

110TH CONGRESS
1ST SESSION

H. R. 4215

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

NOVEMBER 15, 2007

Mr. DAVIS of Alabama (for himself and Mr. LEWIS 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.—

8 (1) IN GENERAL.—The matter following para-
9 graph (17) of section 1402(a) of the Internal Rev-
10 enue Code of 1986 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 1402 of such Code
 6 is amended by adding at the end the following new
 7 subsection:

8 “(1) UPPER AND LOWER LIMITS.—For purposes of
 9 subsection (a)—

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

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

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

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

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

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

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

6 “(k) UPPER AND LOWER LIMITS.—For purposes of
7 subsection (a)—

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

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

16 (3) CONFORMING AMENDMENT.—Section 212
17 of such Act is amended—

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

21 (B) by adding at the end the following new
22 subsection:

23 “(c) For the purpose of determining average indexed
24 monthly earnings, average monthly wage, and quarters of
25 coverage in the case of any individual who elects the option

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

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 2007.

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