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108TH CONGRESS
2D SESSION

H. R. 5179

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide for modest adjustments necessary to restore the old-age, survivors, and disability insurance program to long-term actuarial balance.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 29, 2004

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

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A BILL

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide for modest adjustments necessary to restore the old-age, survivors, and disability insurance program to long-term actuarial balance.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Social Security Solvency Act of 2004''.

SEC. 2. ADJUSTMENT TO RATE OF INCREASE IN CONTRIBUTION AND BENEFIT BASE.

Section 230(b)(2) of the Social Security Act (42 U.S.C. 430(b)(2)) is amended to read as follows:

"(2) the sum of—

"(A) the ratio (expressed as a percentage) of (i) the national average wage index (as defined in section 209(k)(1)) for the calendar year before the calendar year in which the determination under subsection (a) is made to (ii) the national average wage index (as so defined) for 1992, plus

"(B) for purposes of determining the contribution and benefit base effective with respect to remuneration paid during calendar years after 2005 and before 2037 and self-employment income derived in taxable years beginning with or during such calendar years, 2 percentage points,".

SEC. 3. APPLICATION OF THE CHAINED CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS IN DETERMINING COST-OF-LIVING INCREASES IN BENEFITS.

(a) IN GENERAL.—Section 215(i)(1) of the Social Security Act (42 U.S.C. 425(i)(1)) is amended—

(1) in subparagraph (G), by striking the period and inserting "; and"; and

(2) by adding at the end the following new subparagraph:

"(H) the term 'Consumer Price Index' means the chained consumer price index for all urban consumers, published by the Bureau of Labor Statistics.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to increases described in section 215(i)(2)(A) of the Social Security Act effective with the month of December of calendar years after 2005.

SEC. 4. RETENTION OF ESTATE TAX; TRANSFERS TO SOCIAL SECURITY TRUST FUND.

(a) EXCLUSION EQUIVALENT MADE PERMANENT AT 2009 AMOUNT.—The item relating to 2009 in the table in section 2010(c) of the Internal Revenue Code of 1986 (relating to applicable credit amount) is amended by striking all that follows "the applicable exclusion amount" and inserting ". For purposes of the preceding sentence, the applicable exclusion amount is $3,500,000.".

(b) CONFORMING AMENDMENTS.—

(1) Subtitles A and E of title V of the Economic Growth and Tax Relief Reconciliation Act of 2001, and the amendments made by such subtitles,

are hereby repealed; and the Internal Revenue Code of 1986 shall be applied as if such subtitles, and amendments, had never been enacted.

(2)(A) Subsection (a) of section 901 of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''this Act'' and all that follows and inserting ''this Act (other than title V) shall not apply to taxable, plan, or limitation years beginning after December 31, 2010.''.

(B) Subsection (b) of such section 901 is amended by striking '', estates, gifts, and transfers''.

(3) Subsections (d) and (e) of section 511 of the Economic Growth and Tax Relief Reconciliation Act of 2001, and the amendments made by such subsections, are hereby repealed; and the Internal Revenue Code of 1986 shall be applied as if such subsections, and amendments, had never been enacted.

(c) TRANSFERS TO TRUST FUND.—

(1) IN GENERAL.—There are hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund amounts equivalent to the taxes received in the Treasury under chapters 11 and 13 of the Internal Revenue Code of 1986 (relating to es-

tate tax and tax on generation-skipping transfers, respectively).

(2) TRANSFERS.—The amounts appropriated by paragraph (1) shall be transferred from time to time (but not less frequently than quarterly) from the general fund of the Treasury on the basis of estimates made by the Secretary of the Treasury of the amounts referred to in such paragraph. Any such quarterly payment shall be made on the first day of such quarter. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

(3) REPORTS.—The Secretary of the Treasury shall submit annual reports to the Congress and to the Commissioner of Social Security regarding—

(A) the transfers made under this subsection during the year, and the methodology used in determining the amount of such transfers, and

(B) the anticipated operation of this subsection during the next 5 years.

SEC. 5. FUTURE ADJUSTMENT OF EMPLOYMENT TAX RATES TO KEEP SOCIAL SECURITY TRUST FUNDS IN BALANCE.

(a) STATEMENT OF PROJECTED INSOLVENCY IN ANNUAL REPORT OF BOARD OF TRUSTEES.—Section 201(c) of the Social Security Act (42 U.S.C. 401(c)) is amended, in the second sentence following clause (5), by striking ''Trustees).'' and inserting ''Trustees), the Board's best estimate of the date as of which, using intermediate assumptions, the Trust Funds will, with no change in rates of tax under chapters 2 and 21 of the Internal Revenue Code of 1986, first have assets insufficient to pay scheduled benefits in full on a timely basis, and, if such date is within 2 years after the date of the filing of the report, the minimum increase necessary in such rates of tax (using such assumptions and assuming pro rata adjustments in the taxes applicable under sections 1401(a), 3101(a), and 3111(a) of such Code) necessary to take effect (effective for the calendar year and applicable taxable years in which such date occurs) to preclude such an insufficiency (rounded, if not a multiple of 0.01 percent, to the next higher multiple of 0.01 percent).''.

(b) EMPLOYEE CONTRIBUTION.—Subsection (a) of section 3101 of the Internal Revenue Code of 1986 (relating to rate of tax for old-age, survivors, and disability insurance) is amended by adding at the end the following

flush sentence: ''In the case of the year in which occurs the date determined under section 201(c) of the Social Security Act to be the date as of which the Trust Funds will first have assets insufficient to pay scheduled benefits in full on a timely basis, the rate in effect under the preceding sentence for such year and each year thereafter (without regard for this sentence) shall be increased to the extent determined under section 201(c) of such Act to be necessary to preclude such an insufficiency. Such increase shall be prescribed by the Secretary.''.

(c) EMPLOYER CONTRIBUTION.—Subsection (a) of section 3111 of such Code (relating to rate of tax for old-age, survivors, and disability insurance) is amended by adding at the end the following flush sentence: ''In the case of the year in which occurs the date determined under section 201(c) of the Social Security Act to be the date as of which the Trust Funds will first have assets insufficient to pay scheduled benefits in full on a timely basis, the rate in effect under the preceding sentence for such year and each year thereafter (without regard for this sentence) shall be increased to the extent determined under section 201(c) of such Act to be necessary to preclude such an insufficiency. Such increase shall be prescribed by the Secretary.''.

(d) SELF-EMPLOYMENT CONTRIBUTION.—Subsection (a) of section 1401 of such Code (relating to rate of tax for old-age, survivors, and disability insurance) is amended by adding at the end the following flush sentence: ''In the case of the year in which occurs the date determined under section 201(c) of the Social Security Act to be the date as of which the Trust Funds will first have assets insufficient to pay scheduled benefits in full on a timely basis, the rate in effect under the preceding sentence for such year and each year thereafter (without regard for this sentence) shall be increased to the extent determined under section 201(c) of such Act to be necessary to preclude such an insufficiency. Such increase shall be prescribed by the Secretary.''.

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