

109TH CONGRESS  
1ST SESSION

# S. 896

To modify the optional method of computing net earnings from self-employment.

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IN THE SENATE OF THE UNITED STATES

APRIL 25, 2005

Mr. FEINGOLD introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To modify the optional method of 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. SHORT TITLE.**

4 This Act may be cited as the “Farmer Tax Fairness  
5 Act of 2005”.

6 **SEC. 2. MODIFICATION TO OPTIONAL METHOD OF COM-**  
7 **PUTING NET EARNINGS FROM SELF-EMPLOY-**  
8 **MENT.**

9 (a) AMENDMENTS TO THE INTERNAL REVENUE  
10 CODE OF 1986.—

1 (1) IN GENERAL.—The matter following para-  
 2 graph (15) 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 the date of the enactment of this Act.

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