

107TH CONGRESS
1ST SESSION

H. R. 849

To provide for each American the opportunity to provide for his or her retirement through a S.A.F.E. account, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 1, 2001

Mr. SESSIONS (for himself and Mr. SHADEGG) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide for each American the opportunity to provide for his or her retirement through a S.A.F.E. account, 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 AND TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Savings Account for Every American Act of 2001”.

6 (b) **TABLE OF CONTENTS.**—The table of contents is
7 as follows:

Sec. 1. Short title and table of contents.

TITLE I—PERSONAL RETIREMENT PROGRAM

- Sec. 101. Definitions.
- Sec. 102. S.A.F.E. account payroll deduction programs.
- Sec. 103. Designation of S.A.F.E. accounts.
- Sec. 104. Self-employed individuals.
- Sec. 105. Elective participation.
- Sec. 106. Penalties.
- Sec. 107. Federal civilian and military personnel.

TITLE II—TAX-EXEMPT S.A.F.E. ACCOUNTS

- Sec. 201. S.A.F.E. accounts.
- Sec. 202. Effective date.

TITLE III—CONFORMING AMENDMENTS TO THE SOCIAL SECURITY ACT AND THE INTERNAL REVENUE CODE OF 1986

- Sec. 301. Reductions in and exemptions from FICA taxes and SECA taxes with respect to eligible individuals.
- Sec. 302. Exclusion of eligible individuals from old-age, survivors, and disability insurance coverage.
- Sec. 303. Information provided in social security account statements.

TITLE I—PERSONAL RETIREMENT PROGRAM

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3 **SEC. 101. DEFINITIONS.**

4 For purposes of this title—

5 (1) ACCOUNT HOLDER.—The term “account
6 holder” means, with respect to any S.A.F.E. ac-
7 count, the individual for whose benefit such account
8 is maintained.

9 (2) BUSINESS DAY.—The term “business day”
10 means any day other than a Saturday, Sunday, or
11 legal holiday in the area involved.

12 (3) COVERED EMPLOYER.—The term “covered
13 employer” means, for any calendar year, a person
14 for whom an eligible individual is engaged in em-
15 ployment during the year.

1 (4) ELIGIBLE INDIVIDUAL.—The term “eligible
2 individual” means any individual with respect to
3 whom there is in effect an election under section
4 105(a).

5 (5) EMPLOYMENT.—The term “employment”
6 has the meaning provided in section 210 of the So-
7 cial Security Act.

8 (6) PRESCRIBED EMPLOYEE CONTRIBUTION.—
9 The term “prescribed employee contribution” means,
10 with respect to any eligible individual who is en-
11 gaged in employment for a covered employer during
12 any calendar year, an amount equal to 6.2 percent
13 of the wages received by such employee with respect
14 to such employment, to the extent that such wages
15 do not exceed, for such calendar year, the contribu-
16 tion and benefit base for such calendar year under
17 section 230 of the Social Security Act.

18 (7) PRESCRIBED SELF-EMPLOYMENT CON-
19 TRIBUTION.—The term “prescribed self-employment
20 contribution” means, with respect to the self-employ-
21 ment income of an eligible individual for any cal-
22 endar year, the excess (if any) of—

23 (A) 6.2 percent of the amount of such self-
24 employment income for such calendar year, to
25 the extent that such self-employment income

1 does not exceed, for such calendar year, the
2 contribution and benefit base for such calendar
3 year under section 230 of the Social Security
4 Act, over

5 (B) the total of all prescribed employee
6 contributions and prescribed employer contribu-
7 tions payable with respect to such eligible indi-
8 vidual for such calendar year.

9 Effective with the commencement of the 16th cal-
10 endar year for which the eligible individual's election
11 under section 105 is in effect, "12.4 percent" shall
12 be substituted for "6.2 percent" in subparagraph
13 (A).

14 (8) PRESCRIBED EMPLOYER CONTRIBUTION.—

15 The term "prescribed employer contribution" means,
16 with respect to any eligible individual who is en-
17 gaged in employment for a covered employer during
18 any calendar year, an amount equal to 6.2 percent
19 of the wages received by such employee with respect
20 to such employment, to the extent that such wages
21 do not exceed, for such calendar year, the contribu-
22 tion and benefit base for such calendar year under
23 section 230 of the Social Security Act.

1 (9) S.A.F.E. ACCOUNT.—The term “S.A.F.E.
2 account” has the meaning provided in section 222(c)
3 of the Internal Revenue Code of 1986.

4 (10) SELF-EMPLOYMENT INCOME.—The term
5 “self-employment income” has the meaning provided
6 in section 211(b) of the Social Security Act.

7 (11) WAGES.—The term “wages” has the
8 meaning provided in section 209 of the Social Secu-
9 rity Act.

