II

114TH CONGRESS
1ST SESSION

S. 960

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to make improvements in the old-age, survivors, and disability insurance program, and to provide for Social Security benefit protection.

IN THE SENATE OF THE UNITED STATES

APRIL 15, 2015

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

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A BILL

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to make improvements in the old-age, survivors, and disability insurance program, and to provide for Social Security benefit protection.

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

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may cited as the "Protecting and Preserving Social Security Act".

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

TITLE I—COST-OF-LIVING INCREASES

SEC. 101. 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'' that indicates changes over time in expenditures for consumption which are typical for individuals in the United States who are 62 years of age or older.

(b) EFFECTIVE DATE.—Subsection (a) 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.

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

SEC. 102. 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 102 of the Protecting and Preserving Social Security 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.

TITLE II—CONTRIBUTION AND BENEFIT FAIRNESS

SEC. 201. DETERMINATION OF WAGES AND SELF-EMPLOYMENT INCOME ABOVE CONTRIBUTION AND BENEFIT BASE AFTER 2015.

(a) DETERMINATION OF WAGES ABOVE CONTRIBUTION AND BENEFIT BASE AFTER 2015.—

(1) AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.—Section 3121 of the Internal Revenue Code of 1986 is amended—

(A) in subsection (a)(1), by inserting "the applicable percentage (determined under subsection (c)(1)) of" before "that part of the remuneration"; and

(B) in subsection (c), by striking "(c) INCLUDED AND EXCLUDED SERVICE.—For purposes of this chapter, if" and inserting the following:

"(c) SPECIAL RULES FOR WAGES AND EMPLOYMENT.—

"(1) APPLICABLE PERCENTAGE OF REMUNERATION IN DETERMINING WAGES.—For purposes of paragraph (1) of subsection (a), the applicable percentage for a calendar year, in connection with any calendar year referred to in such subparagraph, shall be the percentage determined in accordance with the following table:

"In the case of:	**The applicable percentage is:**
Calendar year 2016	86%
Calendar year 2017	71%
Calendar year 2018	57%
Calendar year 2019	43%
Calendar year 2020	29%
Calendar year 2021	14%
Calendar years after 2021	0%.

"(2) INCLUDED AND EXCLUDED SERVICE.—For purposes of this chapter, if".

(2) AMENDMENTS TO THE SOCIAL SECURITY ACT.—Section 209 of the Social Security Act (42 U.S.C. 409) is amended—

(A) in subsection (a)(1)(I)—

(i) by inserting ''and before 2016'' after ''1974''; and

(ii) by inserting ''and'' after the semicolon;

(B) in subsection (a)(1), by adding at the end the following new subparagraph:

''(J) The applicable percentage (determined under subsection (l)) of that part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to the contribution and benefit base (determined under section 230) with respect to employment has been paid to an individual during any calendar year after 2015 with respect to which such contribution and benefit base is effective, is paid to such individual during such calendar year;''; and

(C) by adding at the end the following new subsection:

"(l) For purposes of subparagraph (J) of subsection (a)(1), the applicable percentage for a calendar year, in connection with any calendar year referred to in such subparagraph, shall be the percentage determined in accordance with the following table:

"In the case of:	The applicable percentage is:
Calendar year 2016	86%
Calendar year 2017	71%
Calendar year 2018	57%
Calendar year 2019	43%
Calendar year 2020	29%
Calendar year 2021	14%
Calendar years after 2021	0%.".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to remuneration paid in calendar years after 2015.

(b) DETERMINATION OF SELF-EMPLOYMENT INCOME ABOVE CONTRIBUTION AND BENEFIT BASE AFTER 2015.—

(1) AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.—Section 1402 of the Internal Revenue Code of 1986 is amended—

(A) in subsection (b)(1), by inserting "an amount equal to the applicable percentage (as determined under subsection (d)(2)) of" before "that part of the net earnings from self-employment"; and

(B) in subsection (d)—

(i) by striking "(d) EMPLOYEE AND WAGES.—The term" and inserting the following:

"(d) RULES AND DEFINITIONS.—

"(1) EMPLOYEE AND WAGES.—The term"; and

(ii) by adding at the end the following:

"(2) APPLICABLE PERCENTAGE OF NET EARNINGS FROM SELF-EMPLOYMENT IN DETERMINING SELF-EMPLOYMENT INCOME.—For purposes of paragraph (1) of subsection (b), the applicable percentage for a taxable year beginning in any calendar year referred to in such paragraph shall be the percentage determined in accordance with the following table:

"In the case of:	The applicable percentage is:
Calendar year 2016	86%
Calendar year 2017	71%
Calendar year 2018	57%
Calendar year 2019	43%
Calendar year 2020	29%
Calendar year 2021	14%
Calendar years after 2021	0%.".

