

110TH CONGRESS
1ST SESSION

H. R. 4922

To provide for each American the opportunity to provide for his or her retirement through a S.A.F.E. account, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 19, 2007

Mr. SESSIONS introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Oversight and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide for each American the opportunity to provide for his or her retirement through a S.A.F.E. account, and for other purposes.

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 AND TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Savings Account for Every American Act of 2007”.

6 (b) TABLE OF CONTENTS.—The table of contents is
7 as follows:

Sec. 1. Short title and table of contents.

TITLE I—PERSONAL RETIREMENT PROGRAM

- Sec. 101. Definitions.
- Sec. 102. S.A.F.E. account payroll deduction programs.
- Sec. 103. Designation of S.A.F.E. accounts.
- Sec. 104. Self-employed individuals.
- Sec. 105. Elective participation.
- Sec. 106. Penalties.
- Sec. 107. Federal civilian and military personnel.

TITLE II—TAX-EXEMPT S.A.F.E. ACCOUNTS

- Sec. 201. S.A.F.E. accounts.
- Sec. 202. Effective date.

TITLE III—CONFORMING AMENDMENTS TO THE SOCIAL SECURITY ACT AND THE INTERNAL REVENUE CODE OF 1986

- Sec. 301. Reductions in and exemptions from FICA taxes and SECA taxes with respect to eligible individuals.
- Sec. 302. Exclusion of eligible individuals from old-age, survivors, and disability insurance coverage.
- Sec. 303. Information provided in social security account statements.

TITLE I—PERSONAL RETIREMENT PROGRAM

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SEC. 101. DEFINITIONS.

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For purposes of this title—

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(1) ACCOUNT HOLDER.—The term “account holder” means, with respect to any S.A.F.E. account, the individual for whose benefit such account is maintained.

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(2) BUSINESS DAY.—The term “business day” means any day other than a Saturday, Sunday, or legal holiday in the area involved.

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(3) COVERED EMPLOYER.—The term “covered employer” means, for any calendar year, a person for whom an eligible individual is engaged in employment during the year.

1 (4) ELIGIBLE INDIVIDUAL.—The term “eligible
2 individual” means any individual with respect to
3 whom there is in effect an election under section
4 105(a).

5 (5) EMPLOYMENT.—The term “employment”
6 has the meaning provided in section 210 of the So-
7 cial Security Act.

8 (6) PRESCRIBED EMPLOYEE CONTRIBUTION.—
9 The term “prescribed employee contribution” means,
10 with respect to any eligible individual who is en-
11 gaged in employment for a covered employer during
12 any calendar year, an amount equal to 6.2 percent
13 of the wages received by such employee with respect
14 to such employment. The Commissioner of Social
15 Security shall provide by regulation for exclusion of
16 remuneration paid to any employee during any cal-
17 endar year from the total amount of remuneration
18 treated under this paragraph as “wages” paid to
19 such employee during such calendar year to the ex-
20 tent that such total amount exceeds the contribution
21 and benefit base for such calendar year under sec-
22 tion 230 of the Social Security Act.

23 (7) PRESCRIBED SELF-EMPLOYMENT CON-
24 TRIBUTION.—The term “prescribed self-employment
25 contribution” means, with respect to the self-employ-

1 ment income of an eligible individual for any cal-
2 endar year, the excess (if any) of—

3 (A) 6.2 percent of the amount of such self-
4 employment income for such calendar year, to
5 the extent that such self-employment income
6 does not exceed, for such calendar year, the
7 contribution and benefit base for such calendar
8 year under section 230 of the Social Security
9 Act, over

10 (B) the total of all prescribed employee
11 contributions and prescribed employer contribu-
12 tions payable with respect to such eligible indi-
13 vidual for such calendar year.

14 Effective with the commencement of the 16th cal-
15 endar year for which the eligible individual's election
16 under section 105 is in effect, “12.4 percent” shall
17 be substituted for “6.2 percent” in subparagraph
18 (A).

19 (8) PRESCRIBED EMPLOYER CONTRIBUTION.—

20 The term “prescribed employer contribution” means,
21 with respect to any eligible individual who is en-
22 gaged in employment for a covered employer during
23 any calendar year, an amount equal to 6.2 percent
24 of the wages received by such employee with respect
25 to such employment, to the extent that such wages

1 do not exceed, for such calendar year, the contribu-
 2 tion and benefit base for such calendar year under
 3 section 230 of the Social Security Act.

4 (9) S.A.F.E. ACCOUNT.—The term “S.A.F.E.
 5 account” has the meaning provided in section 222(c)
 6 of the Internal Revenue Code of 1986.

7 (10) SELF-EMPLOYMENT INCOME.—The term
 8 “self-employment income” has the meaning provided
 9 in section 211(b) of the Social Security Act.

10 (11) WAGES.—The term “wages” has the
 11 meaning provided in section 209 of the Social Secu-
 12 rity Act.

