

105TH CONGRESS
2D SESSION

S. 1792

To reduce social security payroll taxes, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 18, 1998

Mr. MOYNIHAN (for himself and Mr. KERREY) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To reduce social security payroll taxes, 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; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Social Security Solvency Act of 1998”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Modification of FICA rates to provide pay-as-you-go financing of social security.
- Sec. 3. Voluntary investment of payroll tax cut by employees.
- Sec. 4. Increase of social security wage base.
- Sec. 5. Cost-of-living adjustments.
- Sec. 6. Tax treatment of social security payments.
- Sec. 7. Coverage of newly hired State and local employees.

- Sec. 8. Increase in length of computation period from 35 to 38 years.
- Sec. 9. Phased in increase in social security retirement age.
- Sec. 10. Elimination of earnings test for individuals who have attained early retirement age.

1 **SEC. 2. MODIFICATION OF FICA RATES TO PROVIDE PAY-**
 2 **AS-YOU-GO FINANCING OF SOCIAL SECURITY.**

3 (a) IN GENERAL.—

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

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

9 “(1) IN GENERAL.—In addition to other taxes,
 10 there is hereby imposed on the income of every indi-
 11 vidual a tax equal to the applicable percentage of the
 12 wages (as defined in section 3121(a)) received by
 13 him with respect to employment (as defined in sec-
 14 tion 3121(b)).

15 “(2) APPLICABLE PERCENTAGE.—For purposes
 16 of paragraph (1), the applicable percentage shall be
 17 the percentage set forth in the following table:

“In the case wages received during:	The applicable percentage shall be:
1999 through 2024	5.2
2025 through 2029	5.7
2030 through 2044	6.2
2045 through 2054	6.35
2055 through 2059	6.5
2060 or thereafter	6.7 .”

1 (2) TAX ON EMPLOYERS.—Section 3111(a) of
2 such Code (relating to tax on employers) is amended
3 to read as follows:

4 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
5 ANCE.—

6 “(1) IN GENERAL.—In addition to other taxes,
7 there is hereby imposed on every employer an excise
8 tax, with respect to having individuals in his employ,
9 equal to the applicable percentage of the wages (as
10 defined in section 3121(a)) paid by him with respect
11 to employment (as defined in section 3121(b)).

12 “(2) APPLICABLE PERCENTAGE.—For purposes
13 of paragraph (1), the applicable percentage shall be
14 the percentage set forth in the following table:

“In the case wages paid during:	The applicable percentage shall be:
1999 and 2000	6.2
2001 through 2024	5.2
2025 through 2029	5.7
2030 through 2044	6.2
2045 through 2054	6.35
2055 through 2059	6.5
2060 or thereafter	6.7 .”

15 (3) SELF-EMPLOYMENT TAX.—Section 1401(a)
16 of such Code (relating to tax on self-employment in-
17 come) is amended to read as follows:

18 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
19 ANCE.—

20 “(1) IN GENERAL.—In addition to other taxes,
21 there is hereby imposed for each taxable year, on the

1 self-employment income of every individual, a tax
 2 equal to the applicable percentage of the amount of
 3 the self-employment income for such taxable year.

4 “(2) APPLICABLE PERCENTAGE.—For purposes
 5 of paragraph (1), the applicable percentage shall be
 6 the percentage set forth in the following table:

“In the case of a taxable year

Beginning after:	And before:	The ap- plicable per- centage is:
December 31, 1998	January 1, 2001	11.4
December 31, 2000	January 1, 2025	10.4
December 31, 2024	January 1, 2030	11.4
December 31, 2029	January 1, 2045	12.4
December 31, 2044	January 1, 2055	12.7
December 31, 2054	January 1, 2060	13.0
December 31, 2059	13.4 .”

7 (4) EFFECTIVE DATES.—

8 (A) EMPLOYEES AND EMPLOYERS.—The
 9 amendments made by paragraphs (1) and (2)
 10 apply to remuneration paid after December 31,
 11 1998.

12 (B) SELF-EMPLOYED INDIVIDUALS.—The
 13 amendment made by paragraph (3) applies to
 14 taxable years beginning after December 31,
 15 1998.

16 (b) REALLOCATION OF EMPLOYMENT TAXES.—

17 (1) REALLOCATION OF TAX ON EMPLOYEES
 18 AND EMPLOYERS.—Section 201(b)(1) of the Social
 19 Security Act (42 U.S.C. 401(b)(1)) is amended by

1 striking “(Q) 1.70 per centum of the wages (as so
2 defined) paid after December 31, 1996, and before
3 January 1, 2000, and so reported, and (R) 1.80 per
4 centum of the wages (as so defined) paid after De-
5 cember 31, 1999, and so reported” and inserting
6 “(Q) 1.70 per centum of the wages (as so defined)
7 paid after December 31, 1996, and before January
8 1, 1999, and so reported, (R) 1.80 per centum of
9 the wages (as so defined) paid after December 31,
10 1998, and before January 1, 2015, and so reported,
11 (S) 2.00 per centum of the wages (as so defined)
12 paid after December 31, 2014, and before January
13 1, 2025, and so reported, (T) 2.30 per centum of
14 the wages (as so defined) paid after December 31,
15 2024, and before January 1, 2030, and so reported,
16 (U) 2.20 per centum of the wages (as so defined)
17 paid after December 31, 2029, and before January
18 1, 2035, and so reported, (V) 2.30 per centum of
19 the wages (as so defined) paid after December 31,
20 2034, and before January 1, 2040, and so reported,
21 (W) 2.40 per centum of the wages (as so defined)
22 paid after December 31, 2039, and before January
23 1, 2045, and so reported, (X) 2.80 per centum of
24 the wages (as so defined) paid after December 31,
25 2044, and before January 1, 2055, and so reported,

1 and (Y) 2.90 per centum of the wages (as so de-
2 fined) paid after December 31, 2054, and so re-
3 ported”.

