

105TH CONGRESS  
1ST SESSION

# H. R. 2929

To reform Social Security by creating individual Social Security retirement accounts.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 8, 1997

Mr. PORTER introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and the Budget, 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

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## A BILL

To reform Social Security by creating individual Social Security retirement accounts.

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 “Individual Social Secu-  
5 rity Retirement Accounts Act of 1997”.

1 **SEC. 2. REDUCTION AND ELIMINATION OF SOCIAL SECU-**  
2 **RITY TAXES ON INDIVIDUALS ELECTING TO**  
3 **PARTICIPATE IN INDIVIDUAL RETIREMENT**  
4 **PROGRAM.**

5 (a) TAX ON EMPLOYEES.—Subsection (a) of section  
6 3101 of the Internal Revenue Code of 1986 (relating to  
7 OASDI tax on employees) is amended to read as follows:

8 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
9 ANCE.—

10 “(1) INDIVIDUALS COVERED UNDER PART A OF  
11 TITLE II OF THE SOCIAL SECURITY ACT.—In addi-  
12 tion to other taxes, there is hereby imposed on the  
13 income of every individual who is not a part B eligi-  
14 ble individual a tax equal to 6.2 percent of the wages  
15 (as defined in section 3121(a)) received by him with  
16 respect to employment (as defined in section  
17 3121(b)).

18 “(2) TRANSITIONAL TAX FOR PART B ELIGIBLE  
19 INDIVIDUALS.—In addition to other taxes, there is  
20 hereby imposed on the income of every individual  
21 who is a part B eligible individual a tax equal to 1.2  
22 percent with respect to wages (as defined in section  
23 3121(a)) received by him with respect to employ-  
24 ment (as defined in section 3121(b)), in the case of  
25 wages received during the period of 10 years begin-

1       ning with the first calendar year for which such indi-  
2       vidual is a part B eligible individual.”

3       (b) TAX ON EMPLOYERS.—Subsection (a) of section  
4 3111 of the Internal Revenue Code of 1986 (relating to  
5 OASDI tax on employers) is amended to read as follows:

6       “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
7 ANCE.—

8               “(1) INDIVIDUALS COVERED UNDER PART A OF  
9 THE SOCIAL SECURITY ACT.—In addition to other  
10 taxes, there is hereby imposed on every employer,  
11 with respect to having in the employer’s employ indi-  
12 viduals who are not part B eligible individuals, an  
13 excise tax equal to 6.2 percent of the wages (as de-  
14 fined in section 3121(a)) paid by him with respect  
15 to employment (as defined in section 3121(b)).

16               “(2) TRANSITIONAL TAX FOR PART B ELIGIBLE  
17 INDIVIDUALS.—In addition to other taxes, there is  
18 hereby imposed on every employer an excise tax,  
19 with respect to having in the employer’s employ indi-  
20 viduals who are part B eligible individuals, equal to  
21 1.2 percent of the wages (as defined in section  
22 3121(a)) paid by him with respect to employment  
23 (as defined in section 3121(b)), in the case of wages  
24 received during the period of 10 years beginning

1 with the first calendar year for which such individual  
2 is a part B eligible individual.”

3 (c) SELF-EMPLOYMENT TAX.—Subsection (a) of sec-  
4 tion 1401 of such Code (relating to OASDI tax on self-  
5 employment income) is amended to read as follows:

6 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
7 ANCE.—

8 “(1) INDIVIDUALS COVERED UNDER PART A OF  
9 THE SOCIAL SECURITY ACT.—In addition to other  
10 taxes, there shall be imposed for each taxable year,  
11 on the self-employment income of every individual  
12 who is not a part B eligible individual for the cal-  
13 endar year ending with or during such taxable year,  
14 a tax equal to 12.40 percent of the amount of the  
15 self-employment income for such taxable year.

16 “(2) TRANSITIONAL TAX FOR PART B ELIGIBLE  
17 INDIVIDUALS.—In addition to other taxes, there  
18 shall be imposed for each taxable year, on the self-  
19 employment income of every part B eligible individ-  
20 ual for the calendar year ending with or during such  
21 taxable year, a tax equal to 2.40 percent of the  
22 amount of the self-employment income for such tax-  
23 able year, in the case of a taxable year ending dur-  
24 ing the period of 10 years beginning with the first

1 calendar year for which such individual is a part B  
2 eligible individual.”

3 (d) PART B ELIGIBLE INDIVIDUAL.—

4 (1) TAXES ON EMPLOYEES AND EMPLOYERS.—

5 Section 3121 of such Code (relating to definitions)  
6 is amended by inserting after subsection (s) the fol-  
7 lowing new subsection:

8 “(t) PART B ELIGIBLE INDIVIDUAL.—For purposes  
9 of this chapter, the term ‘part B eligible individual’ means,  
10 for any calendar year, an individual who is an eligible indi-  
11 vidual (as defined in section 257(3) of the Social Security  
12 Act) for such calendar year.”.

13 (2) SELF-EMPLOYMENT TAX.—Section 1402 of

14 such Code (relating to definitions) is amended by  
15 adding at the end the following new subsection:

16 “(k) PART B ELIGIBLE INDIVIDUAL.—The term  
17 ‘part B eligible individual’ means, for any calendar year,  
18 an individual who is an eligible individual (as defined in  
19 section 257(3) of the Social Security Act) for such cal-  
20 endar year.”.

