

111TH CONGRESS
2D SESSION

S. 3496

To amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

IN THE SENATE OF THE UNITED STATES

JUNE 16, 2010

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

A BILL

To amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

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 “Debt Buy-Down Act”.

1 **SEC. 2. DESIGNATION OF AMOUNTS FOR REDUCTION OF**
 2 **PUBLIC DEBT.**

3 (a) IN GENERAL.—Subchapter A of chapter 61 of the
 4 Internal Revenue Code of 1986 (relating to returns and
 5 records) is amended by adding at the end the following
 6 new part:

7 **“PART IX—DESIGNATION FOR REDUCTION OF**
 8 **PUBLIC DEBT**

“Sec. 6097. Designation.

9 **“SEC. 6097. DESIGNATION.**

10 “(a) IN GENERAL.—Every individual with adjusted
 11 income tax liability for any taxable year may designate
 12 that a portion of such liability (not to exceed 10 percent
 13 thereof) shall be used to reduce the public debt.

14 “(b) MANNER AND TIME OF DESIGNATION.—A des-
 15 ignation under subsection (a) may be made with respect
 16 to any taxable year only at the time of filing the return
 17 of tax imposed by chapter 1 for the taxable year. The des-
 18 ignation shall be made on the first page of the return or
 19 on the page bearing the taxpayer’s signature.

20 “(c) ADJUSTED INCOME TAX LIABILITY.—For pur-
 21 poses of this section, the adjusted income tax liability of
 22 an individual for any taxable year is the income tax liabil-
 23 ity of the individual for the taxable year determined under
 24 section 6096(b), reduced by any amount designated under
 25 section 6096(a).”.

1 (b) CLERICAL AMENDMENT.—The table of parts for
 2 such subchapter A is amended by adding at the end the
 3 following new item:

“PART IX. DESIGNATION FOR REDUCTION OF PUBLIC DEBT.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years ending after the
 6 date of the enactment of this Act.

7 **SEC. 3. PUBLIC DEBT REDUCTION TRUST FUND.**

8 (a) IN GENERAL.—Subchapter A of chapter 98 of the
 9 Internal Revenue Code of 1986 (relating to trust fund
 10 code) is amended by adding at the end the following sec-
 11 tion:

12 **“SEC. 9511. PUBLIC DEBT REDUCTION TRUST FUND.**

13 “(a) CREATION OF TRUST FUND.—There is estab-
 14 lished in the Treasury of the United States a trust fund
 15 to be known as the ‘Public Debt Reduction Trust Fund’,
 16 consisting of any amount appropriated or credited to the
 17 Trust Fund as provided in this section or section 9602(b).

18 “(b) TRANSFERS TO TRUST FUND.—There are here-
 19 by appropriated to the Public Debt Reduction Trust Fund
 20 amounts equivalent to the amounts designated under sec-
 21 tion 6097 (relating to designation for public debt reduc-
 22 tion).

23 “(c) EXPENDITURES.—Amounts in the Public Debt
 24 Reduction Trust Fund shall be used by the Secretary for
 25 purposes of paying at maturity, or to redeem or buy before

1 maturity, any obligation of the Federal Government in-
 2 cluded in the public debt (other than an obligation held
 3 by the Federal Old-Age and Survivors Insurance Trust
 4 Fund or the Department of Defense Military Retirement
 5 Fund). Any obligation which is paid, redeemed, or bought
 6 with amounts from the Public Debt Reduction Trust Fund
 7 shall be canceled and retired and may not be reissued.”.

8 (b) CLERICAL AMENDMENT.—The table of sections
 9 for such subchapter is amended by adding at the end the
 10 following new item:

“Sec. 9511. Public Debt Reduction Trust Fund.”.

11 (c) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to amounts received after the date
 13 of the enactment of this Act.