4 (2) REALLOCATION OF TAX ON SELF-EMPLOY-
5 MENT INCOME.—Section 201(b)(2) of such Act (42
6 U.S.C. 401(b)(2)) is amended by striking “(Q) 1.70
7 per centum of self-employment income (as so de-
8 fined) so reported for any taxable year beginning
9 after December 31, 1996, and before January 1,
10 2000, and (R) 1.80 per centum of self-employment
11 income (as so defined) so reported for any taxable
12 year beginning after December 31, 1999” and in-
13 sserting “(Q) 1.70 per centum of self-employment in-
14 come (as so defined) so reported for any taxable
15 year beginning after December 31, 1996, and before
16 January 1, 1999, (R) 1.80 per centum of self-em-
17 ployment income (as so defined) so reported for any
18 taxable year beginning after December 31, 1998,
19 and before January 1, 2015, (S) 2.00 per centum of
20 self-employment income (as so defined) so reported
21 for any taxable year beginning after December 31,
22 2014, and before January 1, 2025, (T) 2.30 per
23 centum of self-employment income (as so defined) so
24 reported for any taxable year beginning after De-
25 cember 31, 2024, and before January 1, 2030, (U)

1 2.20 per centum of self-employment income (as so
 2 defined) so reported for any taxable year beginning
 3 after December 31, 2029, and before January 1,
 4 2035, (V) 2.30 per centum of self-employment in-
 5 come (as so defined) so reported for any taxable
 6 year beginning after December 31, 2034, and before
 7 January 1, 2040, (W) 2.40 per centum of self-em-
 8 ployment income (as so defined) so reported for any
 9 taxable year beginning after December 31, 2039,
 10 and before January 1, 2045, (X) 2.80 per centum
 11 of self-employment income (as so defined) so re-
 12 ported for any taxable year beginning after Decem-
 13 ber 31, 2044, and before January 1, 2055, and (Y)
 14 2.90 per centum of self-employment income (as so
 15 defined) so reported for any taxable year beginning
 16 after December 31, 2054”.

17 (c) FUTURE RATES AND ALLOCATION BETWEEN
 18 TRUST FUNDS PROPOSED BY BOARD OF TRUSTEES FOR
 19 LEGISLATIVE ACTION.—

20 (1) IN GENERAL.—Section 201(c) of the Social
 21 Security Act (42 U.S.C. 401(c)) is amended in the
 22 matter following paragraph (5) by striking “(as de-
 23 fined by the Board of Trustees).” and inserting “(as
 24 defined by the Board of Trustees. If such finding
 25 shows that the combined Trust Funds are not in

1 close actuarial balance (as so defined), then such re-
2 port (beginning in April 2000) shall include a legis-
3 lative recommendation by the Board of Trustees
4 specifying new rates of tax under sections 3101(a),
5 3111(a), and 1401(a) of the Internal Revenue Code
6 of 1986, and the allocation of those rates between
7 the Trust Funds necessary in order to restore the
8 combined Trust Funds and each Trust Fund to ac-
9 tual balance. If such finding shows that the com-
10 bined Trust Funds are in close actuarial balance (as
11 so defined), but that 1 of the Trust Funds is not in
12 close actuarial balance, then such report (beginning
13 in April 2000) shall include a legislative rec-
14 ommendation by the Board of Trustees specifying a
15 new allocation of such rates of tax between the
16 Trust Funds, so that each Trust Fund is in close
17 actuarial balance. Such recommendation shall be
18 considered by Congress under procedures described
19 in subsection (n)).”.

20 (2) FAST-TRACK CONSIDERATION OF LEGISLA-
21 TIVE RECOMMENDATIONS.—Section 201 of such Act
22 (42 U.S.C. 401) is amended by adding at the end
23 the following new subsection:

24 “(n)(1) Any legislative recommendation included in
25 the report provided for in subsection (c) shall—

1 “(A) not later than 3 days after the Board of
2 Trustees submits such report, be introduced (by re-
3 quest) in the House of Representatives by the Ma-
4 jority Leader of the House and be introduced (by re-
5 quest) in the Senate by the Majority Leader of the
6 Senate; and

7 “(B) be given expedited consideration under the
8 same provisions and in the same way, subject to
9 paragraph (2), as a joint resolution under section
10 2908 of the Defense Base Closure and Realignment
11 Act of 1990 (10 U.S.C. 2678 note).

12 “(2) For purposes of applying paragraph (1) with re-
13 spect to such provisions, the following rules shall apply:

14 “(A) Section 2908(a) of the Defense Base Clo-
15 sure and Realignment Act of 1990 (10 U.S.C. 2678
16 note) shall not apply.

17 “(B) Any reference to the resolution described
18 in subsection (a) shall be deemed to be a reference
19 to the legislative recommendation submitted under
20 subsection (c) of this Act.

21 “(C) Any reference to the Committee on Na-
22 tional Security of the House of Representatives shall
23 be deemed to be a reference to the Committee on
24 Ways and Means of the House of Representatives
25 and any reference to the Committee on Armed Serv-

1 ices of the Senate shall be deemed to be a reference
2 to the Committee on Finance of the Senate.

3 “(D) Any reference to the date on which the
4 President transmits a report shall be deemed to be
5 a reference to the date on which the recommenda-
6 tion is submitted under subsection (c).”.

7 (d) CONFORMING AMENDMENTS TO FERS TO PRO-
8 TECT PAYROLL TAX CUT.—The table contained in section
9 8422(a)(3) of title 5, United States Code, is amended—

10 (1) by striking “7” the second place it appears
11 and inserting “6”;

12 (2) by striking “7.25” and inserting “6.25”;

13 (3) by striking “7.4” and inserting “6.4”;

14 (4) by striking “7.5” the first, third, fifth, and
15 seventh places it appears and inserting “6.5”;

16 (5) by striking “7.75” each place it appears
17 and inserting “6.75”;

18 (6) by striking “7.9” each place it appears and
19 inserting “6.9”; and

20 (7) by striking “8” each place it appears and
21 inserting “7”.