21 (e) EFFECTIVE DATES.—

22 (1) IN GENERAL.—Except as otherwise pro-  
23 vided in this subsection, the amendments made by  
24 this section shall apply to remuneration paid after  
25 December 31, 1999.

1           (2) SELF-EMPLOYMENT TAX.—The amend-  
 2           ments made by subsections (c) and (d)(2) shall  
 3           apply to taxable years ending after December 31,  
 4           1999.

5 **SEC. 3. INDIVIDUAL SOCIAL SECURITY RETIREMENT AC-**  
 6                           **COUNTS FUNDED BY SOCIAL SECURITY PAY-**  
 7                           **ROLL DEDUCTION PLANS AND CONTRIBU-**  
 8                           **TIONS BY SELF-EMPLOYED INDIVIDUALS.**

9           (a) IN GENERAL.—Title II of the Social Security Act  
 10 is amended—

11           (1) by inserting before section 201 the follow-  
 12           ing:

13                   “PART A—INSURANCE BENEFITS”;

14           and

15           (2) by adding at the end the following new part:

16                   “PART B—INDIVIDUAL RETIREMENT PROGRAM

17                   “SOCIAL SECURITY PAYROLL DEDUCTION PLANS

18                   “SEC. 251. (a) IN GENERAL.—Each person who is

19 a covered employer for any calendar year shall have in

20 effect throughout such calendar year a social security pay-

21 roll deduction plan for such person’s employees who are

22 eligible individuals and with respect to whose employment

23 by such employer during such calendar year there is, or

24 would be (but for the amendments made by section 2 of

25 the Individual Social Security Retirement Accounts Act of

1 1997), imposed an excise tax under section 3111 of the  
2 Internal Revenue Code of 1986.

3 “(b) REQUIREMENTS.—For purposes of this part, the  
4 term ‘social security payroll deduction plan’ means a writ-  
5 ten plan of a covered employer if—

6 “(1) under such plan, 5 percent of the employ-  
7 ee’s wages is deducted by the employer and paid to  
8 the employee’s individual social security retirement  
9 account within 10 business days after the date of  
10 payment of such wages,

11 “(2) under such plan, the covered employer  
12 pays to the individual social security retirement ac-  
13 count, together with the contribution paid pursuant  
14 to paragraph (1), an additional amount equal to 5  
15 percent of the employee’s wages, and

16 “(3) the employer receives no compensation for  
17 the cost of administering such plan.

18 “DESIGNATION OF INDIVIDUAL SOCIAL SECURITY

19 RETIREMENT ACCOUNTS

20 “SEC. 252. (a) IN GENERAL.—Except as provided in  
21 subsection (b), the individual social security retirement ac-  
22 count to which contributions with respect to any eligible  
23 individual are required to be paid by a covered employer  
24 under section 251 shall be such an account designated by  
25 such individual to such employer not later than 10 busi-  
26 ness days after the date on which such individual becomes

1 an employee of such employer. Each employer of an eligi-  
2 ble individual shall require the individual to designate such  
3 account as provided under this subsection as a pre-  
4 requisite for continued employment. Any such designation  
5 shall be made in such form and manner as shall be pre-  
6 scribed in regulations of the Commissioner of Social Secu-  
7 rity.

8       “(b) SUBSEQUENT DESIGNATION OF OTHER AC-  
9 COUNTS.—The Commissioner shall provide by regulation  
10 for subsequent designation from time to time of another  
11 individual social security retirement account of an eligible  
12 individual in lieu of the account previously designated  
13 under this section.

14               “SELF-EMPLOYED INDIVIDUALS

15       “SEC. 253. (a) IN GENERAL.—Not later than 30  
16 days after the close of any taxable year for which an eligi-  
17 ble individual has self-employment income, such individual  
18 shall pay to an individual social security retirement ac-  
19 count designated by such individual an amount equal to  
20 at least 10 percent of such income.

21       “(b) DESIGNATION OF ACCOUNT.—The designation  
22 of an individual social security retirement account for pay-  
23 ment of contributions under this section shall be made in  
24 such form and manner as shall be prescribed in regula-  
25 tions of the Commissioner of Social Security.

1       “ELECTION TO BECOME AN ELIGIBLE INDIVIDUAL

2       “SEC. 254. (a) IN GENERAL.—An individual—

3           “(1) who has attained age 18 and has not at-  
4       tained age 62, and

5           “(2) who is not entitled to disability insurance  
6       benefits under section 223,

7       may elect to become an eligible individual for purposes of  
8       this part. An election under this section is an election filed  
9       in such form and manner as shall be prescribed in regula-  
10      tions of the Commissioner, consisting of a written and  
11      signed declaration of such individual’s intention to become  
12      an eligible individual for purposes of this part.

13      “(b) REQUIREMENTS.—Any election under sub-  
14      section (a) may take effect for any calendar year after  
15      1999 and must be so filed not later than December 15  
16      preceding the calendar year for which the election is to  
17      take effect (or December 31 preceding such calendar year  
18      in the case of an individual attaining age 18 after such  
19      December 15 and before such calendar year).

20      “(c) IRREVOCABILITY.—Any election under sub-  
21      section (a) shall be irrevocable and shall be effective with  
22      respect to wages paid in calendar years following the elec-  
23      tion and with respect to self-employment income for tax-  
24      able years ending during such calendar years.