10 **SEC. 102. S.A.F.E. ACCOUNT PAYROLL DEDUCTION PRO-**
11 **GRAMS.**

12 (a) IN GENERAL.—Each person who is a covered em-
13 ployer for any calendar year shall have in effect through-
14 out such calendar year a S.A.F.E. account payroll deduc-
15 tion program for such person’s employees who are eligible
16 individuals.

17 (b) REQUIREMENTS.—For purposes of this Act, the
18 term “S.A.F.E. account payroll deduction program”
19 means a written program maintained by a covered em-
20 ployer if—

21 (1) under such program, the prescribed em-
22 ployee contribution is deducted from the wages of
23 each employee who is an eligible individual and paid
24 as a contribution on behalf of the employee to a

1 S.A.F.E. account of such employee designated in ac-
2 cordance with section 103,

3 (2) under such program, the covered
4 employer—

5 (A) makes timely payment of the amount
6 so deducted as a contribution to the designated
7 S.A.F.E. account, and

8 (B) effective upon receipt from the eligible
9 individual of certification (in accordance with
10 regulations which shall be prescribed by the
11 Commissioner of Social Security) of the com-
12 mencement of the 16th calendar year for which
13 the eligible employee's election under section
14 105 has been in effect, makes timely payment,
15 together with the amount so deducted, of the
16 prescribed employer contribution with respect to
17 the eligible individual,

18 under regulations of the Commissioner of Social Se-
19 curity applying the same principles relating to the
20 timeliness of payment as are applicable under chap-
21 ter 62 of the Internal Revenue Code of 1986 with
22 respect to taxes under chapter 21 of such Code, and

23 (3) the employer receives no compensation for
24 the cost of administering such program.

1 (c) AMOUNTS OTHERWISE PAYABLE MAY BE ACCU-
2 MULATED BY EMPLOYER IN CERTAIN CASES.—If, under
3 the terms of the governing instruments creating a
4 S.A.F.E. account designated under section 103, contribu-
5 tions below a specified amount will not be accepted, the
6 requirements of subsection (b)(2) shall be treated as met
7 if amounts deducted from the wages of an employee who
8 is an eligible individual, together with prescribed employer
9 contributions (if any), are accumulated by the covered em-
10 ployer and paid to such account otherwise in accordance
11 with subsection (b)(2) with reference to the first day on
12 which the accumulated amount exceeds such specified
13 amount.

14 **SEC. 103. DESIGNATION OF S.A.F.E. ACCOUNTS.**

15 (a) IN GENERAL.—Except as provided in subsection
16 (b), a S.A.F.E. account to which contributions with re-
17 spect to any employee who is an eligible individual are re-
18 quired to be paid under section 102 shall be such an ac-
19 count designated by such employee to such employer not
20 later than 10 business days after the date on which such
21 employee becomes an employee of such employer. Any
22 such designation shall be made in such form and manner
23 as may be prescribed in regulations of the Commissioner
24 of Social Security.

1 (b) DESIGNATION IN ABSENCE OF TIMELY DESIGNA-
 2 TION BY EMPLOYEE.—In any case in which no timely des-
 3 ignation of a S.A.F.E. account is made, the covered em-
 4 ployer shall designate such account in accordance with
 5 regulations of the Commissioner of Social Security.

6 (c) SUBSEQUENT SUBSTITUTION OF ACCOUNTS.—
 7 The Commissioner of Social Security shall provide by reg-
 8 ulation for subsequent designation of a S.A.F.E. account
 9 by an account holder in lieu of an account previously des-
 10 ignated by such account holder under this section.

11 **SEC. 104. SELF-EMPLOYED INDIVIDUALS.**

12 (a) IN GENERAL.—In the case of an eligible indi-
 13 vidual who has self-employment income for any calendar
 14 year, such individual shall make timely payments to a
 15 S.A.F.E. account designated by such individual of the pre-
 16 scribed self-employment contribution with respect to such
 17 individual for such calendar year in accordance with regu-
 18 lations of the Commissioner of Social Security, applying
 19 the same principles relating to timeliness of payment as
 20 are applicable under chapter 62 of the Internal Revenue
 21 Code of 1986 with respect to taxes under chapter 2 of
 22 such Code.

23 (b) DESIGNATION OF ACCOUNT.—The designation of
 24 a S.A.F.E. account for payment of prescribed self-employ-
 25 ment contributions shall be made in such form and man-

1 ner as may be prescribed in regulations of the Commis-
2 sioner of Social Security.

3 (c) PERIODIC PAYMENT.—The Commissioner of So-
4 cial Security shall provide by regulation for periodic in-
5 stallment payments during the calendar year of prescribed
6 self-employment contributions for each eligible individual,
7 taking into account, as appropriate for each period, pre-
8 scribed employee contributions for such individual.