13 **SEC. 102. S.A.F.E. ACCOUNT PAYROLL DEDUCTION PRO-**
 14 **GRAMS.**

15 (a) IN GENERAL.—Each person who is a covered em-
 16 ployer for any calendar year shall have in effect through-
 17 out such calendar year a S.A.F.E. account payroll deduc-
 18 tion program for such person’s employees who are eligible
 19 individuals.

20 (b) REQUIREMENTS.—For purposes of this Act, the
 21 term “S.A.F.E. account payroll deduction program”
 22 means a written program maintained by a covered em-
 23 ployer if—

24 (1) under such program, the prescribed em-
 25 ployee contribution is deducted from the wages of

1 each employee who is an eligible individual and paid
2 as a contribution on behalf of the employee to a
3 S.A.F.E. account of such employee designated in ac-
4 cordance with section 103,

5 (2) under such program, the covered em-
6 ployer—

7 (A) makes timely payment of the amount
8 so deducted as a contribution to the designated
9 S.A.F.E. account, and

10 (B) effective upon receipt from the eligible
11 individual of certification (in accordance with
12 regulations which shall be prescribed by the
13 Commissioner of Social Security) of the com-
14 mencement of the 16th calendar year for which
15 the eligible employee's election under section
16 105 has been in effect, makes timely payment,
17 together with the amount so deducted, of the
18 prescribed employer contribution with respect to
19 the eligible individual,

20 under regulations of the Commissioner of Social Se-
21 curity applying the same principles relating to the
22 timeliness of payment as are applicable under chap-
23 ter 62 of the Internal Revenue Code of 1986 with
24 respect to taxes under chapter 21 of such Code, and

1 (3) the employer receives no compensation for
2 the cost of administering such program.

3 (c) AMOUNTS OTHERWISE PAYABLE MAY BE ACCU-
4 MULATED BY EMPLOYER IN CERTAIN CASES.—If, under
5 the terms of the governing instruments creating a
6 S.A.F.E. account designated under section 103, contribu-
7 tions below a specified amount will not be accepted, the
8 requirements of subsection (b)(2) shall be treated as met
9 if amounts deducted from the wages of an employee who
10 is an eligible individual, together with prescribed employer
11 contributions (if any), are accumulated by the covered em-
12 ployer and paid to such account otherwise in accordance
13 with subsection (b)(2) with reference to the first day on
14 which the accumulated amount exceeds such specified
15 amount.

16 **SEC. 103. DESIGNATION OF S.A.F.E. ACCOUNTS.**

17 (a) IN GENERAL.—Except as provided in subsection
18 (b), a S.A.F.E. account to which contributions with re-
19 spect to any employee who is an eligible individual are re-
20 quired to be paid under section 102 shall be such an ac-
21 count designated by such employee to such employer not
22 later than 10 business days after the date on which such
23 employee becomes an employee of such employer. Any
24 such designation shall be made in such form and manner

1 as may be prescribed in regulations of the Commissioner
2 of Social Security.

3 (b) DESIGNATION IN ABSENCE OF TIMELY DESIGNA-
4 TION BY EMPLOYEE.—In any case in which no timely des-
5 ignation of a S.A.F.E. account is made, the covered em-
6 ployer shall designate such account in accordance with
7 regulations of the Commissioner of Social Security.

8 (c) SUBSEQUENT SUBSTITUTION OF ACCOUNTS.—
9 The Commissioner of Social Security shall provide by reg-
10 ulation for subsequent designation of a S.A.F.E. account
11 by an account holder in lieu of an account previously des-
12 ignated by such account holder under this section.

13 **SEC. 104. SELF-EMPLOYED INDIVIDUALS.**

14 (a) IN GENERAL.—In the case of an eligible indi-
15 vidual who has self-employment income for any calendar
16 year, such individual shall make timely payments to a
17 S.A.F.E. account designated by such individual of the pre-
18 scribed self-employment contribution with respect to such
19 individual for such calendar year in accordance with regu-
20 lations of the Commissioner of Social Security, applying
21 the same principles relating to timeliness of payment as
22 are applicable under chapter 62 of the Internal Revenue
23 Code of 1986 with respect to taxes under chapter 2 of
24 such Code.

1 (b) DESIGNATION OF ACCOUNT.—The designation of
2 a S.A.F.E. account for payment of prescribed self-employ-
3 ment contributions shall be made in such form and man-
4 ner as may be prescribed in regulations of the Commis-
5 sioner of Social Security.

6 (c) PERIODIC PAYMENT.—The Commissioner of So-
7 cial Security shall provide by regulation for periodic in-
8 stallment payments during the calendar year of prescribed
9 self-employment contributions for each eligible individual,
10 taking into account, as appropriate for each period, pre-
11 scribed employee contributions for such individual.