1 ow's, widower's, and child's insurance benefits under part  
2 A.

3 "ENTITLEMENT TO SUPPLEMENTAL MINIMUM BENEFIT  
4 PAYMENT TO ACCOUNT

5 "SEC. 256. (a) IN GENERAL.—In any case in  
6 which—

7 "(1) an eligible individual attains age 62,

8 "(2) as of the date on which the individual at-  
9 tains age 62, no distributions have been made by the  
10 individual from any individual social security retire-  
11 ment account, and

12 "(3) on such date, the balance in such individ-  
13 ual's individual social security retirement account  
14 (before any distributions on such date) is less than  
15 the minimum retirement annuity amount,

16 such individual, upon application to the Commissioner of  
17 Social Security filed on or after such date in such form  
18 and manner as shall be prescribed by the Commissioner,  
19 shall be entitled to a supplemental minimum benefit pay-  
20 ment to such account. Upon receipt of such application,  
21 the Commissioner shall certify to the Secretary of the  
22 Treasury the amount of such payment, and the Secretary  
23 shall pay the amount of such payment to such account  
24 in accordance with such certification from funds otherwise  
25 available in the general fund of the Treasury.

1       “(b) AMOUNT OF SUPPLEMENTAL MINIMUM BENE-  
2 FIT PAYMENT.—The amount of a supplemental minimum  
3 benefit payment payable to an eligible individual’s account  
4 under subsection (a) is the excess (if any) of—

5           “(1) the minimum retirement annuity amount,  
6 over

7           “(2) the balance in such account as of such  
8 date (taking into account the present value of the  
9 future proceeds of any contribution recognition bond  
10 issued to the trustee of the individual’s account pur-  
11 suant to section 6 of the Individual Social Security  
12 Retirement Accounts Act of 1997).

13       “(c) DEFINITIONS.—For purposes of this section—

14           “(1) MINIMUM RETIREMENT ANNUITY  
15 AMOUNT.—The term ‘minimum retirement annuity  
16 amount’ means the amount (determined under regu-  
17 lations of the Commissioner of Social Security) nec-  
18 essary to purchase a minimum retirement annuity  
19 on the date of the application filed pursuant to sub-  
20 section (a).

21           “(2) MINIMUM RETIREMENT ANNUITY.—The  
22 term ‘minimum retirement annuity’ means an imme-  
23 diate annuity making payments over the life expect-  
24 ancy of the account holder which (on a monthly  
25 basis) are equal to the lesser of—

1           “(A) an amount equal to 95 percent of the  
2           account holder’s initial primary insurance  
3           amount (determined under section 215 as if  
4           section 202(y) did not apply and the account  
5           holder applied for old-age insurance benefits on  
6           the date of the application filed pursuant to  
7           subsection (a)), or

8           “(B) 40 percent of the account holder’s av-  
9           erage indexed monthly earnings (as so deter-  
10          mined),

11          “(3) IMMEDIATE ANNUITY.—The term ‘imme-  
12          diate annuity’ means an annuity—

13                 “(A) which is purchased with a single pre-  
14                 mium, and

15                 “(B) the annuity starting date (as defined  
16                 in paragraph (4) of section 72(c) of the Inter-  
17                 nal Revenue Code of 1986) of which commences  
18                 on the 1st day of the month beginning after the  
19                 date of the purchase of the annuity.

20                         “DEFINITIONS

21          “SEC. 257. For purposes of this part—

22                 “(1) INDIVIDUAL SOCIAL SECURITY RETIRE-  
23                 MENT ACCOUNT.—The term ‘individual social secu-  
24                 rity retirement account’ means any individual social  
25                 security retirement account (as defined in section  
26                 408B of the Internal Revenue Code of 1986).

1           “(2) COVERED EMPLOYER.—

2                   “(A) IN GENERAL.—The term ‘covered em-  
3           ployer’ means, for any calendar year, any per-  
4           son on whom an excise tax is, or would be (but  
5           for the amendments made by the Individual So-  
6           cial Security Retirement Accounts Act of 1997),  
7           imposed under section 3111 of the Internal  
8           Revenue Code of 1986 with respect to having  
9           an individual in his employ to whom wages were  
10          paid by such person during such calendar year.

11                   “(B) GOVERNMENTAL ENTITIES.—Under  
12          regulations of the Commissioner of Social Secu-  
13          rity, in applying subparagraph (A) with respect  
14          to employment by governmental entities, each  
15          such governmental entity shall be treated as a  
16          person described in subparagraph (A) in the  
17          same manner and to the same extent as such  
18          person is treated under chapter 21 of the Inter-  
19          nal Revenue Code of 1986 for purposes of sec-  
20          tion 3111 of such Code.

21                   “(3) ELIGIBLE INDIVIDUAL.—The term ‘eligible  
22          individual’ means, with respect to a calendar year,  
23          an individual with respect to whom an election, filed  
24          with the Commissioner of Social Security under sec-  
25          tion 254, is in effect for such calendar year.



1 exceed 20 percent of the unpaid amount, in addition  
2 to any penalty under subsection (a), and

3 “(2) shall be liable to the eligible individual for  
4 interest on the unpaid amount at a rate equal to  
5 133 percent of the Federal short-term rate under  
6 section 1274(d)(1) of the Internal Revenue Code of  
7 1986, calculated from the last day by which such  
8 amount was required to be so paid to the date on  
9 which such amount is paid into the designated indi-  
10 vidual social security retirement account.