9 **SEC. 105. ELECTIVE PARTICIPATION.**

10 (a) ELECTION.—Any individual who has been as-
11 signed a social security account number under section
12 205(c)(2)(B) of the Social Security Act and has been paid
13 wages or has derived self-employment income, may, on or
14 after January 1, 2002, elect under this section to be an
15 eligible individual for purposes of this Act. Any such elec-
16 tion shall be made by filing with each employer (if any)
17 of the individual, the Commissioner of Social Security, and
18 the Secretary of the Treasury, in such form and manner
19 as shall be prescribed in regulations of the Commissioner
20 (in consultation with the Secretary of the Treasury), a
21 written and signed declaration of such individual's inten-
22 tion to be treated as an eligible individual for purposes
23 of this Act. An election under this section shall be effective
24 with respect to wages paid, and self-employment income

1 derived, on or after January 1 following the date of the
2 filing of the election.

3 (b) ELECTION INEFFECTIVE IF ENTITLED TO SO-
4 CIAL SECURITY BENEFITS.—Any election under this sec-
5 tion shall not take effect if, as of the effective date of the
6 election, the individual is entitled to an old-age insurance
7 benefit under section 202(a) of the Social Security Act or
8 to a disability insurance benefit under section 223 of such
9 Act.

10 (c) IRREVOCABILITY SUBJECT TO GRACE PERIOD.—

11 (1) IN GENERAL.—Unless revoked in accord-
12 ance with paragraph (2), an election under this sec-
13 tion shall be irrevocable.

14 (2) FIVE-YEAR GRACE PERIOD.—

15 (A) IN GENERAL.—An individual may re-
16 voke an election under this section by filing
17 with each employer (if any) of the individual,
18 the Commissioner of Social Security, and the
19 Secretary of the Treasury, in such form and
20 manner as shall be prescribed in regulations of
21 the Commissioner (in consultation with the Sec-
22 retary of the Treasury), a written and signed
23 revocation of the election at any time before the
24 end of the five-year period beginning with the
25 effective date of the election. A revocation

1 under this subsection shall take effect January
2 1 following the date of the filing of the revoca-
3 tion, except that a revocation filed during the
4 90-day period beginning with the date of the
5 filing of the election shall take effect as of the
6 effective date of the election. Upon the effective
7 date of a revocation under this subsection, enti-
8 tlement to benefits under title II of the Social
9 Security Act shall be determined as if the re-
10 voked election had not occurred, except that, for
11 purposes of any such entitlement, wages paid,
12 and self-employment income derived, during the
13 period for which the election was in effect shall
14 not be taken into account. No subsequent elec-
15 tion under this section may take effect with re-
16 spect to an individual who has filed a revocation
17 under this subsection (except a revocation filed
18 during the 90-day period beginning with the
19 date of the filing of the election).

20 (B) REDUCTION IN BENEFITS.—The pri-
21 mary insurance amount, as determined under
22 section 215 of the Social Security Act, of any
23 individual who has filed a revocation under this
24 subsection before the end of the five-year period
25 described in subparagraph (A) (and after the

1 90-day period referred to in subparagraph (A))
 2 shall be reduced (except for purposes of deter-
 3 mining benefits under section 223 of such Act,
 4 and before any application of section 215(i) of
 5 such Act) by the applicable percentage specified
 6 in the following table:

If the first calendar year for which the revocation is effective is:	The applicable percentage is:
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The first, second, or third calendar year of such five-year period.	20 percent.
The fourth calendar year of such five-year period.	40 percent.
The fifth calendar year of such five-year period.	60 percent.
The calendar year following such five-year period.	80 percent.

7 **SEC. 106. PENALTIES.**

8 (a) FAILURE TO ESTABLISH S.A.F.E. ACCOUNT
 9 PAYROLL DEDUCTION PROGRAM.—Any covered employer
 10 who fails to meet the requirements of section 102 for any
 11 calendar year shall be subject to a civil penalty of not to
 12 exceed—

13 (1) \$250,000, in the case of an employer who
 14 is an individual, or

15 (2) \$500,000, in any other case.

16 (b) FAILURE TO MAKE DEDUCTIONS REQUIRED
 17 UNDER PROGRAM.—Any covered employer who fails to
 18 timely deduct in full the amount from the wages of an
 19 employee who is an eligible individual as required under
 20 an applicable S.A.F.E. account payroll deduction program

1 shall be subject to a civil penalty for each such failure
2 of not to exceed—

3 (1) \$250,000, in the case of an employer who
4 is an individual, or

5 (2) \$500,000, in any other case.

6 (c) FAILURE TO PAY DEDUCTED WAGES TO
7 S.A.F.E. ACCOUNT.—If an amount deducted under a
8 S.A.F.E. account payroll deduction program from the
9 wages of an employee who is an eligible individual is not
10 timely paid in full to the designated S.A.F.E. account in
11 accordance with section 102, the covered employer failing
12 to make such payment—

13 (1) shall be subject to a civil penalty for each
14 such failure of not to exceed—

15 (A) \$250,000, in the case of an employer
16 who is an individual, or

17 (B) \$500,000, in any other case, and

18 (2) shall be liable to the employee for interest
19 on the unpaid amount at a rate equal to 10 percent-
20 age points in excess of the Federal short-term rate
21 under section 1274(d)(1) of the Internal Revenue
22 Code of 1986, calculated from the last day by which
23 such amount was required to be so paid to the date
24 on which such amount is paid into the designated
25 S.A.F.E. account.