22 **SEC. 3. VOLUNTARY INVESTMENT OF PAYROLL TAX CUT BY**
23 **EMPLOYEES.**

24 (a) SHORT TITLE.—This section may be cited as the
25 “Voluntary Investment Contribution Act (VICA)”.

1 (b) VOLUNTARY INVESTMENT OF PAYROLL TAX
2 CUT.—

3 (1) IN GENERAL.—Title II of the Social Secu-
4 rity Act (42 U.S.C. 401 et seq.) is amended—

5 (A) by inserting before section 201 the fol-
6 lowing:

7 “PART A—INSURANCE BENEFITS”;

8 and

9 (B) by adding at the end the following:

10 “PART B—VOLUNTARY INVESTMENT ACCOUNTS
11 “EMPLOYEE ELECTION AND DESIGNATION OF VOL-
12 UNTARY INVESTMENT ACCOUNT UNDER PAYROLL
13 DEDUCTION PLAN

14 “SEC. 251. (a) IN GENERAL.—An individual who is
15 an employee of a covered employer may elect to participate
16 in the employer’s voluntary investment account payroll de-
17 duction plan either—

18 “(1) not later than 10 business days after the
19 individual becomes an employee of the employer, or

20 “(2) during any open enrollment period.

21 The Commissioner shall by regulation provide for at least
22 1 open enrollment period annually.

23 “(b) PERIOD OF ELECTION.—

24 “(1) TIME ELECTION TAKES EFFECT.—An elec-
25 tion under subsection (a) shall take effect with re-

1 spect to the first pay period beginning more than 14
2 days after the date of the election.

3 “(2) TERMINATION.—An election under sub-
4 section (a) shall terminate—

5 “(A) upon the termination of employment
6 of the employee of the covered employer, or

7 “(B) with respect to pay periods beginning
8 more than 14 days after the employee termi-
9 nates such election.

10 “(c) DESIGNATION OF VOLUNTARY INVESTMENT AC-
11 COUNT.—

12 “(1) INITIAL ELECTION.—An employee shall, at
13 the time an election is made under subsection (a),
14 designate the voluntary investment account to which
15 voluntary investment account contributions on behalf
16 of the employee are to be deposited.

17 “(2) CHANGES.—The Commissioner shall by
18 regulation provide the time and manner by which an
19 employee may—

20 “(A) designate another voluntary invest-
21 ment account to which contributions are to be
22 deposited, and

23 “(B) transfer amounts from one such ac-
24 count to another.

1 “(d) FORM OF ELECTIONS.—Elections under this
2 section shall be made—

3 “(1) on W-4 forms (or any successor forms), or

4 “(2) in such other manner as the Commissioner
5 may prescribe in order to ensure ease of administra-
6 tion and reductions in burdens on employers.

7 “VOLUNTARY INVESTMENT ACCOUNT PAYROLL

8 DEDUCTION PLANS

9 “SEC. 252. (a) IN GENERAL.—Each person who is
10 a covered employer for a calendar year shall have in effect
11 a voluntary investment account payroll deduction plan for
12 such calendar year for such person’s electing employees.

13 “(b) VOLUNTARY INVESTMENT ACCOUNT PAYROLL
14 DEDUCTION PLANS.—For purposes of this part, the term
15 ‘voluntary investment account payroll deduction plan’
16 means a written plan of an employer—

17 “(1) which applies only with respect to wages of
18 any employee who elects to become an electing em-
19 ployee in accordance with section 251,

20 “(2) under which the voluntary investment ac-
21 count contributions under section 3101(a) of the In-
22 ternal Revenue Code of 1986 will be deducted from
23 an electing employee’s wages and, together with such
24 contributions under section 3111(a) of such Code on
25 behalf of such employee, will be paid to the Social
26 Security Administration for deposit in 1 or more vol-

1 untary investment accounts designated by such em-
2 ployee in accordance with section 251,

3 “(3) under which the employer is required to
4 pay the amount so contributed with respect to the
5 specified voluntary investment account of the elect-
6 ing employee within the same time period as other
7 taxes under sections 3101 and 3111 with respect to
8 the wages of such employee,

9 “(4) under which the employer receives no com-
10 pensation for the cost of administering such plan,
11 and

12 “(5) under which the employer does not make
13 any endorsement with respect to any voluntary in-
14 vestment account.

15 “(c) PENALTIES FOR FAILURE TO ESTABLISH VOL-
16 UNTARY INVESTMENT ACCOUNT PAYROLL DEDUCTION
17 PLAN.—

18 “(1) IN GENERAL.—Any covered employer who
19 fails to meet the requirements of this section for any
20 calendar year shall be subject to a civil penalty of
21 not to exceed the greater of—

22 “(A) \$2,500, or

23 “(B) \$100 for each electing employee of
24 such employer as of the beginning of such cal-
25 endar year.

1 “(2) RULES FOR APPLICATION OF SUB-
2 SECTION.—

3 “(A) PENALTIES ASSESSED BY COMMIS-
4 SIONER.—Any civil penalty assessed by this
5 subsection shall be imposed by the Commis-
6 sioner of Social Security and collected in a civil
7 action.

8 “(B) COMPROMISES.—The Commissioner
9 may compromise the amount of any civil pen-
10 alty imposed by this subsection.

11 “(C) AUTHORITY TO WAIVE PENALTY IN
12 CERTAIN CASES.—The Commissioner may waive
13 the application of this subsection with respect
14 to any failure if the Commissioner determines
15 that such failure is due to reasonable cause and
16 not to intentional disregard of rules and regula-
17 tions.

18 “PARTICIPATION BY SELF-EMPLOYED INDIVIDUALS

19 “SEC. 253. An individual shall make an election to
20 become an electing self-employed individual, designate a
21 voluntary investment account, and have in effect a vol-
22 untary investment account payroll deduction plan under
23 rules similar to the rules under sections 251 and 252.