11 “(d) FAILURE BY SELF-EMPLOYED INDIVIDUALS TO  
12 PAY CONTRIBUTIONS.—Any individual failing to timely  
13 pay in full a prescribed social security self-employment  
14 contribution to a designated individual social security re-  
15 tirement account as required under section 253 shall be  
16 subject to a civil penalty of not to exceed 20 percent of  
17 the unpaid amount, plus interest on the unpaid amount  
18 at a rate equal to 133 percent of the Federal short-term  
19 rate under section 1274(d)(1) of the Internal Revenue  
20 Code of 1986, calculated from the last day by which such  
21 amount was required to be so paid to the date on which  
22 such amount is paid into the designated individual social  
23 security retirement account.

24 “(e) RULES FOR APPLICATION OF SECTION.—

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

5           “(2) COMPROMISES.—The Commissioner may  
6           compromise the amount of any civil penalty imposed  
7           by this section.

8           “(3) AUTHORITY TO WAIVE PENALTY IN CER-  
9           TAIN CASES.—The Commissioner may waive the ap-  
10          plication of this section with respect to any failure  
11          if the Commissioner determines that such failure is  
12          due to reasonable cause and not to intentional dis-  
13          regard of rules and regulations.”.

14          (b) AMOUNTS DEDUCTED TO BE SHOWN ON W-2  
15          STATEMENTS.—Subsection (a) of section 6051 of the In-  
16          ternal Revenue Code of 1986 (relating to receipts for em-  
17          ployees) is amended—

18                 (1) by striking “and” at the end of paragraph

19                 (8),

20                 (2) by striking the period at the end of para-  
21                 graph (9) and inserting “, and”, and

22                 (3) by inserting after paragraph (9) the follow-  
23                 ing new paragraph:

24                         “(10) the total amount deducted from the em-  
25                         ployee’s wages under a social security payroll deduc-

1       tion plan established under part B of title II of the  
2       Social Security Act.”.

3       (c) EXEMPTION FROM ERISA REQUIREMENTS.—

4       Subsection (b) of section 4 of the Employee Retirement  
5       Income Security Act of 1974 (29 U.S.C. 1003(b)) is  
6       amended—

7             (1) by striking “or” at the end of paragraph  
8       (4);

9             (2) by striking the period at the end of para-  
10       graph (5) and inserting “; or”; and

11            (3) by adding at the end the following new  
12       paragraph:

13            “(6) such plan is a social security payroll de-  
14       duction plan established under part B of title II of  
15       the Social Security Act.”.

16       (d) CONFORMING AMENDMENTS.—Section 201(h) of  
17       such Act (42 U.S.C. 401(h)) is amended—

18            (1) by striking “All other” in the second sen-  
19       tence and inserting “Except as provided in section  
20       256, all other”; and

21            (2) by adding at the end the following new sen-  
22       tence: “Any reference in this part to benefits under  
23       this title shall be deemed a reference to benefits en-  
24       titlement to which arises under this part.”.

1 **SEC. 4. TAX TREATMENT OF INDIVIDUAL SOCIAL SECURITY**  
2 **RETIREMENT ACCOUNTS.**

3 (a) IN GENERAL.—Subpart A of part I of subchapter  
4 D of chapter 1 of the Internal Revenue Code of 1986 (re-  
5 lating to pension, profit-sharing, stock bonus plans, etc.)  
6 is amended by inserting after section 408A the following  
7 new section:

8 **“SEC. 408B. INDIVIDUAL SOCIAL SECURITY RETIREMENT**  
9 **ACCOUNTS.**

10 “(a) GENERAL RULE.—Gross income shall not in-  
11 clude—

12 “(1) any amount paid to an individual social se-  
13 curity retirement account as the employer’s con-  
14 tribution under section 251(b)(3) of the Social Secu-  
15 rity Act, or

16 “(2) ½ of the amount paid to an individual so-  
17 cial security retirement account under section 253(a)  
18 of the Social Security Act.

19 “(b) INDIVIDUAL SOCIAL SECURITY RETIREMENT  
20 ACCOUNT.—For purposes of this title, the term ‘individual  
21 social security retirement account’ means a trust created  
22 or organized in the United States for the exclusive benefit  
23 of an eligible individual (as defined in section 257(3) of  
24 the Social Security Act) or his beneficiaries, but only if  
25 the written governing instrument creating the trust meets  
26 the following requirements:

1           “(1) No contribution will be accepted, other  
2 than—

3           “(A) a contribution under paragraph (1)  
4 or (2) of section 251(b), or subsection (a) of  
5 section 253, of the Social Security Act,

6           “(B) in any taxable year, an aggregate  
7 amount not exceeding twice the total amount of  
8 contributions described in subparagraph (A)  
9 made in such taxable year,

10           “(C) a contribution recognition bond, and  
11 the proceeds thereof, issued under section 6 of  
12 the Individual Social Security Retirement Ac-  
13 counts Act of 1997, and

14           “(D) a supplemental minimum benefit pay-  
15 ment under section 256 of the Social Security  
16 Act.

