tionship with that employer was not
 3 entered into for purposes of meeting
 4 the requirements of this subpara-
 5 graph, and

6 “(ii) the employment relationship with
 7 that employer has not been terminated
 8 after December 31, 2001.

9 “(B) TREATMENT OF MULTIPLE AGENCIES
 10 AND INSTRUMENTALITIES.—For purposes of
 11 subparagraph (A), under regulations—

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

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

22 “(3) EXCEPTION FOR CERTAIN SERVICES.—

23 “(A) IN GENERAL.—The requirements of
 24 this paragraph are met with respect to service
 25 if such service is performed—

1 “(i) by an individual who is employed
2 by a State or political subdivision thereof
3 to relieve such individual from unemploy-
4 ment,

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

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

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

23 “(v) by an election official or election
24 worker if the remuneration paid in a cal-
25 endar year for such service is less than

1 \$1,000 with respect to service performed
 2 during 2002, and the adjusted amount de-
 3 termined under section 210(s)(3)(C) of the
 4 Social Security Act for any subsequent
 5 year with respect to service performed dur-
 6 ing such subsequent year, except to the ex-
 7 tent that service by such election official or
 8 election worker is included in employment
 9 under an agreement under section 218 of
 10 the Social Security Act, or

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

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

21 (3) CONFORMING AMENDMENTS.—

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

(B) Paragraph (2) of section 3121(u) of such Code (relating to application of hospital insurance tax to Federal, State, and local employment) is amended—

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

(ii) in subparagraph (C)(i), by inserting “under subsection (b)(7) as in effect on December 31, 2001” after “chapter”.

(c) **EFFECTIVE DATE.**—Except as otherwise provided in this section, the amendments made by this section shall apply with respect to service performed after December 31, 2001.

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

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

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

(2) in clause (iii)—

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

1 (B) by striking the period at the end and
 2 inserting “; and”; and

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

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

6 “(I) before 2002, age 62;

7 “(II) in 2002, age 63;

8 “(III) in 2003, age 64; and

9 “(IV) after 2003, age 65.”.

10 **SEC. 9. MODIFICATION OF PIA FACTORS TO REFLECT**
 11 **CHANGES IN LIFE EXPECTANCY.**

12 (a) MODIFICATION OF PIA FACTORS.—Section
 13 215(a)(1) of the Social Security Act (42 U.S.C.
 14 415(a)(1)(B)) is amended by redesignating subparagraph
 15 (D) as subparagraph (F) and by inserting after subpara-
 16 graph (C) the following:

17 “(D) For individuals who initially become eligible for
 18 old-age insurance benefits in any calendar year after 1999,
 19 each of the percentages under clauses (i), (ii), and (iii)
 20 of subparagraph (A) shall be multiplied the applicable
 21 number of times by .988 (.997, for any calendar year after
 22 2017). For purposes of the preceding sentence, the term
 23 ‘applicable number of times’ means a number equal to the
 24 lesser of 66 or the number of years beginning with 2000
 25 and ending with the year of initial eligibility.

1 “(E) For any individual who initially becomes eligible
 2 for disability insurance benefits in any calendar year after
 3 1999, the primary insurance amount for such individual
 4 shall be equal to the greater of—

5 “(i) such amount as determined under this
 6 paragraph, or

7 “(ii) such amount as determined under this
 8 paragraph without regard to subparagraph (D)
 9 thereof.”.

10 (b) RESTORATION OF NORMAL RETIREMENT AGE AT
 11 65.—

12 (1) IN GENERAL.—Section 216(l)(1) of the So-
 13 cial Security Act (42 U.S.C. 416(l)(1)) is amended
 14 to read as follows:

15 “(l)(1) The term ‘retirement age’ means 65 years of
 16 age.”.

17 (2) CONFORMING AMENDMENTS.—

18 (A) Section 216(l) of the Social Security
 19 Act (42 U.S.C. 416(l)) is amended by striking
 20 paragraph (3).

21 (B) Section 202(q) of such Act (42 U.S.C.
 22 402(q)) is amended—

23 (i) in paragraph (1), by striking
 24 “Subject to paragraph (9), if” and insert-
 25 ing “If”; and

1 (ii) by striking paragraph (9).

2 (c) STUDY OF THE EFFECT OF INCREASES IN LIFE
3 EXPECTANCY.—

4 (1) STUDY PLAN.—Not later than February 15,
5 2001, the Commissioner of Social Security shall sub-
6 mit to Congress a detailed study plan for evaluating
7 the effects of increases in life expectancy on the ex-
8 pected level of retirement income from social secu-
9 rity, pensions, and other sources. The study plan
10 shall include a description of the methodology, data,
11 and funding that will be required in order to provide
12 to Congress not later than February 15, 2006—

13 (A) an evaluation of trends in mortality
14 and their relationship to trends in health sta-
15 tus, among individuals approaching eligibility
16 for social security retirement benefits;

17 (B) an evaluation of trends in labor force
18 participation among individuals approaching eli-
19 gibility for social security retirement benefits
20 and among individuals receiving retirement ben-
21 efits, and of the factors that influence the
22 choice between retirement and participation in
23 the labor force;

24 (C) an evaluation of changes, if any, in the
25 social security disability program that would re-

1 duce the impact of changes in the retirement
2 income of workers in poor health or physically
3 demanding occupations;

4 (D) an evaluation of the methodology used
5 to develop projections for trends in mortality,
6 health status, and labor force participation
7 among individuals approaching eligibility for so-
8 cial security retirement benefits and among in-
9 dividuals receiving retirement benefits; and

10 (E) an evaluation of such other matters as
11 the Commissioner deems appropriate for evalu-
12 ating the effects of increases in life expectancy.