24 “DEFINITIONS AND SPECIAL RULES

25 “SEC. 254. For purposes of this part—

26 “(1) VOLUNTARY INVESTMENT ACCOUNT.—

1 “(A) IN GENERAL.—The term ‘voluntary
2 investment account’ means—

3 “(i) any voluntary investment account
4 in the Voluntary Investment Fund (estab-
5 lished under section 255) which is adminis-
6 tered by the Voluntary Investment Board,
7 or

8 “(ii) any individual retirement plan
9 (as defined in section 7701(a)(37) of the
10 Internal Revenue Code of 1986), other
11 than a Roth IRA (as defined in section
12 408A(b) of such Code), which is des-
13 ignated by the electing employee as a vol-
14 untary investment account (in such man-
15 ner as the Secretary of the Treasury may
16 prescribe) and which is administered or
17 issued by a bank or other person referred
18 to in section 408(a)(2) of such Code.

19 “(B) TREATMENT OF ACCOUNTS.—

20 “(i) IN GENERAL.—Except as pro-
21 vided in clause (ii)—

22 “(I) any voluntary investment ac-
23 count described in subparagraph
24 (A)(i) shall be treated in the same
25 manner as an account in the Thrift

1 Savings Fund under subchapter III of
2 chapter 84 of title 5, United States
3 Code, and

4 “(II) any voluntary investment
5 account described in subparagraph
6 (A)(ii) shall be treated in the same
7 manner as an individual retirement
8 plan (as so defined).

9 “(ii) EXCEPTIONS.—

10 “(I) CONTRIBUTION LIMIT.—The
11 aggregate amount of contributions for
12 any taxable year to all voluntary in-
13 vestment accounts of an electing em-
14 ployee shall not exceed the aggregate
15 amount of contributions made pursu-
16 ant to sections 3101(a)(3),
17 3111(a)(3), and 1401(a)(3) of the In-
18 ternal Revenue Code of 1986 and paid
19 pursuant to section 252 or 253 on be-
20 half of such employee.

21 “(II) NO DEDUCTION AL-
22 LOWED.—No deduction shall be al-
23 lowed under section 219 of the Inter-
24 nal Revenue Code of 1986 for a con-
25 tribution to a voluntary investment

1 account described in subparagraph
2 (A)(ii).

3 “(III) ROLLOVER CONTRIBUTIONS.—No rollover contribution may
4 be made to a voluntary investment ac-
5 count unless it is from another vol-
6 untary investment account. A rollover
7 described in the preceding sentence
8 shall not be taken into account for
9 purposes of subclause (I).

11 “(IV) DISTRIBUTIONS ALLOWED
12 TO SOCIAL SECURITY BENE-
13 FICIARIES.—Notwithstanding any
14 other provision of law, distributions
15 may only be made from a voluntary
16 investment account of an electing em-
17 ployee on or after the earlier of the
18 date on which the employee begins re-
19 ceiving benefits under this title or the
20 date of the employee’s death.

21 “(2) COVERED EMPLOYER.—The term ‘covered
22 employer’ means, for any calendar year, any person
23 on whom an excise tax is imposed under section
24 3111 of the Internal Revenue Code of 1986 with re-
25 spect to having an individual in the person’s employ

1 to whom wages are paid by such person during such
2 calendar year.

3 “(3) ELECTING EMPLOYEE.—The term ‘electing
4 employee’ means an individual with respect to whom
5 an election under section 251 is in effect.

6 “(4) ELECTING SELF-EMPLOYED INDIVID-
7 UAL.—The term ‘electing self-employed individual’
8 means an individual with respect to whom an elec-
9 tion under section 253 is in effect.

10 “VOLUNTARY INVESTMENT FUND

11 “SEC. 255. (a) ESTABLISHMENT.—There is estab-
12 lished and maintained in the Treasury of the United
13 States a Voluntary Investment Fund in the same manner
14 as the Thrift Savings Fund under sections 8437, 8438,
15 and 8439 of title 5, United States Code.

16 “(b) VOLUNTARY INVESTMENT FUND BOARD.—

17 “(1) IN GENERAL.—There is established and
18 operated in the Social Security Administration a
19 Voluntary Investment Fund Board in the same man-
20 ner as the Federal Retirement Thrift Investment
21 Board under subchapter VII of chapter 84 of title
22 5, United States Code.

23 “(2) SPECIFIC INVESTMENT DUTIES.—The Vol-
24 untary Investment Fund shall be managed by the
25 Voluntary Investment Fund Board in the same man-
26 ner as the Thrift Savings Fund is managed under

1 subchapter VIII of chapter 84 of title 5, United
2 States Code.”.

3 (2) EXEMPTION FROM ERISA REQUIRE-
4 MENTS.—Section 4(b) of the Employee Retirement
5 Income Security Act of 1974 (29 U.S.C. 1003(b)) is
6 amended—

7 (A) in paragraph (4), by striking “or”;

8 (B) in paragraph (5), by striking the pe-
9 riod and inserting “; or”; and

10 (C) by inserting after paragraph (5) the
11 following:

12 “(6) such plan is a voluntary investment ac-
13 count payroll deduction plan established under part
14 B of title II of the Social Security Act.”.

15 (3) EFFECTIVE DATE AND NOTICE REQUIRE-
16 MENTS.—

17 (A) EFFECTIVE DATE.—The amendments
18 made by this subsection (and any voluntary in-
19 vestment account payroll deduction plan re-
20 quired thereunder) apply with respect to wages
21 paid after December 31, 2000, for pay periods
22 beginning after such date and self-employment
23 income for taxable years beginning after such
24 date.