17           “(2) Except as provided in paragraph (12), no  
18 amount may be paid or distributed from such  
19 trust—

20           “(A) before the earlier of the date on  
21 which the account holder attains age 59½ or  
22 the date on which the account holder dies, or

23           “(B) if the account holder has not attained  
24 age 62 and the balance in the account imme-  
25 diately after the payment or distribution of

1           such amount would be less than the early dis-  
2           tribution annuity amount (as defined in sub-  
3           section (c)(2)).

4           “(3) The trustee is a bank (as defined in sec-  
5           tion 408(n)) or such other person who demonstrates  
6           to the satisfaction of the Secretary that the manner  
7           in which such other person will administer the trust  
8           will be consistent with the requirements of this sec-  
9           tion.

10           “(4) The trustee has registered with the Com-  
11           missioner of Social Security (in such form and man-  
12           ner as the Commissioner may require) as a trustee  
13           of individual social security retirement accounts.

14           “(5) No part of the trust fund is invested in life  
15           insurance contracts.

16           “(6) The interest of an individual in the bal-  
17           ance in his account is nonforfeitable.

18           “(7) The assets of the trust will not be commin-  
19           gled with other property except in a common trust  
20           fund or common investment fund, which fund is  
21           comprised only of assets of individual social security  
22           retirement accounts.

23           “(8) Under the terms governing the account,  
24           contributions will be accepted irrespective of the  
25           amount of the contribution.

1           “(9) The same requirements as are applicable  
2           with respect to trusts under paragraph (9) of section  
3           401(a) (relating to required distributions) are met  
4           with respect to the account.

5           “(10) The same requirements as are applicable  
6           with respect to trusts under paragraph (11) of sec-  
7           tion 401(a) (relating to joint and survivor annuity  
8           and preretirement survivor annuity) are met with re-  
9           spect to the account (disregarding subparagraph (B)  
10          thereof), as if the annuity starting date with respect  
11          to the account holder is the earliest date on which  
12          amounts may be distributed under paragraph (2).

13          “(11) The account holder certifies that such  
14          trust is the only individual social security retirement  
15          account of the holder.

16          “(12) Under terms governing the account,  
17          amounts may be distributed from such trust to pur-  
18          chase disability insurance or a policy providing for  
19          preretirement survivor benefits under section 255 of  
20          the Social Security Act.

21          Paragraphs (1), (2), and (10) shall not apply to a direct  
22          trustee-to-trustee transfer to a successor individual social  
23          security retirement account of the same individual.

24          “(c) REQUIREMENTS.—

25                 “(1) REQUIREMENTS RELATING TO TRUSTEE.—

1           “(A) TRUSTEE.—A trustee meets the re-  
2           quirements of subsection (b)(3) if—

3                   “(i) the trustee is in business exclu-  
4                   sively as a trustee of individual social secu-  
5                   rity retirement accounts, and

6                   “(ii) the trustee is of good character  
7                   and is a substantial concern, produces evi-  
8                   dence of financial capability, demonstrates  
9                   financial soundness, and provides appro-  
10                  priate surety.

11           “(B) REPLACEMENT OF TRUSTEE IN CASE  
12           OF BANKRUPTCY.—In the case of a trustee of  
13           an individual social security retirement account  
14           with respect to which there is filed a bank-  
15           ruptcy petition (or upon the initiation of a simi-  
16           lar judicial proceeding) against the trustee, the  
17           Secretary shall designate a successor trustee.

18           “(C) STATUS AS FIDUCIARY.—Under the  
19           terms of an individual social security retirement  
20           account, the trustee of the account shall, with  
21           respect to the account, have the status of a fi-  
22           diciary (within the meaning of the first sen-  
23           tence of section 3(21)(A) of the Employee Re-  
24           tirement Income Security Act of 1974). The  
25           trustee shall, with respect to the account, be

1 treated as a fiduciary for purposes of section  
2 4975(e) (as applicable under subsection (f)(3)).

3 “(2) EARLY DISTRIBUTION ANNUITY  
4 AMOUNT.—For purposes of subsection (b)(2)—

5 “(A) IN GENERAL.—The term ‘early dis-  
6 tribution annuity amount’ means the amount  
7 (determined under regulations of the Secretary)  
8 necessary to purchase a minimum annuity on  
9 the date of the payment or distribution referred  
10 to in subsection (b)(2).

11 “(B) MINIMUM ANNUITY.—For purposes  
12 of subparagraph (A), the term ‘minimum annu-  
13 ity’ means an immediate annuity making pay-  
14 ments over the life expectancy of the account  
15 holder which (on a monthly basis) are equal to  
16 the lesser of—

17 “(i) an amount equal to 95 percent of  
18 the account holder’s initial primary insur-  
19 ance amount, determined under section  
20 215 of the Social Security Act—

21 “(I) as if section 202(y) of such  
22 Act did not apply, and

23 “(II) as if the account holder ap-  
24 plied for old-age insurance benefits on  
25 the date of the payment or distribu-

1                   tion referred to in subsection (b)(2),  
2                   or

3                   “(ii) 40 percent of the account hold-  
4                   er’s average indexed monthly earnings (as  
5                   so determined),

6                   “(C) IMMEDIATE ANNUITY.—For purposes  
7                   of subparagraph (B), the term ‘immediate an-  
8                   nuity’ means an annuity—

9                   “(i) which is purchased with a single  
10                  premium, and

11                  “(ii) the annuity starting date (as de-  
12                  fined in paragraph (4) of section 72(c) of  
13                  the Internal Revenue Code of 1986) of  
14                  which commences on the 1st day of the  
15                  month beginning after the date of the pur-  
16                  chase of the annuity.