12 **SEC. 105. ELECTIVE PARTICIPATION.**

13 (a) ELECTION.—Any individual who has been as-
14 signed a social security account number under section
15 205(c)(2)(B) of the Social Security Act and has been paid
16 wages or has derived self-employment income may, on or
17 after January 1, 2008, elect under this section to be an
18 eligible individual for purposes of this Act. Any such elec-
19 tion shall be made by filing with the Commissioner of So-
20 cial Security, the Secretary of the Treasury, and each per-
21 son (if any) who is an employer of such individual on the
22 date of the filing, in such form and manner as shall be
23 prescribed in regulations of the Commissioner (in con-
24 sultation with the Secretary of the Treasury), a written
25 and signed declaration of such individual's intention to be

1 treated as an eligible individual for purposes of this Act.
2 An election under this section shall be effective with re-
3 spect to wages paid, and self-employment income derived,
4 on or after January 1 following the date of the filing of
5 the election.

6 (b) ELECTION INEFFECTIVE IF ENTITLED TO SO-
7 CIAL SECURITY BENEFITS.—Any election under this sec-
8 tion shall not take effect if, as of the effective date of the
9 election, the individual is entitled to an old-age insurance
10 benefit under section 202(a) of the Social Security Act or
11 to a disability insurance benefit under section 223 of such
12 Act.

13 (c) IRREVOCABILITY SUBJECT TO GRACE PERIOD.—

14 (1) IN GENERAL.—Unless revoked in accord-
15 ance with paragraph (2), an election under this sec-
16 tion shall be irrevocable.

17 (2) FIVE-YEAR GRACE PERIOD.—

18 (A) IN GENERAL.—An individual may re-
19 voke an election under this section by filing
20 with the Commissioner of Social Security, the
21 Secretary of the Treasury, and each person (if
22 any) who is an employer of such individual on
23 the date of the filing, in such form and manner
24 as shall be prescribed in regulations of the
25 Commissioner (in consultation with the Sec-

retary of the Treasury), a written and signed revocation of the election at any time before the end of the five-year period beginning with the effective date of the election. A revocation under this subsection shall take effect January 1 following the date of the filing of the revocation, except that a revocation filed during the 90-day period beginning with the date of the filing of the election shall take effect as of the effective date of the election. Upon the effective date of a revocation under this subsection, entitlement to benefits under title II of the Social Security Act shall be determined as if the revoked election had not occurred, except that, for purposes of any such entitlement, wages paid, and self-employment income derived, during the period for which the election was in effect shall not be taken into account. No subsequent election under this section may take effect with respect to an individual who has filed a revocation under this subsection (except a revocation filed during the 90-day period beginning with the date of the filing of the election).

(B) REDUCTION IN BENEFITS.—The primary insurance amount, as determined under

1 section 215 of the Social Security Act, of any
 2 individual who has filed a revocation under this
 3 subsection before the end of the five-year period
 4 described in subparagraph (A) (and after the
 5 90-day period referred to in subparagraph (A))
 6 shall be reduced (except for purposes of deter-
 7 mining benefits under section 223 of such Act,
 8 and before any application of section 215(i) of
 9 such Act) by the applicable percentage specified
 10 in the following table:

If the first calendar year for which the revocation is effective is:	The applicable percentage is:
The first, second, or third calendar year of such five- year period	20 percent.
The fourth calendar year of such five-year period	40 percent.
The fifth calendar year of such five-year period	60 percent.
The calendar year following such five-year period	80 percent.

11 **SEC. 106. PENALTIES.**

12 (a) **FAILURE TO ESTABLISH S.A.F.E. ACCOUNT**
 13 **PAYROLL DEDUCTION PROGRAM.**—Any covered employer
 14 who fails to meet the requirements of section 102 for any
 15 calendar year shall be subject to a civil penalty of not to
 16 exceed—

- 17 (1) \$250,000, in the case of an employer who
 18 is an individual, or
 19 (2) \$500,000, in any other case.

20 (b) **FAILURE TO MAKE DEDUCTIONS REQUIRED**
 21 **UNDER PROGRAM.**—Any covered employer who fails to

1 timely deduct in full the amount from the wages of an
2 employee who is an eligible individual as required under
3 an applicable S.A.F.E. account payroll deduction program
4 shall be subject to a civil penalty for each such failure
5 of not to exceed—

6 (1) \$250,000, in the case of an employer who
7 is an individual, or

8 (2) \$500,000, in any other case.

9 (c) FAILURE TO PAY DEDUCTED WAGES TO
10 S.A.F.E. ACCOUNT.—If an amount deducted under a
11 S.A.F.E. account payroll deduction program from the
12 wages of an employee who is an eligible individual is not
13 timely paid in full to the designated S.A.F.E. account in
14 accordance with section 102, the covered employer failing
15 to make such payment—

16 (1) shall be subject to a civil penalty for each
17 such failure of not to exceed—

18 (A) \$250,000, in the case of an employer
19 who is an individual, or

20 (B) \$500,000, in any other case, and

21 (2) shall be liable to the employee for interest
22 on the unpaid amount at a rate equal to 10 percent-
23 age points in excess of the Federal short-term rate
24 under section 1274(d)(1) of the Internal Revenue
25 Code of 1986, calculated from the last day by which

1 such amount was required to be so paid to the date
2 on which such amount is paid into the designated
3 S.A.F.E. account.

