

107TH CONGRESS
1ST SESSION

H. R. 1573

To amend the Internal Revenue Code of 1986 to provide more revenue for the Social Security system by imposing a tax on certain unearned income and to provide tax relief for more than 80,000,000 individuals and families who pay more in Social Security taxes than income taxes by reducing the rate of the old age, survivors, and disability insurance Social Security payroll tax.

IN THE HOUSE OF REPRESENTATIVES

APRIL 24, 2001

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

A BILL

To amend the Internal Revenue Code of 1986 to provide more revenue for the Social Security system by imposing a tax on certain unearned income and to provide tax relief for more than 80,000,000 individuals and families who pay more in Social Security taxes than income taxes by reducing the rate of the old age, survivors, and disability insurance Social Security payroll tax.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Social Security Protec-
3 tion and Tax Relief Act of 2001”.

4 **SEC. 2. FINDINGS.**

5 Congress finds the following:

6 (1) Working people are subject to social secu-
7 rity taxes as well as income taxes, and for over 90
8 percent of the population the combined tax on
9 earned income is higher than the income tax rates
10 of 15 percent and 28 percent that apply to unearned
11 income.

12 (2) There is no logical reason why social secu-
13 rity taxes should be imposed only on earnings and
14 not on unearned income (such as dividends, interest,
15 rent income, and capital gains).

16 **SEC. 3. SOCIAL SECURITY TAX ON CERTAIN UNEARNED IN-**
17 **COME.**

18 (a) IN GENERAL.—Subchapter A of chapter 1 of the
19 Internal Revenue Code of 1986 (relating to determination
20 of tax liability) is amended by adding at the end the fol-
21 lowing new part:

22 **“PART VIII—SOCIAL SECURITY TAX ON CERTAIN**
23 **UNEARNED INCOME**

“Sec. 59B. Social security tax on certain unearned income.

1 **“SEC. 59B. SOCIAL SECURITY TAX ON CERTAIN UNEARNED**
 2 **INCOME.**

3 “(a) IMPOSITION OF TAX.—In the case of an indi-
 4 vidual, there is hereby imposed (in addition to any other
 5 tax imposed by this subtitle) for each taxable year a tax
 6 equal to 12 percent of such individual’s social security tax-
 7 able income for such taxable year.

8 “(b) DEFINITIONS.—For purposes of this section—

9 “(1) SOCIAL SECURITY TAXABLE INCOME.—The
 10 term ‘social security taxable income’ means adjusted
 11 gross income reduced by the greater of—

12 “(A) the sum of—

13 “(i) the standard deduction applicable
 14 to the taxpayer (or which would be applica-
 15 ble if the taxpayer did not elect to itemize
 16 deductions for the taxable year), and

17 “(ii) the deduction for personal ex-
 18 emptions under section 151 (determined
 19 without regard to subsection (d)(3) there-
 20 of), or

21 “(B) the aggregate exempt income of the
 22 taxpayer for the taxable year.

23 “(2) EXEMPT INCOME.—The term ‘exempt in-
 24 come’ means the following amounts to the extent in-
 25 cluded in gross income:

1 “(A) Amounts received as a pension or an-
 2 nuity from a qualified plan (as defined in sec-
 3 tion 4980(c)(1)).

4 “(B) Amounts received as a social security
 5 benefit (as defined in section 86(d)).

6 “(C) Amounts received as earned income
 7 (within the meaning of section 911(d)).

8 “(c) CREDITS NOT ALLOWED, ETC.—The tax im-
 9 posed by this section shall not be treated as a tax imposed
 10 by this chapter for purposes of determining—

11 “(1) the amount of any credit allowable under
 12 this chapter, or

13 “(2) the amount of the minimum tax imposed
 14 by section 55.”.

15 (b) CLERICAL AMENDMENT.—The table of parts for
 16 subchapter A of chapter 1 of such Code is amended by
 17 adding at the end the following new item:

 “Part VIII. Social security tax on certain unearned income.”.

18 (c) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to taxable years beginning after
 20 December 31, 2001.

21 (d) TRANSFERS TO TRUST FUNDS.—

22 (1) IN GENERAL.—There are hereby appro-
 23 priated to the payor funds amounts equivalent to the
 24 tax imposed by section 59B of such Code (as added
 25 by this section). The Secretary of the Treasury shall

1 make appropriate allocations of revenue received in
2 the general fund of the Treasury to each payor fund.

3 (2) TRANSFERS.—The amounts appropriated
4 by paragraph (1) to any payor fund shall be trans-
5 ferred from time to time (but not less frequently
6 than quarterly) from the general fund of the Treas-
7 ury on the basis of estimates made by the Secretary
8 of the Treasury of the amounts referred to in such
9 paragraph. Any such quarterly payment shall be
10 made on the first day of such quarter and shall take
11 into account revenue estimated to be received during
12 such quarter. Proper adjustments shall be made in
13 amounts subsequently transferred to the extent prior
14 estimates were in excess of or less than the amounts
15 required to be transferred.

16 (3) DEFINITIONS.—For purposes of this
17 subsection—

18 (A) PAYOR FUND.—The term “payor
19 fund” means any trust fund or account from
20 which payments of social security benefits are
21 made.

22 (B) SOCIAL SECURITY BENEFITS.—The
23 term “social security benefits” has the meaning
24 given such term by section 86(d) of the Internal
25 Revenue Code of 1986.

1 **SEC. 4. CHANGE IN RATES OF SOCIAL SECURITY TAXES.**

2 (a) DECREASE IN RATE OF OASDI TAX ON EMPLOY-
 3 EES.—The table in section 3101(a) of the Internal Rev-
 4 enue Code of 1986 is amended by striking the last item
 5 and inserting the following:

“1990 or any year before 2002	6.2 percent
“2002 or thereafter	4.95 percent.”

6 (b) DECREASE IN RATE OF OASDI TAX ON EMPLOY-
 7 ERS.—The table in section 3111(a) of such Code is
 8 amended by striking the last item and inserting the fol-
 9 lowing:

“1990 or any year before 2002	6.2 percent
“2002 or thereafter	4.95 percent.”

10 (c) DECREASE IN RATE OF OASDI TAX ON SELF-
 11 EMPLOYMENT INCOME.—The table in section 1401(a) of
 12 such Code is amended by striking the last item and insert-
 13 ing the following:

“December 31, 1989	January 1, 2002	12.4
“December 31, 2001	9.9.”

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