17                  “(3) INVESTMENT IN COLLECTIBLES TREATED  
18                  AS A DISTRIBUTION.—For purposes of this section,  
19                  subsection (m) of section 408 shall apply.

20                  “(d) ACCOUNT EXEMPT FROM TAX.—

21                  “(1) GENERAL RULE.—Except as provided in  
22                  paragraph (2), any individual social security retire-  
23                  ment account is exempt from taxation under this  
24                  subtitle. Notwithstanding the preceding sentence,  
25                  any such account is subject to the taxes imposed by

1 section 511 (relating to imposition of tax on unre-  
2 lated business income of charitable, etc. organiza-  
3 tions).

4 “(2) APPLICATION OF PROHIBITED TRANS-  
5 ACTIONS RULES, ETC.—Rules similar to the rules of  
6 paragraphs (2), (3), and (4) of section 408(e) shall  
7 apply to individual social security retirement ac-  
8 counts.

9 “(e) TAXATION OF DISTRIBUTIONS.—

10 “(1) IN GENERAL.—

11 “(A) INCOME EXCLUSION.—In the case of  
12 any amount paid or distributed from an individ-  
13 ual social security retirement account—

14 “(i) the social security benefit amount  
15 shall be includible in gross income only if  
16 so includible under section 86, determined  
17 by treating the social security benefit  
18 amount as social security benefits (as de-  
19 fined in such section), and

20 “(ii) the supplemental retirement  
21 amount shall be includible in gross income  
22 to the extent that such amount is so in-  
23 cludible under section 72, determined by  
24 treating the individual social security re-  
25 tirement account as an individual retire-

1           ment plan in accordance with section  
2           408(d)(2).

3           “(B) SOCIAL SECURITY BENEFIT  
4           AMOUNT.—For purposes of subparagraph (A),  
5           the term ‘social security benefit amount’ means  
6           the amount which bears the same ratio to the  
7           amount of the payment or distribution as the  
8           sum of the amounts contributed to the individ-  
9           ual social security retirement account under  
10          subparagraphs (A), (C), and (D) of subsection  
11          (b)(1) bears to the total amount contributed to  
12          such account under subsection (b)(1).

13          “(C) SUPPLEMENTAL RETIREMENT  
14          AMOUNT.—For purposes of subparagraph (A),  
15          the term ‘supplemental retirement amount’  
16          means the amount which bears the same ratio  
17          to the amount of the payment or distribution as  
18          the sum of the amounts contributed to the indi-  
19          vidual social security retirement account under  
20          subparagraph (B) of subsection (b)(1) bears to  
21          the total amount contributed to such account  
22          under subsection (b)(1).

23          “(2) TREATMENT OF ROLLOVERS.—No amount  
24          shall be includible in gross income by reason of a di-  
25          rect trustee-to-trustee transfer from an individual

1 social security retirement account of an individual to  
2 a successor individual social security retirement ac-  
3 count of the same individual if such transfer is made  
4 in accordance with section 408(d)(3)(A)(i).

5 “(3) TREATMENT OF DISABILITY INSURANCE  
6 AND PRERETIREMENT BENEFIT POLICY PRE-  
7 MIUMS.—No amount shall be includible in gross in-  
8 come to the extent that such amount is a premium  
9 for the purchase of disability insurance or a policy  
10 providing for preretirement survivor benefits pursu-  
11 ant to section 255 of the Social Security Act.

12 “(4) TREATMENT OF COLLECTIBLES.—  
13 Amounts treated as a distribution under subsection  
14 (c)(3) shall be includible in gross income and para-  
15 graph (1) of section 72(t) shall apply to such  
16 amounts.

17 “(f) CERTAIN OTHER RULES TO APPLY.—The fol-  
18 lowing rules shall apply to individual social security retire-  
19 ment accounts in the same manner that such rules apply  
20 to individual retirement accounts:

21 “(1) Section 408(h) (relating to custodial ac-  
22 counts).

23 “(2) Sections 408(i) and 6693 (relating to re-  
24 ports).

1           “(3) Section 4975 (relating to prohibited trans-  
2 actions).”.

3           (b) EXCESS CONTRIBUTIONS.—

4           (1) IN GENERAL.—Subsection (a) of section  
5 4973 of the Internal Revenue Code of 1986 is  
6 amended by striking “or” at the end of paragraph  
7 (3), by inserting “or” at the end of paragraph (4),  
8 and by inserting after paragraph (4) the following  
9 new paragraph:

10           “(5) an individual social security retirement ac-  
11 count (as defined in section 408B),”.

12           (2) EXCESS CONTRIBUTIONS DEFINED.—Sec-  
13 tion 4973 of such Code is amended by adding at the  
14 end the following new subsection:

15           “(g) EXCESS CONTRIBUTIONS TO INDIVIDUAL SO-  
16 CIAL SECURITY RETIREMENT ACCOUNTS.—For purposes  
17 of this section, in the case of contributions to an individual  
18 social security retirement account (within the meaning of  
19 section 408B(b)), the term ‘excess contributions’ means  
20 with respect to a taxable year the sum of—

21           “(1) the excess (if any) of—

22           “(A) the amount contributed for the tax-  
23 able year to such account (other than a quali-  
24 fied rollover contribution described in section  
25 408B(e)(2)), over

1           “(B) the amount allowable as a contribu-  
2           tion for that taxable year under section  
3           408B(b)(1), and

4           “(2) the amount determined under this sub-  
5           section for the preceding taxable year, reduced by  
6           the sum of—

7           “(A) the distributions out of the account  
8           for such taxable year, and

9           “(B) the excess (if any) of the maximum  
10          amount allowable as a contribution under sec-  
11          tion 408B(b)(1) for such taxable year over the  
12          amount contributed to the account for the tax-  
13          able year.