25 (B) NOTICE REQUIREMENTS.—

1 (i) IN GENERAL.—Not later than Oc-
2 tober 1, 2000, the Commissioner of Social
3 Security shall—

4 (I) send to the last known ad-
5 dress of each eligible individual a de-
6 scription of the program established
7 by the amendments made by this sub-
8 section, which shall be written in the
9 form of a pamphlet in language which
10 may be readily understood by the av-
11 erage worker,

12 (II) provide for toll-free access by
13 telephone from all localities in the
14 United States and access by the Inter-
15 net to the Social Security Administra-
16 tion through which individuals may
17 obtain information and answers to
18 questions regarding such program,
19 and

20 (III) provide information to the
21 media in all localities of the United
22 States about such program and such
23 toll-free access by telephone and ac-
24 cess by Internet.

1 (ii) ELIGIBLE INDIVIDUAL.—For pur-
2 poses of this subparagraph, the term “eli-
3 gible individual” means an individual who,
4 as of the date of the pamphlet sent pursu-
5 ant to clause (i), is indicated within the
6 records of the Social Security Administra-
7 tion as being credited with 1 or more quar-
8 ters of coverage under section 213 of the
9 Social Security Act (42 U.S.C. 413).

10 (iii) MATTERS TO BE INCLUDED.—
11 The Commissioner shall include with the
12 pamphlet sent to each eligible individual
13 pursuant to clause (i)—

14 (I) a statement of the number of
15 quarters of coverage indicated in the
16 records of the Social Security Admin-
17 istration as of the date of the descrip-
18 tion as credited to such individual
19 under section 213 of such Act and the
20 date as of which such records may be
21 considered accurate, and

22 (II) the number for toll-free ac-
23 cess by telephone established by the
24 Commissioner pursuant to clause (i).

1 (c) CONFORMING AMENDMENTS TO PAYROLL TAX
2 PROVISIONS.—

3 (1) EMPLOYEES VOLUNTARY INVESTMENT CON-
4 TRIBUTIONS.—Section 3101(a) of the Internal Reve-
5 nue Code of 1986 (relating to tax on employees), as
6 amended by section 2(a)(1), is amended by adding
7 at the end the following:

8 “(3) VOLUNTARY INVESTMENT ACCOUNT CON-
9 TRIBUTION.—In the case of an electing employee (as
10 defined in section 254(3) of the Social Security Act),
11 in addition to other taxes, there is hereby imposed
12 on the income of such employee a voluntary invest-
13 ment account contribution equal to 1 percent of the
14 wages (as so defined) received by him with respect
15 to employment (as so defined).”.

16 (2) EMPLOYERS MATCHING CONTRIBUTIONS.—
17 Section 3111(a) of such Code (relating to tax on em-
18 ployers), as amended by section 2(a)(2), is amended
19 by adding at the end the following:

20 “(3) MATCHING CONTRIBUTION TO EMPLOYEE
21 VOLUNTARY INVESTMENT ACCOUNT CONTRIBU-
22 TION.—In the case of an employer having in his em-
23 ploy an electing employee (as defined in section
24 254(3) of the Social Security Act), in addition to
25 other taxes, there is hereby imposed on such em-

1 ployer a voluntary investment account contribution
 2 equal to 1 percent of the wages (as so defined) paid
 3 by him with respect to employment (as so defined)
 4 of such employee.”.

5 (3) SELF-EMPLOYMENT VOLUNTARY INVEST-
 6 MENT ACCOUNT CONTRIBUTIONS.—Section 1401(a)
 7 of such Code (relating to tax on self-employment in-
 8 come), as amended by section 2(a)(3), is amended
 9 by adding at the end the following:

10 “(3) VOLUNTARY INVESTMENT ACCOUNT CON-
 11 TRIBUTION.—In the case of an electing self-em-
 12 ployed individual (as defined in section 254(4) of the
 13 Social Security Act), in addition to other taxes,
 14 there is hereby imposed for each taxable year, on the
 15 self-employment income of such individual, a vol-
 16 untary investment account contribution equal to 2
 17 percent of the amount of the self-employment in-
 18 come for such taxable year.”.

19 (4) EFFECTIVE DATES.—

20 (A) EMPLOYEES AND EMPLOYERS.—The
 21 amendments made by paragraphs (1) and (2)
 22 apply to remuneration paid after December 31,
 23 2000.

24 (B) SELF-EMPLOYED INDIVIDUALS.—The
 25 amendment made by paragraph (3) applies to

1 taxable years beginning after December 31,
2 2000.

3 **SEC. 4. INCREASE OF SOCIAL SECURITY WAGE BASE.**

4 (a) IN GENERAL.—Section 230 of the Social Security
5 Act (42 U.S.C. 430) is amended—

6 (1) in subsection (b)—

7 (A) in paragraph (1), by striking
8 “\$60,600” and inserting “\$97,500”; and

9 (B) in paragraph (2), by striking “1992”
10 and inserting “2001”; and

11 (2) in subsection (c)—

12 (A) by striking “(1)” and all that follows
13 through “\$29,700.” and inserting “the ‘con-
14 tribution and benefit base’ with respect to re-
15 munerated paid (and taxable years begin-
16 ning)—

17 “(1) in 2001 shall be \$85,000,

18 “(2) in 2002 shall be \$92,000, and

19 “(3) in 2003 shall be \$97,500.”; and

20 (B) by striking “specified in clause (2) of
21 the preceding sentence” and inserting “specified
22 in the preceding sentence”.

23 (b) EFFECTIVE DATE.—The amendments made by
24 this section take effect on January 1, 2001.

1 **SEC. 5. COST-OF-LIVING ADJUSTMENTS.**

2 (a) COST-OF-LIVING BOARD.—Title XI of the Social
3 Security Act (42 U.S.C. 1301 et seq.) is amended by add-
4 ing at the end the following:

5 “PART D—COST-OF-LIVING ADJUSTMENTS

6 “DETERMINATION OF INFLATION ADJUSTMENT

7 “SEC. 1180. (a) MODIFICATION OF COST-OF-LIVING
8 ADJUSTMENT.—

9 “(1) IN GENERAL.—Notwithstanding any other
10 provision of law, any cost-of-living adjustment de-
11 scribed in subsection (e) shall be reduced by the ap-
12 plicable percentage point.