(2) AMENDMENTS TO THE SOCIAL SECURITY ACT.—Section 211 of the Social Security Act (42 U.S.C. 411) is amended—

(A) in subsection (b)(1)(I)—

(i) by striking "or" after the semicolon; and

(ii) by inserting ''and before 2016'' after ''1974'';

(B) in subsection (b)—

(i) by redesignating paragraph (2) as paragraph (3); and

(ii) by inserting after paragraph (1) the following:

''(2) For any taxable year beginning in any calendar year after 2015, an amount equal to the applicable percentage (as determined under subsection (l)) of that part of net earnings from self-employment which is in excess of (A) an amount equal to the contribution and benefit base (determined under section 230) that is effective for such calendar year, minus (B) the amount of the wages paid to such individual during such taxable year; or''; and

(C) by adding at the end the following:

''(l) For purposes of paragraph (2) of subsection (b), the applicable percentage for a taxable year beginning in any calendar year referred to in such paragraph, shall be the percentage determined in accordance with the following table:

''In the case of:	**The applicable percentage is:**
Calendar year 2016	86%
Calendar year 2017	71%
Calendar year 2018	57%
Calendar year 2019	43%
Calendar year 2020	29%

"In the case of:	The applicable percentage is:
Calendar year 2021	14%
Calendar years after 2021	0%.".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to taxable years beginning during or after calendar year 2016.

SEC. 202. INCLUSION OF SURPLUS EARNINGS IN SOCIAL SECURITY BENEFIT FORMULA.

(a) INCLUSION OF SURPLUS AVERAGE INDEXED MONTHLY EARNINGS IN DETERMINATION OF PRIMARY INSURANCE AMOUNTS.—

(1) IN GENERAL.—Section 215(a)(1)(A) of the Social Security Act (42 U.S.C. 415(a)(1)(A)) is amended—

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

(B) in clause (ii), by striking ''and'' at the end; and

(C) by inserting after clause (iii) the following new clauses:

''(iv) 3 percent of the individual's surplus average indexed monthly earnings to the extent such surplus average indexed monthly earnings do not exceed the excess of the amount established for purposes of this clause by subparagraph (B) over 1/12 of the contribution and benefit base for the last of such individual's computation base years, and

"(v) 0.25 percent of the sum of the individual's surplus average indexed monthly earnings plus 1⁄12 of the contribution and benefit base for the last of such individual's computation base years, to the extent such sum exceeds the amount established for purposes of clause (iv) by subparagraph (B).".

(2) BEND POINT FOR SURPLUS EARNINGS.—Section 215(a)(1)(B) of such Act (42 U.S.C. 415(a)(1)(B)) is amended—

(A) in clause (ii), by striking "the amounts so established" and inserting "the amounts established for purposes of clauses (i) and (ii) of subparagraph (A)";

(B) by redesignating clause (iii) as clause (v);

(C) in clause (v) (as redesignated), by inserting "or (iv)" after "clause (ii)"; and

(D) by inserting after clause (ii) the following new clauses:

"(iii) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in the calendar year

2016, the amount established for purposes of clause (iv) of subparagraph (A) shall be $11,358.

"(iv) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in any calendar year after 2016, the amount established for purposes of clause (iv) of subparagraph (A) shall equal the product of the amount established with respect to the calendar year 2016 under clause (iii) of this subparagraph and the quotient obtained by dividing—

"(I) the national average wage index (as defined in section 209(k)(1)) for the second calendar year preceding the calendar year for which the determination is made, by

"(II) the national average wage index (as so defined) for 2014.".

(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) 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 (described in paragraph (2)(B)(ii)) 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 without regard to this subparagraph), and

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

(c) 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) 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 2015.

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