

108TH CONGRESS  
1ST SESSION

# H. R. 607

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.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 5, 2003

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

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## 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 2003”.

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, 2003.

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 sub-  
17      section—

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 2004 .....	6.2 percent
“2004 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 2004 .....	6.2 percent
“2004 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, 2004 .....	12.4
“December 31, 2003 .....	.....	9.9.”

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