13 “(2) APPLICABLE PERCENTAGE POINT.—In this
14 section, the term ‘applicable percentage point’
15 means—

16 “(A) except as provided in subparagraph
17 (B), 1 percentage point; or

18 “(B) the applicable percentage point
19 adopted by the Cost-of-Living Board under sub-
20 section (b) for the calendar year.

21 “(b) COST-OF-LIVING BOARD DETERMINATION.—

22 “(1) IN GENERAL.—The Cost-of-Living Board
23 established under section 1181 shall for each cal-
24 endar year after 1998 determine if a new applicable
25 percentage point is necessary to replace the applica-
26 ble percentage point described in subsection

1 (a)(2)(A) to ensure an accurate cost-of-living adjust-
2 ment which shall apply to any cost-of-living adjust-
3 ment taking effect during such year.

4 “(2) ADOPTION OR REJECTION OF NEW APPLI-
5 CABLE PERCENTAGE POINT.—

6 “(A) ADOPTION.—

7 “(i) IN GENERAL.—If the Cost-of-Liv-
8 ing Board adopts by majority vote a new
9 applicable percentage point under para-
10 graph (1), then, for purposes of subsection
11 (a)(1), the new applicable percentage point
12 shall remain in effect during the following
13 calendar year.

14 “(ii) APPROPRIATE ADJUSTMENTS.—
15 The Cost-of-Living Board shall make ap-
16 propriate adjustments to the applicable
17 percentage point applied to any cost-of-liv-
18 ing adjustment if—

19 “(I) the period during which the
20 change in the cost-of-living is meas-
21 ured for such adjustment is different
22 than the period used by the Cost-of-
23 Living Board; or

1 “(II) the adjustment is based on
2 a component of an index rather than
3 the entire index.

4 “(B) REJECTION.—If the Cost-of-Living
5 Board fails by majority vote to adopt a new ap-
6 plicable percentage point under paragraph (1)
7 for any calendar year, then the applicable per-
8 centage point for such calendar year shall be
9 the applicable percentage point described in
10 subsection (a)(2)(A).

11 “(c) REPORT.—Not later than November 1 of each
12 calendar year, the Cost-of-Living Board shall submit a re-
13 port to the President and Congress containing a detailed
14 statement with respect to the new applicable percentage
15 point (if any) agreed to by the Board under subsection
16 (b).

17 “(d) JUDICIAL REVIEW.—Any determination by the
18 Cost-of Living Board under subsection (b) shall not be
19 subject to judicial review.

20 “(e) COST-OF-LIVING ADJUSTMENT DESCRIBED.—A
21 cost-of-living adjustment described in this subsection is
22 any cost-of-living adjustment for a calendar year after
23 1998 determined by reference to a percentage change in
24 a consumer price index or any component thereof (as pub-
25 lished by the Bureau of Labor Statistics of the Depart-

1 ment of Labor and determined without regard to this sec-
 2 tion) and used in any of the following:

3 “(1) The Internal Revenue Code of 1986.

4 “(2) Titles II, XVIII, and XIX of this Act.

5 “(3) Any other Federal program (not including
 6 programs under title XVI of this Act).

7 “COST-OF-LIVING BOARD

8 “SEC. 1181. (a) ESTABLISHMENT OF BOARD.—

9 “(1) ESTABLISHMENT.—There is established a
 10 board to be known as the Cost-of-Living Board (in
 11 this section referred to as the ‘Board’).

12 “(2) MEMBERSHIP.—

13 “(A) COMPOSITION.—The Board shall be
 14 composed of 5 members of whom—

15 “(i) 1 shall be the Chairman of the
 16 Board of Governors of the Federal Reserve
 17 System;

18 “(ii) 1 shall be the Chairman of the
 19 President’s Council of Economic Advisers;
 20 and

21 “(iii) 3 shall be appointed by the
 22 President, by and with the advice and con-
 23 sent of the Senate.

24 The President shall consult with the leadership
 25 of the House of Representatives and the Senate

1 in the appointment of the Board members
2 under clause (iii).

3 “(B) EXPERTISE.—The members of the
4 Board appointed under subparagraph (A)(iii)
5 shall be experts in the field of economics and
6 should be familiar with the issues related to the
7 calculation of changes in the cost of living. In
8 appointing members under subparagraph
9 (A)(iii), the President shall consider appoint-
10 ing—

11 “(i) former members of the Presi-
12 dent’s Council of Economic Advisers;

13 “(ii) former Treasury department offi-
14 cials;

15 “(iii) former members of the Board of
16 Governors of the Federal Reserve System;

17 “(iv) other individuals with relevant
18 prior government experience in positions
19 requiring appointment by the President
20 and Senate confirmation; and

21 “(v) academic experts in the field of
22 price statistics.

23 “(C) DATE.—

24 “(i) NOMINATIONS.—Not later than
25 30 days after the date of enactment of the

1 Social Security Solvency Act of 1998, the
2 President shall submit the nominations of
3 the members of the Board described in
4 subparagraph (A)(iii) to the Senate.

5 “(ii) SENATE ACTION.—Not later
6 than 60 days after the Senate receives the
7 nominations under clause (i), the Senate
8 shall vote on confirmation of the nomina-
9 tions.

10 “(3) TERMS AND VACANCIES.—

11 “(A) TERMS.—A member of the Board ap-
12 pointed under paragraph (2)(A)(iii) shall be ap-
13 pointed for a term of 5 years, except that of the
14 members first appointed under that para-
15 graph—

16 “(i) 1 member shall be appointed for
17 a term of 1 year;

18 “(ii) 1 member shall be appointed for
19 a term of 3 years; and

20 “(iii) 1 member shall be appointed for
21 a term of 5 years.

22 “(B) VACANCIES.—

23 “(i) IN GENERAL.—A vacancy on the
24 Board shall be filled in the manner in
25 which the original appointment was made

1 and shall be subject to any conditions
2 which applied with respect to the original
3 appointment.