14 **SEC. 4. TAXPAYER-GENERATED SEQUESTRATION OF FED-**
 15 **ERAL SPENDING TO REDUCE THE PUBLIC**
 16 **DEBT.**

17 (a) SEQUESTRATION TO REDUCE THE PUBLIC
 18 DEBT.—Part C of the Balanced Budget and Emergency
 19 Deficit Control Act of 1985 is amended by inserting after
 20 section 253 the following new section:

21 **“SEC. 253A. SEQUESTRATION TO REDUCE THE PUBLIC**
 22 **DEBT.**

23 “(a) SEQUESTRATION.—Notwithstanding sections
 24 255 and 256, within 15 days after Congress adjourns to
 25 end a session, and on the same day as sequestration (if

1 any) under sections 251, 252, and 253, and under section
2 5(b) of the Statutory Pay-As-You-Go Act of 2010, but
3 after any sequestration required by those sections, there
4 shall be a sequestration equivalent to the estimated aggregate
5 amount designated under section 6097 of the Internal
6 Revenue Code of 1986 for the last taxable year ending
7 one year before the beginning of that session of Congress,
8 as estimated by the Department of the Treasury on October
9 1 and as modified by the total of—

10 “(1) any amounts by which net discretionary
11 spending is reduced by legislation below the discretionary
12 spending limits enacted after the enactment
13 of this section related to the fiscal year subject to
14 the sequestration (or, in the absence of such limits,
15 any net deficit change from the baseline amount calculated
16 under section 257; and

17 “(2) the net deficit change that has resulted
18 from all direct spending legislation enacted after the
19 enactment of this section related to the fiscal year
20 subject to the sequestration, as estimated by OMB.

21 If the reduction in spending under paragraphs (1) and (2)
22 for a fiscal year is greater than the estimated aggregate
23 amount designated under section 6097 of the Internal
24 Revenue Code of 1986 respecting that fiscal year, then
25 there shall be no sequestration under this section.

1 “(b) APPLICABILITY.—

2 “(1) IN GENERAL.—Except as provided by
3 paragraph (2), each account of the United States
4 shall be reduced by a dollar amount calculated by
5 multiplying the level of budgetary resources in that
6 account at that time by the uniform percentage nec-
7 essary to carry out subsection (a). All obligational
8 authority reduced under this section shall be done in
9 a manner that makes such reductions permanent.

10 “(2) EXEMPT ACCOUNTS.—No order issued
11 under this part may—

12 “(A) reduce benefits payable to the old-age
13 and survivors insurance program established
14 under title II of the Social Security Act;

15 “(B) reduce retired or retainer pay payable
16 to a member or former member of the uni-
17 formed services; or

18 “(C) reduce payments for net interest (all
19 of major functional category 900).”.

20 (b) REPORTS.—Section 254 of the Balanced Budget
21 and Emergency Deficit Control Act of 1985 is amended—

22 (1) in subsection (a), by adding at the end of
23 the table the following new item:

“October 1	Department of Treasury report to Congress estimating amount of in- come tax designated pursuant to section 6097 of the Internal Rev- enue Code of 1986.”.
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(2) in subsection (c)(1), by inserting “, and sequestration to reduce the public debt,” after “sequestration”;

(3) in subsection (c), by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

“(5) REPORTS ON SEQUESTRATION TO REDUCE THE PUBLIC DEBT.—The preview reports shall set forth for the budget year estimates for each of the following:

“(A) The aggregate amount designated under section 6097 of the Internal Revenue Code of 1986 for the last taxable year ending before the budget year.

“(B) The amount of reductions required under section 253A and the deficit remaining after those reductions have been made.

“(C) The sequestration percentage necessary to achieve the required reduction in accounts under section 253A(b).”; and

(4) in subsection (f), by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively, and by inserting after paragraph (3) the following new paragraph:

1 “(4) REPORTS ON SEQUESTRATION TO REDUCE
2 THE PUBLIC DEBT.—The final reports shall contain
3 all of the information contained in the public debt
4 taxation designation report required on October 1.”.

5 (c) CONFORMING AMENDMENT.—The table of con-
6 tents in section 250(a) of the Balanced Budget and Emer-
7 gency Deficit Control Act of 1985 is amended by inserting
8 after the item relating to section 253 the following new
9 item:

 “Sec. 253A. Sequestration to reduce the public debt.”.

10 (d) EFFECTIVE DATE.—Notwithstanding section
11 275(b) of the Balanced Budget and Emergency Deficit
12 Control Act of 1985, the expiration date set forth in that
13 section shall not apply to the amendments made by this
14 section. The amendments made by this section shall cease
15 to have any effect after the first fiscal year during which
16 there is no public debt.

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