4 (d) FAILURE TO PAY PRESCRIBED SELF-EMPLOY-
5 MENT CONTRIBUTIONS TO S.A.F.E. ACCOUNT.—Any eli-
6 gible individual failing to timely pay in full a prescribed
7 self-employment contribution to a designated S.A.F.E. ac-
8 count as required under section 104 shall be subject to
9 a civil penalty for each such failure of not to exceed
10 \$250,000, plus interest on the unpaid amount at a rate
11 equal to 10 percentage points in excess of the Federal
12 short-term rate under section 1274(d)(1) of the Internal
13 Revenue Code of 1986, calculated from the last day by
14 which such amount was required to be so paid to the date
15 on which such amount is paid into the designated
16 S.A.F.E. account.

17 (e) RULES FOR APPLICATION OF SECTION.—

18 (1) PENALTIES ASSESSED BY COMMISSIONER
19 OF SOCIAL SECURITY.—Any civil penalty assessed by
20 this section shall be imposed by the Commissioner of
21 Social Security and collected in a civil action.

22 (2) COMPROMISES.—The Commissioner may
23 compromise the amount of any civil penalty imposed
24 by this section.

1 (3) AUTHORITY TO WAIVE PENALTY IN CER-
2 TAIN CASES.—The Commissioner may waive the ap-
3 plication of this section with respect to any failure
4 if the Commissioner determines that such failure is
5 due to reasonable cause and not to intentional dis-
6 regard of rules and regulations.

7 **SEC. 107. FEDERAL CIVILIAN AND MILITARY PERSONNEL.**

8 (a) IN GENERAL.—Not later than December 31,
9 2007, the Office of Personnel Management, after appro-
10 priate study, shall submit to the President and each House
11 of Congress a written report containing recommendations
12 on how to provide for the application of this Act with re-
13 spect to Federal civilian and military personnel.

14 (b) REQUIREMENTS.—The report—

15 (1) shall be prepared in consultation with the
16 Social Security Administration, the Securities and
17 Exchange Commission, and other appropriate agen-
18 cies; and

19 (2) shall be accompanied by draft legislation
20 which, if enacted, would carry out the recommenda-
21 tions contained in such report.

22 (c) PROVISIONS RELATING TO THE CONTINUED OP-
23 ERATION OF EXISTING RETIREMENT SYSTEMS.—To the
24 extent that the report and draft legislation relate to provi-

1 sions of law in effect before the date of enactment of this
2 Act, each shall address at least the following:

3 (1) FEDERAL EMPLOYEES' RETIREMENT SYS-
4 TEM.—

5 (A) Section 8401(11) of title 5, United
6 States Code (relating to the definition of an
7 “employee”), which includes the requirement
8 that the individual concerned be someone whose
9 civilian service is employment for the purposes
10 of title II of the Social Security Act and chap-
11 ter 21 of the Internal Revenue Code of 1986.

12 (B) Section 8421 of such title (relating to
13 annuity supplement), which includes provisions
14 incorporating the notion of the period of time
15 for which the individual is or would be entitled
16 to old-age insurance benefits under title II of
17 the Social Security Act, and provisions for com-
18 puting the amount of such supplement based on
19 the amount of certain benefits to which the in-
20 dividual would be entitled under such Act.

21 (C) Section 8442 of such title (relating to
22 rights of a widow or widower), which includes
23 provisions under which a supplementary annu-
24 ity for a widow or widower is not payable to
25 anyone who would not be entitled to certain

1 benefits under the Social Security Act, and pro-
2 visions for the computation of any such annuity
3 based on the amount of certain benefits which
4 would be payable to that individual under the
5 Social Security Act.

6 (D) Section 8443 of such title (relating to
7 rights of a child), which includes provisions
8 under which, as part of the formula for com-
9 puting the amount of a survivor annuity for a
10 child, there is incorporated the notion of the
11 amount of child's insurance benefits which are
12 or would be payable under title II of the Social
13 Security Act.

14 (2) CIVIL SERVICE RETIREMENT SYSTEM.—

15 (A) Section 8334(k) of such title (relating
16 to special rules for determining deductions and
17 contributions for individuals subject to “offset-
18 83” treatment), which incorporates the notion
19 of the OASDI contribution made from Federal
20 wages of the individual concerned.

21 (B) Section 8349 of such title (relating to
22 offset based on certain benefits under the Social
23 Security Act), which incorporates notions relat-
24 ing to actual or constructive eligibility for bene-

1 fits under the Social Security Act, and the
2 amount of those benefits.

3 (3) COORDINATION PROVISIONS.—Provisions of
4 law involving a reduction or other adjustment in re-
5 tirement benefits (or eligibility therefor), based on
6 any individual's eligibility for benefits under title II
7 of the Social Security Act.

8 (4) OTHER RETIREMENT SYSTEMS.—Similar
9 provisions of law under other retirement systems
10 covering Federal civilian or military personnel.

