II

113TH CONGRESS
2D SESSION

S. 2382

To establish the Consumer Price Index for Elderly Consumers for purposes of determining cost-of-living increases under the Social Security Act, and to amend the Internal Revenue Code of 1986 to apply payroll taxes to remuneration and earnings from self-employment up to the contribution and benefit base and to remuneration in excess of $250,000, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 22, 2014

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

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A BILL

To establish the Consumer Price Index for Elderly Consumers for purposes of determining cost-of-living increases under the Social Security Act, and to amend the Internal Revenue Code of 1986 to apply payroll taxes to remuneration and earnings from self-employment up to the contribution and benefit base and to remuneration in excess of $250,000, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Fair Raises for Seniors Act''.

SEC. 2. CONSUMER PRICE INDEX FOR ELDERLY CONSUMERS.

(a) IN GENERAL.—The Bureau of Labor Statistics of the Department of Labor shall prepare and publish an index for each calendar month to be known as the ''Consumer Price Index for Elderly Consumers'' or ''CPI-E'' that indicates the average change over time in the prices paid by individuals in the United States who are 62 years of age and older for a market basket of consumer goods and services.

(b) REQUIREMENTS.—In carrying out subsection (a), the Bureau of Labor Statistics shall—

(1) increase the number of individuals in the United States who are 62 years of age and older sampled in the consumer expenditure survey used to establish the CPI-E above the number of such individuals sampled for purposes of determining the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W);

(2) establish samples of market-based items, stores, and prices to represent the purchasing patterns of older adults; and

(3) examine the medical care component, including the cost and usage of prescription drugs, of the CPI-E taking into account that older adults have different illnesses and health care expenses, including dental expenses, than individuals in the United States who are under 62 years of age.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out the provisions of this section.

(d) EFFECTIVE DATE.—The section shall apply with respect to calendar months ending on or after July 31 of the calendar year following the calendar year in which this Act is enacted.

SEC. 3. COMPUTATION OF COST-OF-LIVING INCREASES.

(a) IN GENERAL.—Section 215(i) of the Social Security Act (42 U.S.C. 415(i)) is amended—

(1) in paragraph (1)(G), by inserting before the period the following: ", and, solely with respect to any monthly insurance benefit payable under this title to an individual who has attained age 62, effective for adjustments under this subsection to the primary insurance amount on which such benefit is based (or to any such benefit under section 227 or 228) occurring after such individual attains such age, the applicable Consumer Price Index shall be

deemed to be the Consumer Price Index for Elderly Consumers and such primary insurance amount shall be deemed adjusted under this subsection using such Index''; and

(2) in paragraph (4), by striking ''and by section 9001'' and inserting '', by section 9001'', and by inserting after ''1986,'' the following: ''and by section 3 of the Fair Raises for Seniors Act,''.

(b) CONFORMING AMENDMENTS IN APPLICABLE FORMER LAW.—Section 215(i)(1)(C) of such Act, as in effect in December 1978 and applied in certain cases under the provisions of such Act in effect after December 1978, is amended by inserting before the period the following: '', and, solely with respect to any monthly insurance benefit payable under this title to an individual who has attained age 62, effective for adjustments under this subsection to the primary insurance amount on which such benefit is based (or to any such benefit under section 227 or 228) occurring after such individual attains such age, the applicable Consumer Price Index shall be deemed to be the Consumer Price Index for Elderly Consumers and such primary insurance amount shall be deemed adjusted under this subsection using such Index''.

(c) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to determinations made with respect to cost-of-living computation quarters (as defined in section 215(i)(1)(B) of the Social Security Act (42 U.S.C. 415(i)(1)(B))) ending on or after September 30 of the second calendar year following the calendar year in which this Act is enacted.

SEC. 4. PAYROLL TAX ON REMUNERATION UP TO CONTRIBUTION AND BENEFIT BASE AND MORE THAN $250,000.

(a) IN GENERAL.—Paragraph (1) of section 3121(a) of the Internal Revenue Code of 1986 is amended by inserting after ''such calendar year.'' the following: ''The preceding sentence shall apply only to calendar years for which the contribution and benefit base (as so determined) is less than $250,000, and, for such calendar years, only to so much of the remuneration paid to such employee by such employer with respect to employment as does not exceed $250,000.''.

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 3121(a) of the Internal Revenue Code of 1986 is amended by striking ''Act) to'' and inserting ''Act), or in excess of $250,000, to''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to remuneration paid after December 31, 2014.

SEC. 5. TAX ON NET EARNINGS FROM SELF-EMPLOYMENT UP TO CONTRIBUTION AND BENEFIT BASE AND MORE THAN $250,000.