13 (2) REPORT ON RESULTS OF STUDY.—Not later
14 than February 15, 2006, the Commissioner of Social
15 Security shall provide to Congress an evaluation of
16 the implications of the trends studied under para-
17 graph (1), along with recommendations, if any, of
18 the extent to which the conclusions of such evalua-
19 tions indicate that projected increases in life expect-
20 ancy require modification in the social security dis-
21 ability program and other income support programs.

1 **SEC. 10. 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 “33⅓ 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 widow-
 4 er’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 (3) PROVISIONS RELATING TO EARNINGS
 16 TAKEN INTO ACCOUNT IN DETERMINING SUBSTAN-
 17 TIAL GAINFUL ACTIVITY OF BLIND INDIVIDUALS.—
 18 The second sentence of section 223(d)(4) of such
 19 Act (42 U.S.C. 423(d)(4)) is amended by striking
 20 “if section 102 of the Senior Citizens’ Right to
 21 Work Act of 1996 had not been enacted” and insert-
 22 ing the following: “if the amendments to section 203
 23 made by section 102 of the Senior Citizens’ Right to
 24 Work Act of 1996 and by the Social Security Sol-
 25 vency Act of 1999 had not been enacted”.

1 (d) STUDY OF THE EFFECT OF TAKING EARNINGS
 2 INTO ACCOUNT IN DETERMINING SUBSTANTIAL GAINFUL
 3 ACTIVITY OF DISABLED INDIVIDUALS.—

4 (1) IN GENERAL.—Not later than February 15,
 5 2001, the Commissioner of Social Security shall con-
 6 duct a study on the effect that taking earnings into
 7 account in determining substantial gainful activity of
 8 individuals receiving disability insurance benefits has
 9 on the incentive for such individuals to work and
 10 submit to Congress a report on the study.

11 (2) CONTENTS OF STUDY.—The study con-
 12 ducted under paragraph (1) shall include the evalua-
 13 tion of—

14 (A) the effect of the current limit on earn-
 15 ings on the incentive for individuals receiving
 16 disability insurance benefits to work;

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

23 (i) the incentive to work; and

24 (ii) the financial status of the Federal
 25 Disability Insurance Trust Fund;

(C) the effect of extending eligibility for the Medicare program to individuals during the period in which disability insurance benefits of the individual are gradually reduced as a result of substantial gainful activity and extending such eligibility for a fixed period of time after the benefits are terminated on—

(i) the incentive to work; and

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

(D) the relationship between the effect of substantial gainful activity limits on blind individuals receiving disability insurance benefits and other individuals receiving disability insurance benefits.

(3) CONSULTATION.—The analysis under paragraph (2)(C) shall be done in consultation with the Administrator of the Health Care Financing Administration.

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

1 **SEC. 11. SOCIAL SECURITY KIDSAVE ACCOUNTS.**

2 Title II of the Social Security Act (42 U.S.C. 401
3 et seq.), as amended by section 3(a), is amended by adding
4 at the end the following:

5 “PART C—KIDSAVE ACCOUNTS

6 “KIDSAVE ACCOUNTS

7 “SEC. 261. (a) ESTABLISHMENT.—The Commis-
8 sioner of Social Security shall establish in the name of
9 each individual born on or after January 1, 1995, a
10 KidSave Account described in paragraph (1) of section
11 262(a), upon the later of—

12 “(1) the date of enactment of this part, or

13 “(2) the date of the issuance of a Social Secu-
14 rity account number under section 205(c)(2) to such
15 individual.

16 The KidSave Account shall be identified to the account
17 holder by means of the account holder’s Social Security
18 account number.

19 “(b) CONTRIBUTIONS.—

20 “(1) IN GENERAL.—There are appropriated
21 such sums as are necessary in order for the Sec-
22 retary of the Treasury to transfer from the general
23 fund of the Treasury for crediting by the Commis-
24 sioner to each account holder’s KidSave Account
25 under subsection (a), an amount equal to the sum
26 of—

1 “(A) in the case of any individual born on
 2 or after January 1, 2000, \$1000.00, on the
 3 date of the establishment of such individual’s
 4 KidSave Account, and

5 “(B) in the case of any individual born on
 6 or after January 1, 1995, \$500.00, on the 1st,
 7 2nd, 3rd, 4th, and 5th birthdays of such indi-
 8 vidual occurring on or after January 1, 2000.