11 (d) PROVISIONS RELATING TO THE NEW SYSTEM.—
12 To the extent that the report and draft legislation relate
13 to the implementation of any other title of this Act, each
14 shall address at least the following:

15 (1) What the specifications for the S.A.F.E. ac-
16 count payroll deduction program or programs cov-
17 ering Federal civilian and military personnel shall be
18 or, alternatively, how those specifications shall be de-
19 veloped.

20 (2) Which agencies or instrumentalities of the
21 Federal Government shall be responsible for oper-
22 ating or maintaining which aspects of the program
23 or programs referred to in paragraph (1).

24 (3) Which penalty provisions are appropriate or
25 inappropriate with respect to the Federal Govern-

1 ment in its capacity as a “covered employer”, sub-
 2 ject to what modifications (if any).

3 **TITLE II—TAX-EXEMPT S.A.F.E.**
 4 **ACCOUNTS**

5 **SEC. 201. S.A.F.E. ACCOUNTS.**

6 (a) IN GENERAL.—Part VII of subchapter B of chap-
 7 ter 1 of the Internal Revenue Code of 1986 (relating to
 8 additional itemized deductions for individuals) is amended
 9 by redesignating section 224 as section 225 and by insert-
 10 ing after section 223 the following new section:

11 **“SEC. 224. S.A.F.E. ACCOUNTS.**

12 “(a) DEDUCTION ALLOWED.—In the case of an indi-
 13 vidual, there shall be allowed as a deduction the aggregate
 14 amount paid in cash during the taxable year by or on be-
 15 half of such individual to a S.A.F.E. account of such indi-
 16 vidual.

17 “(b) LIMITATION.—The amount allowable as a de-
 18 duction under subsection (a) for any taxable year shall not
 19 exceed 6.2 percent of the lesser of—

20 “(1) the contribution and benefit base (as de-
 21 termined under section 230 of the Social Security
 22 Act) for the calendar year which ends with or within
 23 such taxable year, or

24 “(2) the sum of—

1 “(A) the amount of wages (as defined in
2 section 3121(a)) received during such calendar
3 year, and

4 “(B) the amount of the self-employment
5 income (as defined in section 1402) of such in-
6 dividual for the taxable year.

7 Effective with the commencement of the 16th calendar
8 year for which the individual’s election under section 105
9 of the Savings Account for Every American Act of 2007
10 is effective, the limitation under the preceding sentence
11 shall be increased by any prescribed employer contribution
12 paid to a personal retirement account of such individual
13 pursuant to section 102(b)(2)(B) of such Act and the por-
14 tion of any prescribed self-employment contribution paid
15 to such an account which is attributable to the increase
16 in such contribution required by the last sentence of sec-
17 tion 101(7) of such Act.

18 “(c) S.A.F.E. ACCOUNT.—For purposes of this sec-
19 tion, the term ‘S.A.F.E. account’ means a trust created
20 or organized in the United States exclusively for the ben-
21 efit of an individual or his beneficiaries, but only if the
22 written governing instrument creating the trust meets the
23 following requirements:

24 “(1) Except in the case of rollover contributions
25 from another S.A.F.E. account of such individual—

1 “(A) no contribution will be accepted un-
2 less it is in cash,

3 “(B) contributions will not be accepted for
4 the taxable year in excess of 6.2 percent of the
5 contribution and benefit base (as determined
6 under section 230 of the Social Security Act)
7 for the calendar year which ends with or within
8 such taxable year, and

9 “(C) any contributions with respect to an
10 account holder which are not accepted pursuant
11 to this paragraph are promptly refunded di-
12 rectly to the account holder.

13 In the case of any such individual, effective for tax-
14 able years beginning with or after the 16th calendar
15 year for which the individual’s election under section
16 105 of the Savings Account for Every American Act
17 of 2005 is effective, ‘12.4 percent’ shall be sub-
18 stituted for ‘6.2 percent’ in subparagraph (B).

19 “(2) The trustee is a bank (as defined in sec-
20 tion 408(n)) or such other person who demonstrates
21 to the satisfaction of the Secretary that the manner
22 in which such other person will administer the trust
23 will be consistent with the requirements of this sec-
24 tion.

1 “(3) No part of the trust funds will be invested
2 in life insurance contracts.

3 “(4) The interest of an individual in the bal-
4 ance in his account is nonforfeitable.

5 “(5) The assets of the trust will not be commin-
6 gled with other property except in a common trust
7 fund or common investment fund.

8 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

9 “(1) IN GENERAL.—Except as otherwise pro-
10 vided in this subsection, any amount distributed out
11 of a S.A.F.E. account shall be included in gross in-
12 come of the distributee for the taxable year in which
13 the distribution is received. Notwithstanding any
14 other provision of this title (including chapters 11
15 and 12), the basis of any person in such an account
16 is zero.

17 “(2) EXCEPTIONS FOR DISTRIBUTIONS AFTER
18 AGE 59½ OR DEATH.—Paragraph (1) shall not apply
19 to any distribution out of a S.A.F.E. account—

20 “(A) made on or after the date on which
21 the account beneficiary attains age 59½, or

22 “(B) made to the account beneficiary (or
23 to the estate of the beneficiary) on or after the
24 death of the account beneficiary.