4 “(ii) FILLING UNEXPIRED TERM.—An
5 individual chosen to fill a vacancy shall be
6 appointed for the unexpired term of the
7 member replaced.

8 “(C) EXPIRATION OF TERMS.—The term
9 of any member appointed under paragraph
10 (2)(A)(iii) shall not expire before the date on
11 which the member’s successor takes office.

12 “(4) INITIAL MEETING.—Not later than 30
13 days after the date on which all members of the
14 Board have been appointed, the Board shall hold its
15 first meeting. Subsequent meetings shall be deter-
16 mined by the Board by majority vote.

17 “(5) OPEN MEETINGS.—Notwithstanding sec-
18 tion 552b of title 5, United States Code, or section
19 10 of the Federal Advisory Committee Act (5 U.S.C.
20 App.), the Board may, by majority vote, close any
21 meeting of the Board to the public otherwise re-
22 quired to be open under that section. The Board
23 shall make the records of any such closed meeting
24 available to the public not later than 30 days of that
25 meeting.

1 “(6) QUORUM.—A majority of the members of
2 the Board shall constitute a quorum, but a lesser
3 number of members may hold hearings.

4 “(7) CHAIRPERSON AND VICE CHAIRPERSON.—
5 The Board shall select a Chairperson and Vice
6 Chairperson from among the members appointed
7 under paragraph (2)(A)(iii).

8 “(b) POWERS OF THE BOARD.—

9 “(1) HEARINGS.—The Board may hold such
10 hearings, sit and act at such times and places, take
11 such testimony, and receive such evidence as the
12 Board considers advisable to carry out the purposes
13 of this part.

14 “(2) INFORMATION FROM FEDERAL AGEN-
15 CIES.—The Board may secure directly from any
16 Federal department or agency such information as
17 the Board considers necessary to carry out the pro-
18 visions of this part, including the published and un-
19 published data and analytical products of the Bu-
20 reau of Labor Statistics. Upon request of the Chair-
21 person of the Board, the head of such department
22 or agency shall furnish such information to the
23 Board.

24 “(3) POSTAL SERVICES.—The Board may use
25 the United States mails in the same manner and

1 under the same conditions as other departments and
2 agencies of the Federal Government.

3 “(4) GIFTS.—The Board may accept, use, and
4 dispose of gifts or donations of services or property.

5 “(c) BOARD PERSONNEL MATTERS.—

6 “(1) COMPENSATION OF MEMBERS.—Each
7 member of the Board who is not otherwise an officer
8 or employee of the Federal Government shall be
9 compensated at a rate equal to the daily equivalent
10 of the annual rate of basic pay prescribed for level
11 III of the Executive Schedule under section 5315 of
12 title 5, United States Code, for each day (including
13 travel time) during which such member is engaged
14 in the performance of the duties of the Board. All
15 members of the Board who otherwise are officers or
16 employees of the United States shall serve without
17 compensation in addition to that received for their
18 services as officers or employees of the United
19 States.

20 “(2) TRAVEL EXPENSES.—The members of the
21 Board shall be allowed travel expenses, including per
22 diem in lieu of subsistence, at rates authorized for
23 employees of agencies under subchapter I of chapter
24 57 of title 5, United States Code, while away from

1 their homes or regular places of business in the per-
2 formance of services for the Board.

3 “(3) STAFF.—

4 “(A) IN GENERAL.—The Chairperson of
5 the Board may, without regard to the civil serv-
6 ice laws and regulations, appoint and terminate
7 an executive director and such other additional
8 personnel as may be necessary to enable the
9 Board to perform its duties. The employment of
10 an executive director shall be subject to con-
11 firmation by the Board.

12 “(B) COMPENSATION.—The Chairperson
13 of the Board may fix the compensation of the
14 executive director and other personnel without
15 regard to the provisions of chapter 51 and sub-
16 chapter III of chapter 53 of title 5, United
17 States Code, relating to classification of posi-
18 tions and General Schedule pay rates, except
19 that the rate of pay for the executive director
20 and other personnel may not exceed the rate
21 payable for level IV of the Executive Schedule
22 under section 5316 of such title.

23 “(4) DETAIL OF GOVERNMENT EMPLOYEES.—

24 Any Federal Government employee may be detailed
25 to the Board without additional reimbursement

1 (other than the employee's regular compensation),
2 and such detail shall be without interruption or loss
3 of civil service status or privilege.

4 “(5) PROCUREMENT OF TEMPORARY AND
5 INTERMITTENT SERVICES.—The Chairperson of the
6 Board may procure temporary and intermittent serv-
7 ices under section 3109(b) of title 5, United States
8 Code, at rates for individuals which do not exceed
9 the daily equivalent of the annual rate of basic pay
10 prescribed for level V of the Executive Schedule
11 under section 5316 of such title.

12 “(d) TERMINATION.—Section 14 of the Federal Advi-
13 sory Committee Act (5 U.S.C. App.) shall not apply to
14 the Board.

15 “(e) AUTHORIZATION OF APPROPRIATIONS.—There
16 are authorized to be appropriated to the Board such sums
17 as are necessary to carry out the purposes of this part.”.

18 (c) TERMINATION OF WAGE INDEX ADJUSTMENT.—
19 Section 215(i)(1)(C) of the Social Security Act (42 U.S.C.
20 415(i)(1)(C)) is amended—

21 (1) in clause (i)—

22 (A) by inserting “and before 1999” after
23 “after 1988”; and

24 (B) by inserting “, or in any calendar year
25 after 1998, the CPI increase percentage”; and

1 (2) in clause (ii), by inserting “and before
2 1999” after “after 1988”.

3 **SEC. 6. TAX TREATMENT OF SOCIAL SECURITY PAYMENTS.**

4 (a) IN GENERAL.—Section 86(a) of the Internal Rev-
5 enue Code of 1986 (relating to social security and tier 1
6 railroad retirement benefits) is amended to read as fol-
7 lows:

8 “(a) IN GENERAL.—Notwithstanding section 207 of
9 the Social Security Act, social security benefits shall be
10 included in the gross income of a taxpayer for any taxable
11 year in the manner provided under section 72.”.