14 For purposes of this subsection, any contribution which  
15 is distributed from an individual social security retirement  
16 account in a distribution described in section 408(d)(4)  
17 shall be treated as an amount not contributed.”.

18       (c) CLERICAL AMENDMENT.—The table of sections  
19 for subpart A of part I of subchapter D of chapter 1 of  
20 such Code is amended by inserting after the item relating  
21 to section 408A the following new item:

          “Sec. 408B. Individual social security retirement accounts.”.

22       (d) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to taxable years beginning after  
24 December 31, 1999.

1 **SEC. 5. NO COVERAGE UNDER OASDI UPON ELECTION TO**  
2 **BE ELIGIBLE INDIVIDUAL UNDER PART B.**

3 (a) OLD-AGE AND SURVIVORS INSURANCE BENE-  
4 FITS.—Section 202 of the Social Security Act (42 U.S.C.  
5 402) is amended by adding at the end the following new  
6 subsection:

7 “(y) Notwithstanding the preceding provisions of this  
8 section, an individual who has made an election under sec-  
9 tion 254 to be an eligible individual under part B shall  
10 be deemed (except for purposes of sections 226 and 226A)  
11 not entitled to benefits under this section for any month  
12 ending after the date of the election, and (except for pur-  
13 poses of sections 226 and 226A) no other individual shall  
14 be deemed entitled to benefits under this section for any  
15 month ending after the date of the election based on the  
16 wages or self-employment income of the individual who  
17 made the election.”.

18 (b) DISABILITY INSURANCE BENEFITS.—Section 223  
19 of such Act (42 U.S.C. 423) is amended by adding at the  
20 end the following new subsection:

21 “(j) Notwithstanding the preceding provisions of this  
22 section, an individual who has made an election under sec-  
23 tion 254 to be an eligible individual under part B shall  
24 be deemed (except for purposes of sections 226 and 226A)  
25 not entitled to benefits under this section for any month  
26 ending after the date of the election, and (except for pur-

1 poses of sections 226 and 226A) no other individual shall  
2 be deemed entitled to benefits under section 202 for any  
3 month ending after the date of the election based on the  
4 wages or self-employment income of an individual who has  
5 made such an election.”.

6 **SEC. 6. CONTRIBUTION RECOGNITION BONDS.**

7 (a) CERTIFICATION OF CREDITED WAGES AND SELF-  
8 EMPLOYMENT INCOME.—Not later than July 1 of the first  
9 calendar year for which an individual is an eligible individ-  
10 ual (as defined in section 257(3) of the Social Security  
11 Act), the Commissioner of Social Security shall certify to  
12 the Secretary of the Treasury whether such individual  
13 was, as of immediately before such first calendar year,  
14 credited with wages and self-employment income under  
15 part A of title II of the Social Security Act.

16 (b) ISSUANCE OF BOND.—Immediately upon receipt  
17 of certification under subsection (a) that such individual  
18 is so credited, the Secretary of the Treasury shall issue  
19 a contribution recognition bond to the trustee of the indi-  
20 vidual social security retirement account held by such indi-  
21 vidual. Such bond shall consist of an obligation of the  
22 United States to pay each month into the individual social  
23 security retirement account held by such individual, com-  
24 mencing with the applicable initial month, an amount  
25 equal to such individual’s primary insurance amount, de-

1 terminated under section 215 of the Social Security Act as  
2 if section 202(y) of such Act did not apply and such indi-  
3 vidual had applied for old-age insurance benefits under  
4 section 202(a) of such Act for such month, and by taking  
5 into account average indexed monthly earnings based sole-  
6 ly on those wages and self-employment income that were  
7 credited as described in subsection (a).

8 (c) APPLICABLE INITIAL MONTH.—For purposes of  
9 subsection (b), the applicable initial month in connection  
10 with any individual is the later of—

11 (1) the month in which such individual attains  
12 age 62, or

13 (2) the month in which such individual first  
14 commences distributions from such individual's indi-  
15 vidual social security retirement account.

16 (d) ADDITIONAL PROVISIONS.—The purposes for  
17 which obligations of the United States may be issued  
18 under chapter 31 of title 31, United States Code, are here-  
19 by extended to authorize the issuance of public debt obli-  
20 gations consisting of contribution recognition bonds issued  
21 under this section. Each such obligation shall be evidenced  
22 by a paper instrument in the form of a bond issued by  
23 the Secretary setting forth the terms specified in this sub-  
24 section, and stating on its face that the obligation shall  
25 be incontestable in the hands of the trustee of such ac-

1 count, that the obligation is supported by the full faith  
2 and credit of the United States, and that the United  
3 States is pledged to the payment of the obligation, to the  
4 credit of such account, in accordance with the provisions  
5 of this section.