1 “(3) EXCEPTIONS FOR DISTRIBUTIONS TO PUR-
 2 CHASE CERTAIN INSURANCE.—Paragraph (1) shall
 3 not apply to any distribution out of a S.A.F.E. ac-
 4 count to the account beneficiary to the extent such
 5 distributions do not exceed the sum of the expenses
 6 paid or incurred during the taxable year for—

7 “(A) any qualified long-term care insur-
 8 ance contract (but only to the extent of eligible
 9 long-term care premiums (as defined in section
 10 213(d)(10)),

11 “(B) disability insurance, or

12 “(C) term life insurance.

13 “(4) EXCEPTIONS FOR CERTAIN OTHER DIS-
 14 TRIBUTIONS.—Rules similar to the rules of para-
 15 graphs (3), (4), (5), and (6) of section 408(d) shall
 16 apply for purposes of this section.

17 “(e) TAX TREATMENT OF ACCOUNTS.—

18 “(1) EXEMPTION FROM TAX.—A S.A.F.E. ac-
 19 count is exempt from taxation under this subtitle
 20 unless such account has ceased to be a S.A.F.E. ac-
 21 count by reason of paragraph (2). Notwithstanding
 22 the preceding sentence, any such account is subject
 23 to the taxes imposed by section 511 (relating to im-
 24 position of tax on unrelated business income of char-
 25 itable, etc. organizations).

1 “(2) ACCOUNT TERMINATIONS.—Rules similar
2 to the rules of paragraphs (2) and (4) of section
3 408(e) shall apply to S.A.F.E. accounts, and any
4 amount treated as distributed under such rules shall
5 be treated as not used to pay expenses described in
6 subsection (d)(3).

7 “(f) ADDITIONAL TAX ON AMOUNTS INCLUDED IN
8 GROSS INCOME.—If any distribution from a S.A.F.E. ac-
9 count is includible in gross income of the account bene-
10 ficiary, the tax liability of such beneficiary under this
11 chapter for the taxable year in which the distribution is
12 received shall be increased by an amount equal to 20 per-
13 cent of the amount of the distribution.

14 “(g) OTHER DEFINITION AND SPECIAL RULES.—

15 “(1) ACCOUNT BENEFICIARY.—For purposes of
16 this section, the term ‘account beneficiary’ means
17 the individual for whose benefit the S.A.F.E. ac-
18 count was established.

19 “(2) CERTAIN RULES TO APPLY.—Rules similar
20 to the following rules shall apply for purposes of this
21 section:

22 “(A) Section 219(d)(2) (relating to no de-
23 duction for rollovers).

24 “(B) Section 219(f)(3) (relating to time
25 when contributions deemed made).

1 “(C) Section 219(f)(5) (relating to em-
2 ployer payments).

3 “(D) Section 408(g) (relating to commu-
4 nity property laws).

5 “(E) Section 408(h) (relating to custodial
6 accounts).

7 “(h) REPORTS.—The trustee of a S.A.F.E. account
8 shall make such reports regarding such account to the
9 Secretary and to the individual for whose benefit the ac-
10 count is maintained with respect to contributions, dis-
11 tributions, and such other matters as the Secretary may
12 by regulation prescribe. The reports required by this sub-
13 section shall be filed at such time and in such manner,
14 and furnished to such individuals at such time and in such
15 manner, as may be required by such regulations.”.

16 (b) DEDUCTION ALLOWED IN ARRIVING AT AD-
17 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
18 such Code is amended by inserting after paragraph (17)
19 the following new paragraph:

20 “(18) S.A.F.E. ACCOUNT CONTRIBUTIONS.—
21 The deduction allowed by section 224.”.

22 (c) TAX ON EXCESS CONTRIBUTIONS.—

23 (1) Subsection (a) of section 4973 of such Code
24 (relating to tax on excess contributions to individual
25 retirement accounts, etc.) is amended by striking

1 “or” at the end of paragraph (4), by inserting “or”
 2 at the end of paragraph (5), and by inserting after
 3 paragraph (5) the following new paragraph:

4 “(6) a S.A.F.E. account (within the meaning of
 5 section 224(c)),”.

6 (2) Section 4973 of such Code is amended by
 7 adding at the end the following new subsection:

8 “(g) EXCESS CONTRIBUTIONS TO S.A.F.E. AC-
 9 COUNTS.—For purposes of this section, in the case of
 10 S.A.F.E. accounts (within the meaning of section 224(c)),
 11 the term ‘excess contributions’ means the sum of—

12 “(1) the excess (if any) of—

13 “(A) the aggregate amount contributed for
 14 the taxable year to the accounts (other than
 15 rollover contributions), over

16 “(B) the amount allowable as a deduction
 17 under section 224 for such contributions, and

18 “(2) the amount determined under this sub-
 19 section for the preceding taxable year, reduced by
 20 the sum of—

21 “(A) the distributions out of the accounts
 22 which were included in gross income under
 23 rules similar to the rules of section 408(d)(5)
 24 which apply to such accounts by reason of sec-
 25 tion 224(d)(4), and

1 “(B) the excess (if any) of—

2 “(i) the maximum amount allowable
3 as a deduction under section 224(b) for
4 the taxable year, over

5 “(ii) the amount contributed to the
6 accounts for the taxable year.