1 (d) FAILURE TO PAY PRESCRIBED SELF-EMPLOY-
2 MENT CONTRIBUTIONS TO S.A.F.E. ACCOUNT.—Any eli-
3 gible individual failing to timely pay in full a prescribed
4 self-employment contribution to a designated S.A.F.E. ac-
5 count as required under section 104 shall be subject to
6 a civil penalty for each such failure of not to exceed
7 \$250,000, plus interest on the unpaid amount at a rate
8 equal to 10 percentage points in excess of the Federal
9 short-term rate under section 1274(d)(1) of the Internal
10 Revenue Code of 1986, calculated from the last day by
11 which such amount was required to be so paid to the date
12 on which such amount is paid into the designated
13 S.A.F.E. account.

14 (e) RULES FOR APPLICATION OF SECTION.—

15 (1) PENALTIES ASSESSED BY COMMISSIONER
16 OF SOCIAL SECURITY.—Any civil penalty assessed by
17 this section shall be imposed by the Commissioner of
18 Social Security and collected in a civil action.

19 (2) COMPROMISES.—The Commissioner may
20 compromise the amount of any civil penalty imposed
21 by this section.

22 (3) AUTHORITY TO WAIVE PENALTY IN CER-
23 TAIN CASES.—The Commissioner may waive the ap-
24 plication of this section with respect to any failure
25 if the Commissioner determines that such failure is

1 due to reasonable cause and not to intentional dis-
2 regard of rules and regulations.

3 **SEC. 107. FEDERAL CIVILIAN AND MILITARY PERSONNEL.**

4 (a) IN GENERAL.—Not later than December 31,
5 2001, the Office of Personnel Management, after appro-
6 priate study, shall submit to the President and each House
7 of Congress a written report containing recommendations
8 on how to provide for the application of this Act with re-
9 spect to Federal civilian and military personnel.

10 (b) REQUIREMENTS.—The report—

11 (1) shall be prepared in consultation with the
12 Social Security Administration, the Securities and
13 Exchange Commission, and other appropriate agen-
14 cies; and

15 (2) shall be accompanied by draft legislation
16 which, if enacted, would carry out the recommenda-
17 tions contained in such report.

18 (c) PROVISIONS RELATING TO THE CONTINUED OP-
19 ERATION OF EXISTING RETIREMENT SYSTEMS.—To the
20 extent that the report and draft legislation relate to provi-
21 sions of law in effect before the date of enactment of this
22 Act, each shall address at least the following:

23 (1) FEDERAL EMPLOYEES' RETIREMENT SYS-
24 TEM.—

1 (A) Section 8401(11) of title 5, United
2 States Code (relating to the definition of an
3 “employee”), which includes the requirement
4 that the individual concerned be someone whose
5 civilian service is employment for the purposes
6 of title II of the Social Security Act and chap-
7 ter 21 of the Internal Revenue Code of 1986.

8 (B) Section 8421 of such title (relating to
9 annuity supplement), which includes provisions
10 incorporating the notion of the period of time
11 for which the individual is or would be entitled
12 to old-age insurance benefits under title II of
13 the Social Security Act, and provisions for com-
14 puting the amount of such supplement based on
15 the amount of certain benefits to which the in-
16 dividual would be entitled under such Act.

17 (C) Section 8442 of such title (relating to
18 rights of a widow or widower), which includes
19 provisions under which a supplementary annu-
20 ity for a widow or widower is not payable to
21 anyone who would not be entitled to certain
22 benefits under the Social Security Act, and pro-
23 visions for the computation of any such annuity
24 based on the amount of certain benefits which

1 would be payable to that individual under the
2 Social Security Act.

3 (D) Section 8443 of such title (relating to
4 rights of a child), which includes provisions
5 under which, as part of the formula for com-
6 puting the amount of a survivor annuity for a
7 child, there is incorporated the notion of the
8 amount of child's insurance benefits which are
9 or would be payable under title II of the Social
10 Security Act.

11 (2) CIVIL SERVICE RETIREMENT SYSTEM.—

12 (A) Section 8334(k) of such title (relating
13 to special rules for determining deductions and
14 contributions for individuals subject to “offset-
15 83” treatment), which incorporates the notion
16 of the OASDI contribution made from Federal
17 wages of the individual concerned.

18 (B) Section 8349 of such title (relating to
19 offset based on certain benefits under the Social
20 Security Act), which incorporates notions relat-
21 ing to actual or constructive eligibility for bene-
22 fits under the Social Security Act, and the
23 amount of those benefits.