9 “(2) ADJUSTMENT FOR INFLATION.—For any
 10 calendar year after 2009, each of the dollar amounts
 11 under paragraph (1) shall be increased by the cost-
 12 of-living adjustment determined under section 215(i)
 13 for the calendar year.

14 “(c) DESIGNATIONS REGARDING KIDSAVE AC-
 15 COUNTS.—

16 “(1) INITIAL DESIGNATIONS OF INVESTMENT
 17 VEHICLE.—A person described in subsection (d)
 18 shall, on behalf of the individual described in sub-
 19 section (a), designate the investment vehicle for the
 20 KidSave Account to which contributions on behalf of
 21 such individual are to be deposited. Such designation
 22 shall be made on the application for such individ-
 23 ual’s Social Security account number.

24 “(2) CHANGES IN INVESTMENT VEHICLES OR
 25 TYPES OF KIDSAVE ACCOUNTS.—The Commissioner

1 shall by regulation provide the time and manner by
2 which—

3 “(A) an individual or a person described in
4 subsection (d) on behalf of such individual may
5 change 1 or more investment vehicles for a
6 KidSave Account described in paragraph (1) of
7 section 262(a), and

8 “(B) an individual or a person described in
9 subsection (d) on behalf of such individual may
10 designate a KidSave Account described in para-
11 graph (2) of section 262(a) or a voluntary in-
12 vestment account described in paragraph (1) or
13 (2) of section 254(a) of the individual to which
14 all or a portion of the amounts in an existing
15 KidSave Account described in paragraph (1) of
16 section 262(a) are to be transferred.

17 “(d) TREATMENT OF MINORS AND INCOMPETENT IN-
18 DIVIDUALS.—Any designation under subsection (c) to be
19 made by a minor, or an individual mentally incompetent
20 or under other legal disability, may be made by the person
21 who is constituted guardian or other fiduciary by the law
22 of the State of residence of the individual or is otherwise
23 legally vested with the care of the individual or his estate.
24 Payment under this part due a minor, or an individual
25 mentally incompetent or under other legal disability, may

1 be made to the person who is constituted guardian or
 2 other fiduciary by the law of the State of residence of the
 3 claimant or is otherwise legally vested with the care of the
 4 claimant or his estate. In any case in which a guardian
 5 or other fiduciary of the individual under legal disability
 6 has not been appointed under the law of the State of resi-
 7 dence of the individual, if any other person, in the judg-
 8 ment of the Commissioner, is responsible for the care of
 9 such individual, any designation under subsection (c)
 10 which may otherwise be made by such individual may be
 11 made by such person, any payment under this part which
 12 is otherwise payable to such individual may be made to
 13 such person, and the payment of an annuity payment
 14 under this part to such person bars recovery by any other
 15 person.

16 “DEFINITIONS AND SPECIAL RULES

17 “SEC. 262. (a) KIDSAVE ACCOUNTS.—For purposes
 18 of this part—

19 “(1) a KidSave Account described in this para-
 20 graph is a KidSave Account in the Voluntary Invest-
 21 ment Fund (established under section 255(a)), and

22 “(2) a Kidsave Account described in this para-
 23 graph is any individual retirement plan (as defined
 24 in section 7701(a)(37) of the Internal Revenue Code
 25 of 1986), other than a Roth IRA (as defined in sec-
 26 tion 408A(b) of such Code), which is designated by

1 an individual as a KidSave Account (in such manner
 2 as the Secretary of the Treasury may prescribe) and
 3 which is administered or issued by a bank or other
 4 person referred to in section 408(a)(2) of such Code.

5 “(b) TREATMENT OF ACCOUNTS.—

6 “(1) IN GENERAL.—Except as provided in para-
 7 graph (2)—

8 “(A) any KidSave Account described in
 9 subsection (a)(1) shall be treated in the same
 10 manner as an account in the Thrift Savings
 11 Fund under subchapter III of chapter 84 of
 12 title 5, United States Code, and

13 “(B) any KidSave Account described in
 14 subsection (a)(2) shall be treated in the same
 15 manner as an individual retirement plan (as so
 16 defined).

17 “(2) EXCEPTIONS.—

18 “(A) CONTRIBUTION LIMIT.—The aggre-
 19 gate amount of contributions for any taxable
 20 year to all KidSave Accounts of an individual
 21 shall not exceed the contribution made pursuant
 22 to section 261(b) for such year on behalf of
 23 such individual.

24 “(B) ROLLOVER CONTRIBUTIONS.—No
 25 rollover contribution may be made to a KidSave

1 Account unless it is from another KidSave Ac-
2 count. A rollover described in the preceding sen-
3 tence shall not be taken into account for pur-
4 poses of subparagraph (A).

5 “(C) DISTRIBUTIONS.—Notwithstanding
6 any other provision of law, distributions may
7 only be made from a KidSave Account of an in-
8 dividual on or after the earlier of—

9 “(i) the date on which the individual
10 begins receiving benefits under this title, or

11 “(ii) the date of the individual’s
12 death.”.

○