7 For purposes of this subsection, any contribution
8 which is distributed out of the S.A.F.E. account in
9 a distribution to which the rules similar to the rules
10 of section 408(d)(4) which apply to such accounts by
11 reason of section 224(d)(4) shall be treated as an
12 amount not contributed.”.

13 (d) TAX ON PROHIBITED TRANSACTIONS.—

14 (1) IN GENERAL.—Paragraph (1) of section
15 4975(e) of such Code (relating to prohibited trans-
16 actions) is amended by striking “or” at the end of
17 subparagraph (F), by redesignating subparagraph
18 (G) as subparagraph (H), and by inserting after
19 subparagraph (F) the following new subparagraph:

20 “(G) a S.A.F.E. account described in sec-
21 tion 224(c), or”.

22 (2) SPECIAL RULE.—Subsection (c) of section
23 4975 of such Code is amended by adding at the end
24 the following new paragraph:

1 “(7) SPECIAL RULE FOR S.A.F.E. ACCOUNTS.—

2 An individual for whose benefit a S.A.F.E. account
3 is established shall be exempt from the tax imposed
4 by this section with respect to any transaction con-
5 cerning such account (which would otherwise be tax-
6 able under this section) if section 224(e)(2) applies
7 with respect to such transaction.”.

8 (e) FAILURE TO PROVIDE REPORTS ON S.A.F.E. AC-
9 COUNTS.—Paragraph (2) of section 6693(a) of such Code
10 (relating to failure to provide reports on individual retire-
11 ment accounts or annuities) is amended by striking “and”
12 at the end of subparagraph (D), by striking the period
13 at the end of subparagraph (E) and inserting “, and”,
14 and by adding at the end the following new subparagraph:

15 “(F) Section 224(h) (relating to S.A.F.E.
16 accounts).”.

17 (f) CLERICAL AMENDMENTS.—

18 (1) The table of sections for part VII of sub-
19 chapter B of chapter 1 of such Code is amended by
20 striking the item relating to section 224 and insert-
21 ing the following new items:

“Sec. 224. S.A.F.E. accounts.

“Sec. 225. Cross references.”.

22 (2) The table of sections for chapter 43 of such
23 Code is amended by striking the item relating to sec-
24 tion 4973 and inserting the following new item:

“Sec. 4973. Tax on excess contributions to certain tax-favored accounts and annuities, etc.”.

1 SEC. 202. EFFECTIVE DATE.

2 The amendments made by this title shall apply to
3 contributions made for taxable years beginning after De-
4 cember 31, 2007.

5 TITLE III—CONFORMING
6 AMENDMENTS TO THE SO-
7 CIAL SECURITY ACT AND THE
8 INTERNAL REVENUE CODE
9 OF 1986

10 SEC. 301. REDUCTIONS IN AND EXEMPTIONS FROM FICA
11 TAXES AND SECA TAXES WITH RESPECT TO
12 ELIGIBLE INDIVIDUALS.

13 (a) FICA TAX ON EMPLOYEES.—Section 3101 of the
14 Internal Revenue Code of 1986 (relating to OASDI tax
15 on employees) is amended—

16 (1) in subsection (a), by striking “In addition”
17 and inserting “Subject to subsection (c), in addi-
18 tion”;

19 (2) by redesignating subsection (c) as sub-
20 section (d); and

21 (3) by inserting after subsection (b) the fol-
22 lowing new subsection:

23 “(c) EXEMPTION FROM OASDI TAX FOR ELIGIBLE
24 INDIVIDUALS.—Subsection (a) shall not apply with re-

1 spect to wages received by an eligible individual (as de-
2 fined in section 101(4) of the Savings Account for Every
3 American Act of 2005).”

4 (b) FICA TAX ON EMPLOYERS.—Section 3111 of
5 such Code (relating to OASDI tax on employees) is
6 amended—

7 (1) in subsection (a), by striking “In addition”
8 and inserting “Subject to subsection (c), in addi-
9 tion”;

10 (2) by redesignating subsection (c) as sub-
11 section (d); and

12 (3) by inserting after subsection (b) the fol-
13 lowing new subsection:

14 “(c) EXEMPTION FROM OASDI TAX WITH RESPECT
15 TO ELIGIBLE INDIVIDUALS.—In the case of an eligible in-
16 dividual (as defined in section 101(4) of the Savings Ac-
17 count for Every American Act of 2005), effective with the
18 16th calendar year for which such individual’s election
19 under section 105 of such Act is effective, subsection (a)
20 shall not apply with respect to wages received by such indi-
21 vidual.”