24 (3) COORDINATION PROVISIONS.—Provisions of
25 law involving a reduction or other adjustment in re-

1 retirement benefits (or eligibility therefor), based on
2 any individual's eligibility for benefits under title II
3 of the Social Security Act.

4 (4) OTHER RETIREMENT SYSTEMS.—Similar
5 provisions of law under other retirement systems
6 covering Federal civilian or military personnel.

7 (d) PROVISIONS RELATING TO THE NEW SYSTEM.—
8 To the extent that the report and draft legislation relate
9 to the implementation of any other title of this Act, each
10 shall address at least the following:

11 (1) What the specifications for the S.A.F.E. ac-
12 count payroll deduction program or programs cov-
13 ering Federal civilian and military personnel shall be
14 or, alternatively, how those specifications shall be de-
15 veloped.

16 (2) Which agencies or instrumentalities of the
17 Federal Government shall be responsible for oper-
18 ating or maintaining which aspects of the program
19 or programs referred to in paragraph (1).

20 (3) Which penalty provisions are appropriate or
21 inappropriate with respect to the Federal Govern-
22 ment in its capacity as a “covered employer”, sub-
23 ject to what modifications (if any).

1 **TITLE II—TAX-EXEMPT S.A.F.E.**
 2 **ACCOUNTS**

3 **SEC. 201. S.A.F.E. ACCOUNTS.**

4 (a) IN GENERAL.—Part VII of subchapter B of chap-
 5 ter 1 of the Internal Revenue Code of 1986 (relating to
 6 additional itemized deductions for individuals) is amended
 7 by redesignating section 222 as section 223 and by insert-
 8 ing after section 221 the following new section:

9 **“SEC. 222. S.A.F.E. ACCOUNTS.**

10 “(a) DEDUCTION ALLOWED.—In the case of an indi-
 11 vidual, there shall be allowed as a deduction the aggregate
 12 amount paid in cash during the taxable year by or on be-
 13 half of such individual to a S.A.F.E. account of such indi-
 14 vidual.

15 “(b) LIMITATION.—The amount allowable as a de-
 16 duction under subsection (a) for any taxable year shall not
 17 exceed 6.2 percent of the lesser of—

18 “(1) the contribution and benefit base (as de-
 19 termined under section 230 of the Social Security
 20 Act) for the calendar year which ends with or within
 21 such taxable year, or

22 “(2) the sum of—

23 “(A) the amount of wages (as defined in
 24 section 3121(a)) received during such calendar
 25 year, and

1 “(B) the amount of the self-employment
2 income (as defined in section 1402) of such in-
3 dividual for the taxable year.

4 Effective with the commencement of the 16th calendar
5 year for which the individual’s election under section 105
6 of the Savings Account for Every American Act of 2001
7 is effective, the limitation under the preceding sentence
8 shall be increased by any prescribed employer contribution
9 paid to a personal retirement account of such individual
10 pursuant to section 102(b)(2)(B) of such Act and the por-
11 tion of any prescribed self-employment contribution paid
12 to such an account which is attributable to the increase
13 in such contribution required by the last sentence of sec-
14 tion 101(7) of such Act.

15 “(c) S.A.F.E. ACCOUNT.—For purposes of this sec-
16 tion, the term ‘S.A.F.E. account’ means a trust created
17 or organized in the United States exclusively for the ben-
18 efit of an individual or his beneficiaries, but only if the
19 written governing instrument creating the trust meets the
20 following requirements:

21 “(1) Except in the case of rollover contributions
22 from another S.A.F.E. account of such individual—
23 “(A) no contribution will be accepted un-
24 less it is in cash,

1 “(B) contributions will not be accepted for
2 the taxable year in excess of 6.2 percent of the
3 contribution and benefit base (as determined
4 under section 230 of the Social Security Act)
5 for the calendar year which ends with or within
6 such taxable year, and

7 “(C) any contributions with respect to an
8 account holder which are not accepted pursuant
9 to this paragraph are promptly refunded di-
10 rectly to the account holder.

11 In the case of any such individual, effective for tax-
12 able years beginning with or after the 16th calendar
13 year for which the individual’s election under section
14 105 of the Savings Account for Every American Act
15 of 2001 is effective, ‘12.4 percent’ shall be sub-
16 stituted for ‘6.2 percent’ in subparagraph (B).

17 “(2) The trustee is a bank (as defined in sec-
18 tion 408(n)) or such other person who demonstrates
19 to the satisfaction of the Secretary that the manner
20 in which such other person will administer the trust
21 will be consistent with the requirements of this sec-
22 tion.

23 “(3) No part of the trust funds will be invested
24 in life insurance contracts.

1 “(4) The interest of an individual in the bal-
2 ance in his account is nonforfeitable.