6 **SEC. 7. PHASED IN INCREASE IN SOCIAL SECURITY RETIRE-**  
7 **MENT AGE.**

8 Section 216(l) of the Social Security Act (42 U.S.C.  
9 416(l) is amended—

10 (1) by striking subparagraphs (B), (C), (D),  
11 and (E) of paragraph (1) and inserting the following  
12 new subparagraphs:

13 “(B) with respect to an individual who attains  
14 early retirement age (as determined under para-  
15 graph (2)) after December 31, 1999, and before  
16 January 1, 2029, 65 years of age plus  $\frac{2}{12}$  of the  
17 number of months in the period beginning with Jan-  
18 uary 2000 and ending with December of the year in  
19 which the individual attains early retirement age (as  
20 so determined); and

21 “(C) with respect to an individual who attains  
22 early retirement age after December 31, 2028, 70  
23 years of age.”; and

24 (2) by striking paragraph (3).

1 **SEC. 8. ADJUSTED PERCENTAGES APPLIED TO AVERAGE**  
2 **INDEXED MONTHLY EARNINGS IN DETERMIN-**  
3 **ING PRIMARY INSURANCE AMOUNTS.**

4 (a) IN GENERAL.—Section 215(a)(1)(B) of the So-  
5 cial Security Act (42 U.S.C. 415(a)(1)(B)) is amended by  
6 adding at the end the following new clause:

7 “(iii) For purposes of determinations made under  
8 this subsection taking effect in each calendar year after  
9 1999, each percentage specified in clauses (i), (ii), and (iii)  
10 of subparagraph (A) shall be replaced with a percentage  
11 equal to the product derived by multiplying—

12 “(I) the percentage in effect for purposes of de-  
13 terminations made under this subsection in the prior  
14 calendar year, by

15 “(II) the applicable index ratio,  
16 rounded to the nearest one-tenth of 1 percent.

17 “(iv) For purposes of clause (iii), the applicable index  
18 ratio in connection with determinations made under this  
19 subsection in any calendar year, means a ratio—

20 “(I) the numerator of which is 100 percent plus  
21 the percentage (rounded to the nearest one-tenth of  
22 1 percent) by which the Consumer Price Index for  
23 December of the preceding calendar year exceeds the  
24 Consumer Price Index for December of the next  
25 prior calendar year, and

1           “(II) the denominator of which is 100 percent  
2 plus the percentage (rounded to the nearest one-  
3 tenth of 1 percent) by which the national average  
4 wage index (as defined in section 209(k)(1)) for the  
5 preceding calendar year exceeds such index for the  
6 next prior calendar year.”.

7           (b) CONFORMING AMENDMENT.—Section 209(k)(1)  
8 of such Act (42 U.S.C. 409(k)(1)) is amended by inserting  
9 “215(a)(1)(B)(iii),” after “215(a)(1)(B)(ii),”.

10 **SEC. 9. OFF-BUDGET TREATMENT FOR SOCIAL SECURITY**

11 **REFORMS.**

12           (a) IN GENERAL.—In determining any new budget  
13 authority, outlays, receipts, deficit, or surplus for purposes  
14 of—

15               (1) the budget of the United States Govern-  
16 ment as submitted by the President,

17               (2) the congressional budget, or

18               (3) the Balanced Budget and Emergency Defi-  
19 cit Control Act of 1985,

20 any receipts or disbursements of the general fund of the  
21 Treasury and any indebtedness incurred by the Federal  
22 Government pursuant to the operation of the provisions  
23 of this Act or the amendments made thereby (other than  
24 administrative expenses of the Social Security Administra-

1 tion or the Department of the Treasury) shall not be taken  
2 into account.

3 (b) RULES OF CONSTRUCTION.—Nothing in this Act  
4 (or the amendments made thereby) shall—

5 (1) affect the status as private property of  
6 amounts contributed to individual social security re-  
7 tirement accounts pursuant to section 251 or 253 of  
8 the Social Security Act (added by this Act) and any  
9 income attributable to such contributions, or

10 (2) supersede or otherwise affect the provisions  
11 of section 710 of the Social Security Act (relating to  
12 budgetary treatment of the social security trust  
13 funds) or section 13301 of the Budget Enforcement  
14 Act of 1990 (relating to off-budget status of OASDI  
15 trust funds).

16 (c) EXCLUSION OF PROGRAM FOR SOCIAL SECURITY  
17 REFORMS FROM CONGRESSIONAL BUDGET.—Section  
18 301(a) of the Congressional Budget Act of 1974 is amend-  
19 ed in the last sentence by inserting “or of the operation  
20 of the provisions of the Individual Social Security Retire-  
21 ment Accounts Act of 1997 (and the amendments made  
22 thereby)” after “1986”.

1 **SEC. 10. STUDY RELATING TO FEDERAL CIVILIAN AND**  
2 **MILITARY PERSONNEL.**

3 (a) **IN GENERAL.**—Not later than December 31,  
4 1998, the Office of Personnel Management, after appro-  
5 priate study, shall submit to the President and each House  
6 of the Congress a written report containing recommenda-  
7 tions for the most appropriate and feasible means of pro-  
8 viding for the application of this Act with respect to Fed-  
9 eral civilian and military personnel.

10 (b) **REQUIREMENTS.**—The report—

11 (1) shall be prepared in consultation with the  
12 Social Security Administration and other appro-  
13 priate agencies, and

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

○