

109TH CONGRESS
1ST SESSION

H. R. 1929

To amend the Internal Revenue Code of 1986 to update the optional methods for computing net earnings from self-employment.

IN THE HOUSE OF REPRESENTATIVES

APRIL 27, 2005

Mr. LEWIS of Kentucky (for himself, Mr. BISHOP of Georgia, and Mr. ROGERS of Kentucky) 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 update the optional methods for computing net earnings from self-employment.

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. MODIFICATION TO OPTIONAL METHOD OF**
4 **COMPUTING NET EARNINGS FROM SELF-EM-**
5 **PLOYMENT.**

6 (a) AMENDMENTS TO THE INTERNAL REVENUE
7 CODE OF 1986.—

1 (1) IN GENERAL.—The matter following para-
2 graph (16) of section 1402(a) of the Internal Rev-
3 enue Code of 1986 is amended—

4 (A) by striking “\$2,400” each place it ap-
5 pears and inserting “the upper limit”, and

6 (B) by striking “\$1,600” each place it ap-
7 pears and inserting “the lower limit”.

8 (2) DEFINITIONS.—Section 1402 of such Code
9 is amended by adding at the end the following new
10 subsection:

11 “(1) UPPER AND LOWER LIMITS.—For purposes of
12 subsection (a)—

13 “(1) LOWER LIMIT.—The lower limit for any
14 taxable year is the sum of the amounts required
15 under section 213(d) of the Social Security Act for
16 a quarter of coverage in effect with respect to each
17 calendar quarter ending with or within such taxable
18 year.

19 “(2) UPPER LIMIT.—The upper limit for any
20 taxable year is the amount equal to 150 percent of
21 the lower limit for such taxable year.”.

22 (b) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

23 (1) IN GENERAL.—The matter following para-
24 graph (15) of section 211(a) of the Social Security
25 Act is amended—

1 (A) by striking “\$2,400” each place it ap-
2 pears and inserting “the upper limit”, and

3 (B) by striking “\$1,600” each place it ap-
4 pears and inserting “the lower limit”.

5 (2) DEFINITIONS.—Section 211 of such Act is
6 amended by adding at the end the following new
7 subsection:

8 “Upper and Lower Limits

9 “(k) For purposes of subsection (a)—

10 “(1) The lower limit for any taxable year is the
11 sum of the amounts required under section 213(d)
12 for a quarter of coverage in effect with respect to
13 each calendar quarter ending with or within such
14 taxable year.

15 “(2) The upper limit for any taxable year is the
16 amount equal to 150 percent of the lower limit for
17 such taxable year.”.

18 (3) CONFORMING AMENDMENT.—Section 212
19 of such Act is amended—

20 (A) in subsection (b), by striking “For”
21 and inserting “Except as provided in subsection
22 (c), for”; and

23 (B) by adding at the end the following new
24 subsection:

1 “(c) For the purpose of determining average indexed
2 monthly earnings, average monthly wage, and quarters of
3 coverage in the case of any individual who elects the option
4 described in clause (ii) or (iv) in the matter following sec-
5 tion 211(a)(15) for any taxable year that does not begin
6 with or during a particular calendar year and end with
7 or during such year, the self-employment income of such
8 individual deemed to be derived during such taxable year
9 shall be allocated to the two calendar years, portions of
10 which are included within such taxable year, in the same
11 proportion to the total of such deemed self-employment
12 income as the sum of the amounts applicable under section
13 213(d) for the calendar quarters ending with or within
14 each such calendar year bears to the lower limit for such
15 taxable year specified in section 211(k)(1).”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2004.

○