3 “(5) The assets of the trust will not be commin-
4 gled with other property except in a common trust
5 fund or common investment fund.

6 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

7 “(1) IN GENERAL.—Except as otherwise pro-
8 vided in this subsection, any amount distributed out
9 of a S.A.F.E. account shall be included in gross in-
10 come of the distributee for the taxable year in which
11 the distribution is received. Notwithstanding any
12 other provision of this title (including chapters 11
13 and 12), the basis of any person in such an account
14 is zero.

15 “(2) EXCEPTIONS FOR DISTRIBUTIONS AFTER
16 AGE 59½ OR DEATH.—Paragraph (1) shall not apply
17 to any distribution out of a S.A.F.E. account—

18 “(A) made on or after the date on which
19 the account beneficiary attains age 59½, or

20 “(B) made to the account beneficiary (or
21 to the estate of the beneficiary) on or after the
22 death of the account beneficiary.

23 “(3) EXCEPTIONS FOR DISTRIBUTIONS TO PUR-
24 CHASE CERTAIN INSURANCE.—Paragraph (1) shall
25 not apply to any distribution out of a S.A.F.E. ac-

count to the account beneficiary to the extent such distributions do not exceed the sum of the expenses paid or incurred during the taxable year for—

“(A) any qualified long-term care insurance contract (but only to the extent of eligible long-term care premiums (as defined in section 213(d)(10)),

“(B) disability insurance, or

“(C) term life insurance.

“(4) EXCEPTIONS FOR CERTAIN OTHER DISTRIBUTIONS.—Rules similar to the rules of paragraphs (3), (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

“(e) TAX TREATMENT OF ACCOUNTS.—

“(1) EXEMPTION FROM TAX.—A S.A.F.E. account is exempt from taxation under this subtitle unless such account has ceased to be a S.A.F.E. account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

“(2) ACCOUNT TERMINATIONS.—Rules similar to the rules of paragraphs (2) and (4) of section 408(e) shall apply to S.A.F.E. accounts, and any

1 amount treated as distributed under such rules shall
 2 be treated as not used to pay expenses described in
 3 subsection (d)(3).

4 “(f) ADDITIONAL TAX ON AMOUNTS INCLUDED IN
 5 GROSS INCOME.—If any distribution from a S.A.F.E. ac-
 6 count is includible in gross income of the account bene-
 7 ficiary, the tax liability of such beneficiary under this
 8 chapter for the taxable year in which the distribution is
 9 received shall be increased by an amount equal to 20 per-
 10 cent of the amount of the distribution.

11 “(g) OTHER DEFINITION AND SPECIAL RULES.—

12 “(1) ACCOUNT BENEFICIARY.—For purposes of
 13 this section, the term ‘account beneficiary’ means
 14 the individual for whose benefit the S.A.F.E. ac-
 15 count was established.

16 “(2) CERTAIN RULES TO APPLY.—Rules similar
 17 to the following rules shall apply for purposes of this
 18 section:

19 “(A) Section 219(d)(2) (relating to no de-
 20 duction for rollovers).

21 “(B) Section 219(f)(3) (relating to time
 22 when contributions deemed made).

23 “(C) Section 219(f)(5) (relating to em-
 24 ployer payments).

1 “(D) Section 408(g) (relating to commu-
2 nity property laws).

3 “(E) Section 408(h) (relating to custodial
4 accounts).

5 “(h) REPORTS.—The trustee of a S.A.F.E. account
6 shall make such reports regarding such account to the
7 Secretary and to the individual for whose benefit the ac-
8 count is maintained with respect to contributions, dis-
9 tributions, and such other matters as the Secretary may
10 require under regulations. The reports required by this
11 subsection shall be filed at such time and in such manner
12 and furnished to such individuals at such time and in such
13 manner as may be required by those regulations.”.

14 (b) DEDUCTION ALLOWED IN ARRIVING AT AD-
15 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
16 such Code is amended by inserting after paragraph (17)
17 the following new paragraph:

18 “(18) S.A.F.E. ACCOUNT CONTRIBUTIONS.—
19 The deduction allowed by section 222.”.

20 (c) TAX ON EXCESS CONTRIBUTIONS.—

21 (1) Subsection (a) of section 4973 of such Code
22 (relating to tax on excess contributions to individual
23 retirement accounts, etc.) is amended by striking
24 “or” at the end of paragraph (3), by inserting “or”

1 at the end of paragraph (4), and by inserting after
 2 paragraph (4) the following new paragraph:

3 “(5) a S.A.F.E. account (within the meaning of
 4 section 222(c)),”.