(a) IN GENERAL.—Paragraph (1) of section 1402(b) of the Internal Revenue Code of 1986 is amended to read as follows:

"(1) in the case of the tax imposed by section 1401(a), the excess of—

"(A) that part of the net earnings from self-employment which is in excess of—

"(i) an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective for the calendar year in which such taxable year begins, minus

"(ii) the amount of the wages paid to such individual during such taxable years; over

"(B) that part of the net earnings from self-employment which is in excess of the sum of—

"(i) the excess of—

"(I) the net earning from self-employment reduced by the excess (if any) of subparagraph (A)(i) over subparagraph (A)(ii), over

"(II) $250,000, reduced by such contribution and benefit base, plus

"(ii) the amount of the wages paid to such individual during such taxable year in excess of such contribution and benefit base and not in excess of $250,000; or".

(b) PHASEOUT.—Subsection (b) of section 1402 of the Internal Revenue Code of 1986 is amended by adding at the end the following: "Paragraph (1) shall apply only to taxable years beginning in calendar years for which the contribution and benefit base (as determined under section 230 of the Social Security Act) is less than $250,000.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to net earnings from self-employment derived, and remuneration paid, after December 31, 2014.

SEC. 6. INCLUSION OF SURPLUS EARNINGS FOR BENEFIT DETERMINATIONS.

(a) INCLUSION OF SURPLUS AVERAGE INDEXED MONTHLY EARNINGS IN DETERMINATION OF PRIMARY INSURANCE AMOUNTS.—Section 215(a)(1)(A) of the Social Security Act (42 U.S.C. 415(a)(1)(A)) is amended—

(1) in clauses (i), (ii), and (iii), by inserting "basic" before "average indexed monthly earnings" each place it appears;

(2) in clause (ii), by striking "and" at the end;

(3) in clause (iii), by adding "and" at the end; and

(4) by inserting after clause (iii) the following new clause:

"(iv) 1 percent or $1000 (whichever is less) of the individual's surplus average indexed monthly earnings (determined under subsection (b)(1)(B)),".

(b) BASIC AIME AND SURPLUS AIME.—

(1) BASIC AIME.—Section 215(b)(1) of such Act (42 U.S.C. 415(b)(1)) is amended—

(A) in the matter preceding subparagraph (A), by inserting "basic" before "average"; and

(B) in subparagraph (A), by striking "paragraph (3)" and inserting "paragraph (3)(A)" and by inserting before the comma the following: "to the extent such total does not exceed the contribution and benefit base for the applicable year".

(2) SURPLUS AIME.—

(A) IN GENERAL.—Section 215(b)(1) of such Act (as amended by paragraph (1)) is amended—

(i) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(ii) by inserting ‘‘(A)’’ after ‘‘(b)(1)’’; and

(iii) by adding at the end the following new subparagraph:

‘‘(B)(i) An individual's surplus average indexed monthly earnings shall be equal to the quotient obtained by dividing—

‘‘(I) the total (after adjustment under paragraph (3)(B)) of such individual's surplus earnings (determined under clause (ii)) for such individual's benefit computation years (determined under paragraph (2)), by

‘‘(II) the number of months in those years.

‘‘(ii) For purposes of clause (i) and paragraph (3)(B), an individual's surplus earnings for a benefit computation year are the total of such individual's wages paid in and self-employment income credited to such benefit computation year, to the extent such total (before adjustment under paragraph (3)(B)) exceeds the contribution and benefit base for such year.’’.

(B) CONFORMING AMENDMENT.—The heading for section 215(b) of such Act is amended by striking "AVERAGE INDEXED MONTHLY EARNINGS" and inserting "BASIC AVERAGE INDEXED MONTHLY EARNINGS; SURPLUS AVERAGE INDEXED MONTHLY EARNINGS".

(3) ADJUSTMENT OF SURPLUS EARNINGS FOR PURPOSES OF DETERMINING SURPLUS AIME.—Section 215(b)(3) of such Act (42 U.S.C. 415(b)(3)) is amended—

(A) in subparagraph (A), by striking "subparagraph (B)" and inserting "subparagraph (C)" and by inserting "and determination of basic average indexed monthly income" after "paragraph (2)";

(B) by redesignating subparagraph (B) as subparagraph (C); and

(C) by inserting after subparagraph (A) the following new subparagraph:

"(B) For purposes of determining under paragraph (1)(B) an individual's surplus average indexed monthly earnings, the individual's surplus earnings for a benefit computation year shall be deemed to be equal to the product of—

"(i) the individual's surplus earnings for such year (as determined under clause (ii) of paragraph (1)(B) without regard to this subparagraph), and

"(ii) the quotient described in subparagraph (A)(ii).".

(c) CONFORMING AMENDMENTS.—

(1) Paragraphs (3)(A)(ii) and (6)(A) of section 203(a) of such Act (42 U.S.C. 403(a)) are each amended by inserting "basic" before "average indexed monthly earnings".

(2) Subsections (b) and (c) of section 212 of such Act (42 U.S.C. 412) are each amended by striking "average indexed monthly earnings" and inserting "basic average indexed monthly earnings, surplus average indexed monthly earnings".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to individuals who initially become eligible (within the meaning of section 215(a)(3)(B) of the Social Security Act (42 U.S.C. 415(a)(3)(B)) for old-age or disability insurance benefits under title II of the Social Security Act, or who die (before becoming eligible for such benefits), in any calendar year after 2014.

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