22 (c) REDUCTION IN AND EXEMPTION FROM SELF-EM-
23 PLOYMENT TAX.—Subsection (a) of section 1401 of such
24 Code (relating to OASDI tax on self-employment income)
25 is amended—

1 (1) in subsection (a), by striking “In addition”
2 and inserting “Subject to subsection (c), in addi-
3 tion”;

4 (2) by redesignating subsection (c) as sub-
5 section (d); and

6 (3) by inserting after subsection (b) the fol-
7 lowing new subsection:

8 “(c) ADJUSTMENT TO OASDI TAX.—

9 “(1) REDUCTION.—In the case of an eligible in-
10 dividual (as defined in section 101(4) of the Savings
11 Account for Every American Act of 2005), for tax-
12 able years beginning with or during the 1st 15 cal-
13 endar years for which such individual’s election is in
14 effect under section 105 of such Act, the rate of tax
15 under subsection (a) shall be 6.20 percent.

16 “(2) EXEMPTION.—In the case of such an eligi-
17 ble individual, effective for taxable years beginning
18 with or during the 16th calendar year for which
19 such individual’s election under such section 105 is
20 effective, subsection (a) shall not apply.”

21 (d) EFFECTIVE DATE.—The amendments made by
22 this section shall apply with respect to wages received
23 after December 31, 2008, and with respect to self-employ-
24 ment income for taxable years beginning after such date.

1 **SEC. 302. EXCLUSION OF ELIGIBLE INDIVIDUALS FROM**
2 **OLD-AGE, SURVIVORS, AND DISABILITY IN-**
3 **SURANCE COVERAGE.**

4 (a) MONTHLY INSURANCE BENEFITS UNDER SEC-
5 TION 202.—Section 202 of the Social Security Act (42
6 U.S.C. 402) is amended by adding at the end the following
7 new subsection:

8 “Limitation on Payment to Eligible Individuals Under
9 Savings Account for Every American Act of 2007

10 “(z)(1) Notwithstanding any other provision of this
11 title, no monthly benefits shall be paid under this section
12 based on the wages and self-employment income of an eli-
13 gible individual (as defined in section 101(4) of the Sav-
14 ings Account for Every American Act of 2007).

15 “(2) Determinations of entitlement to hospital insur-
16 ance benefits under section 226 or 226A shall be made
17 without regard to paragraph (1).”.

18 (b) DISABILITY INSURANCE BENEFITS UNDER SEC-
19 TION 223.—Section 223 of such Act (42 U.S.C. 423) is
20 amended by adding at the end the following new sub-
21 section:

22 “Limitation on Payment to Eligible Individuals Under
23 Savings Account for Every American Act of 2007

24 “(k)(1) Notwithstanding any other provision of this
25 title, no monthly benefits shall be paid under this section
26 based on the wages and self-employment income of an eli-

1 gible individual (as defined in section 101(4) of the Sav-
 2 ings Account for Every American Act of 2007).

3 “(2) Determinations of entitlement to hospital insur-
 4 ance benefits under section 226 or 226A shall be made
 5 without regard to paragraph (1).”.

6 **SEC. 303. INFORMATION PROVIDED IN SOCIAL SECURITY**
 7 **ACCOUNT STATEMENTS.**

8 (a) IN GENERAL.—Section 1143 of the Social Secu-
 9 rity Act (42 U.S.C. 1320b–13) is amended to read as fol-
 10 lows:

11 “SOCIAL SECURITY ACCOUNT STATEMENT

12 “Provision of Annual Statements

13 “SEC. 1143. (a) The Commissioner of Social Security
 14 shall provide an annual social security account statement
 15 (hereinafter in this section referred to as the ‘statement’)
 16 to each eligible individual who is not receiving benefits
 17 under title II and for whom a mailing address can be de-
 18 termined through such methods as the Commissioner de-
 19 termines to be appropriate.

20 “Contents of Statement

21 “(b) Each statement shall contain—

22 “(1) the amount of wages paid to and self-em-
 23 ployment income derived by the eligible individual as
 24 shown by the records of the Commissioner;

25 “(2) an estimate of the aggregate of the em-
 26 ployer, employee, and self-employment contributions

1 of the eligible individual for old-age, survivors, and
2 disability insurance as shown by the records of the
3 Commissioner;

4 “(3) a separate estimate of the aggregate of the
5 employer, employee, and self-employment contribu-
6 tions of the eligible individual for hospital insurance
7 as shown by the records of the Commissioner; and

8 “(4) an estimate of the potential monthly re-
9 tirement, disability, survivor, and auxiliary benefits
10 payable on the eligible individual’s account together
11 with a description of the benefits payable under the
12 medicare program of title XVIII.

13 “Eligible Individual

14 “(c) For purposes of this section, the term ‘eligible
15 individual’ means an individual who—

16 “(1) has a social security account number, and

17 “(2) has wages or net earnings from self-em-
18 ployment.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply with respect to statements pro-
21 vided on or after October 1, 2008.

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