5 (2) Section 4973 of such Code is amended by
 6 adding at the end the following new subsection:

7 “(g) EXCESS CONTRIBUTIONS TO S.A.F.E. AC-
 8 COUNTS.—For purposes of this section, in the case of
 9 S.A.F.E. accounts (within the meaning of section 222(c)),
 10 the term ‘excess contributions’ means the sum of—

11 “(1) the excess (if any) of—

12 “(A) the aggregate amount contributed for
 13 the taxable year to the accounts (other than
 14 rollover contributions), over

15 “(B) the amount allowable as a deduction
 16 under section 222 for such contributions, and

17 “(2) the amount determined under this sub-
 18 section for the preceding taxable year, reduced by
 19 the sum of—

20 “(A) the distributions out of the accounts
 21 which were included in gross income under
 22 rules similar to the rules of section 408(d)(5)
 23 which apply to such accounts by reason of sec-
 24 tion 222(d)(4), and

25 “(B) the excess (if any) of—

1 “(i) the maximum amount allowable
 2 as a deduction under section 222(b) for
 3 the taxable year, over

4 “(ii) the amount contributed to the
 5 accounts for the taxable year.

6 For purposes of this subsection, any contribution
 7 which is distributed out of the S.A.F.E. account in
 8 a distribution to which the rules similar to the rules
 9 of section 408(d)(4) which apply to such accounts by
 10 reason of section 222(d)(4) shall be treated as an
 11 amount not contributed.”.

12 (d) TAX ON PROHIBITED TRANSACTIONS.—

13 (1) IN GENERAL.—Paragraph (1) of section
 14 4975(e) of such Code (relating to prohibited trans-
 15 actions) is amended by striking “or” at the end of
 16 subparagraph (E), by redesignating subparagraph
 17 (F) as subparagraph (G), and by inserting after sub-
 18 paragraph (E) the following new subparagraph:

19 “(F) a S.A.F.E. account described in sec-
 20 tion 222(c), or”.

21 (2) SPECIAL RULE.—Subsection (c) of section
 22 4975 of such Code is amended by adding at the end
 23 the following new paragraph:

24 “(6) SPECIAL RULE FOR S.A.F.E. ACCOUNTS.—

25 An individual for whose benefit a S.A.F.E. account

1 is established shall be exempt from the tax imposed
 2 by this section with respect to any transaction con-
 3 cerning such account (which would otherwise be tax-
 4 able under this section) if section 222(e)(2) applies
 5 with respect to such transaction.”.

6 (e) FAILURE TO PROVIDE REPORTS ON S.A.F.E. AC-
 7 COUNTS.—Paragraph (2) of section 6693(a) of such Code
 8 (relating to failure to provide reports on individual retire-
 9 ment accounts or annuities) is amended by striking “and”
 10 at the end of subparagraph (C), by striking the period at
 11 the end of subparagraph (D) and inserting “, and”, and
 12 by adding at the end the following new subparagraph:

13 “(E) Section 222(h) (relating to S.A.F.E.
 14 accounts).”.

15 (f) CLERICAL AMENDMENTS.—

16 (1) The table of sections for part VII of sub-
 17 chapter B of chapter 1 of such Code is amended by
 18 striking the item relating to section 222 and insert-
 19 ing the following new items:

“Sec. 222. S.A.F.E. accounts.
 “Sec. 223. Cross references.”.

20 (2) The table of sections for chapter 43 of such
 21 Code is amended by striking the item relating to sec-
 22 tion 4973 and inserting the following new item:

“Sec. 4973. Tax on excess contributions to certain tax-favored ac-
 counts and annuities, etc.”.

5 **TITLE III—CONFORMING**
6 **AMENDMENTS TO THE SO-**
7 **CIAL SECURITY ACT AND THE**
8 **INTERNAL REVENUE CODE**
9 **OF 1986**

13 (a) FICA TAX ON EMPLOYEES.—Section 3101 of the
14 Internal Revenue Code of 1986 (relating to OASDI tax
15 on employees) is amended—

(2) by redesignating subsection (c) as sub-
section (d); and

(3) by inserting after subsection (b) the following new subsection:

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1 fined in section 101(4) of the Savings Account for Every
2 American Act of 2001).”

3 (b) FICA TAX ON EMPLOYERS.—Section 3111 of
4 such Code (relating to OASDI tax on employees) is
5 amended—

6 (1) in subsection (a), by striking “In addition”
7 and inserting “Subject to subsection (c), in addi-
8 tion”;

9 (2) by redesignating subsection (c) as sub-
10 section (d); and

11 (3) by inserting after subsection (b) the fol-
12 lowing new subsection:

13 “(c) EXEMPTION FROM OASDI TAX WITH RESPECT
14 TO ELIGIBLE INDIVIDUALS.—In the case of an eligible in-
15 dividual (as defined in section 101(4) of the Savings Ac-
16 count for Every American Act of 2001), effective with the
17 16th calendar year for which such individual’s election
18 under section 105 of such Act is effective, subsection (a)
19 shall not apply with respect to wages received by such indi-
20 vidual.”

21 (c) REDUCTION IN AND EXEMPTION FROM SELF-EM-
22 PLOYMENT TAX.—Subsection (a) of section 1401 of such
23 Code (relating to OASDI tax on self-employment income)
24 is amended—

1 (1) in subsection (a), by striking “In addition”
2 and inserting “Subject to subsection (c), in addi-
3 tion”;

4 (2) by redesignating subsection (c) as sub-
5 section (d); and

6 (3) by inserting after subsection (b) the fol-
7 lowing new subsection:

8 “(c) ADJUSTMENT TO OASDI TAX.—

9 “(1) REDUCTION.—In the case of an eligible in-
10 dividual (as defined in section 101(4) of the Savings
11 Account for Every American Act of 2001), for tax-
12 able years beginning with or during the 1st 15 cal-
13 endar years for which such individual’s election is in
14 effect under section 105 of such Act, the rate of tax
15 under subsection (a) shall be 6.20 percent.

16 “(2) EXEMPTION.—In the case of such an eligi-
17 ble individual, effective for taxable years beginning
18 with or during the 16th calendar year for which
19 such individual’s election under such section 105 is
20 effective, subsection (a) shall not apply.”

21 (d) EFFECTIVE DATE.—The amendments made by
22 this section shall apply with respect to wages received
23 after December 31, 2002, and with respect to self-employ-
24 ment income for taxable years beginning after such date.

1 **SEC. 302. EXCLUSION OF ELIGIBLE INDIVIDUALS FROM**
2 **OLD-AGE, SURVIVORS, AND DISABILITY IN-**
3 **SURANCE COVERAGE.**

4 (a) MONTHLY INSURANCE BENEFITS UNDER SEC-
5 TION 202.—Section 202 of the Social Security Act (42
6 U.S.C. 402) is amended by adding at the end the following
7 new subsection:

8 “Limitation on Payment to Eligible Individuals Under
9 Savings Account for Every American Act of 2001

10 “(z)(1) Notwithstanding any other provision of this
11 title, no monthly benefits shall be paid under this section
12 based on the wages and self-employment income of an eli-
13 gible individual (as defined in section 101(4) of the Sav-
14 ings Account for Every American Act of 2001).

15 “(2) Determinations of entitlement to hospital insur-
16 ance benefits under section 226 or 226A shall be made
17 without regard to paragraph (1).”.

18 (b) DISABILITY INSURANCE BENEFITS UNDER SEC-
19 TION 223.—Section 223 of such Act (42 U.S.C. 423) is
20 amended by adding at the end the following new sub-
21 section:

22 “Limitation on Payment to Eligible Individuals Under
23 Savings Account for Every American Act of 2001

24 “(k)(1) Notwithstanding any other provision of this
25 title, no monthly benefits shall be paid under this section
26 based on the wages and self-employment income of an eli-

1 gible individual (as defined in section 101(4) of the Sav-
 2 ings Account for Every American Act of 2001).

3 “(2) Determinations of entitlement to hospital insur-
 4 ance benefits under section 226 or 226A shall be made
 5 without regard to paragraph (1).”.

6 **SEC. 303. INFORMATION PROVIDED IN SOCIAL SECURITY**
 7 **ACCOUNT STATEMENTS.**

8 (a) IN GENERAL.—Section 1143 of the Social Secu-
 9 rity Act (42 U.S.C. 1320b–13) is amended to read as fol-
 10 lows:

11 “SOCIAL SECURITY ACCOUNT STATEMENTS

12 “Provision of Annual Statements

13 “SEC. 1143. (a) The Commissioner of Social Security
 14 shall provide an annual social security account statement
 15 (hereinafter in this section referred to as the ‘statement’)
 16 to each eligible individual who is not receiving benefits
 17 under title II and for whom a mailing address can be de-
 18 termined through such methods as the Commissioner de-
 19 termines to be appropriate.

20 “Contents of Statement

21 “(b) Each statement shall contain—

22 “(1) the amount of wages paid to and self-em-
 23 ployment income derived by the eligible individual as
 24 shown by the records of the Commissioner;

25 “(2) an estimate of the aggregate of the em-
 26 ployer, employee, and self-employment contributions

1 of the eligible individual for old-age, survivors, and
2 disability insurance as shown by the records of the
3 Commissioner;

4 “(3) a separate estimate of the aggregate of the
5 employer, employee, and self-employment contribu-
6 tions of the eligible individual for hospital insurance
7 as shown by the records of the Commissioner; and

8 “(4) an estimate of the potential monthly re-
9 tirement, disability, survivor, and auxiliary benefits
10 payable on the eligible individual’s account together
11 with a description of the benefits payable under the
12 medicare program of title XVIII.

13 “Eligible Individual

14 “(c) For purposes of this section, the term “eligible
15 individual” means an individual who—

16 “(1) has a social security account number, and

17 “(2) has wages or net earnings from self-em-
18 ployment.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply with respect to statements pro-
21 vided on or after October 1, 2002.

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