12 (b) CONFORMING AMENDMENTS.—Section 86 of the
13 Internal Revenue Code of 1986 is amended by striking
14 subsections (b), (c), and (e) and by redesignating sub-
15 sections (d) and (f) as subsections (b) and (c), respec-
16 tively.

17 (c) TRANSFERS TO TRUST FUNDS.—Paragraph
18 (1)(A) of section 121(e) of the Social Security Amend-
19 ments of 1983, as amended by section 13215(c)(1) of the
20 Omnibus Budget Reconciliation Act of 1993, is amended
21 by striking “1993.” and inserting “1993, plus (iii) the
22 amounts equivalent to the aggregate increase in tax liabil-
23 ities under chapter 1 of the Internal Revenue Code of
24 1986 which is attributable to the amendments to section

1 86 of such Code made by section 6 of the Social Security
2 Solvency Act of 1998.”.

3 (d) EFFECTIVE DATE; APPLICATION; WAIVER OF
4 PENALTY.—

5 (1) EFFECTIVE DATE.—The amendments made
6 by this section apply to taxable years ending after
7 June 30, 1998.

8 (2) APPLICATION OF AMENDMENTS TO TAX-
9 ABLE YEAR 1998.—In the case of any taxable year
10 which includes July 1, 1998, the amount a taxpayer
11 is required to include in gross income under section
12 86 of the Internal Revenue Code of 1986 shall (in
13 lieu of the amount otherwise determined) be equal to
14 50 percent of the sum of—

15 (A) the amount of social security benefits
16 of the taxpayer to be included in gross income
17 for such year under such section 86, determined
18 as if the amendments made by this section had
19 not been enacted, plus

20 (B) such amount determined as if such
21 amendments had been in effect for the entire
22 taxable year.

23 (3) WAIVER OF CERTAIN ESTIMATED TAX PEN-
24 ALTIES.—No addition to tax shall be imposed under
25 section 6654 of the Internal Revenue Code of 1986

1 (relating to failure to pay estimated income tax)
 2 with respect to any underpayment of an installment
 3 required to be paid with respect to a taxable year to
 4 which paragraph (2) applies to the extent that such
 5 underpayment was created or increased by the
 6 amendments made by this section.

7 **SEC. 7. COVERAGE OF NEWLY HIRED STATE AND LOCAL**
 8 **EMPLOYEES.**

9 (a) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

10 (1) IN GENERAL.—Paragraph (7) of section
 11 210(a) of the Social Security Act (42 U.S.C.
 12 410(a)(7)) is amended to read as follows:

13 “(7) Excluded State or local government em-
 14 ployment (as defined in subsection (s));”.

15 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
 16 EMPLOYMENT.—

17 (A) IN GENERAL.—Section 210 of such
 18 Act (42 U.S.C. 410) is amended by adding at
 19 the end the following new subsection:

20 “Excluded State or Local Government Employment

21 “(s)(1) IN GENERAL.—The term ‘excluded State or
 22 local government employment’ means any service per-
 23 formed in the employ of a State, of any political subdivi-
 24 sion thereof, or of any instrumentality of any one or more
 25 of the foregoing which is wholly owned thereby, if—

1 “(A)(i) such service would be excluded from the
2 term ‘employment’ for purposes of this title if the
3 preceding provisions of this section as in effect on
4 December 31, 2000, had remained in effect, and (ii)
5 the requirements of paragraph (2) are met with re-
6 spect to such service, or

7 “(B) the requirements of paragraph (3) are met
8 with respect to such service.

9 “(2) EXCEPTION FOR CURRENT EMPLOYMENT
10 WHICH CONTINUES.—

11 “(A) IN GENERAL.—The requirements of this
12 paragraph are met with respect to service for any
13 employer if—

14 “(i) such service is performed by an indi-
15 vidual—

16 “(I) who was performing substantial
17 and regular service for remuneration for
18 that employer before January 1, 2001,

19 “(II) who is a bona fide employee of
20 that employer on December 31, 2000, and

21 “(III) whose employment relationship
22 with that employer was not entered into
23 for purposes of meeting the requirements
24 of this subparagraph, and

1 “(ii) the employment relationship with that
2 employer has not been terminated after Decem-
3 ber 31, 2000.

4 “(B) TREATMENT OF MULTIPLE AGENCIES AND
5 INSTRUMENTALITIES.—For purposes of subpara-
6 graph (A), under regulations (consistent with regula-
7 tions established under section 3121(t)(2)(B) of the
8 Internal Revenue Code of 1986)—

9 “(i) all agencies and instrumentalities of a
10 State (as defined in section 218(b)) or of the
11 District of Columbia shall be treated as a single
12 employer, and

13 “(ii) all agencies and instrumentalities of a
14 political subdivision of a State (as so defined)
15 shall be treated as a single employer and shall
16 not be treated as described in clause (i).

17 “(3) EXCEPTION FOR CERTAIN SERVICES.—

18 “(A) IN GENERAL.—The requirements of this
19 paragraph are met with respect to service if such
20 service is performed—

21 “(i) by an individual who is employed by a
22 State or political subdivision thereof to relieve
23 such individual from unemployment,

24 “(ii) in a hospital, home, or other institu-
25 tion by a patient or inmate thereof as an em-

1 ployee of a State or political subdivision thereof
2 or of the District of Columbia,

3 “(iii) by an individual, as an employee of
4 a State or political subdivision thereof or of the
5 District of Columbia, serving on a temporary
6 basis in case of fire, storm, snow, earthquake,
7 flood, or other similar emergency,

8 “(iv) by any individual as an employee in-
9 cluded under section 5351(2) of title 5, United
10 States Code (relating to certain interns, student
11 nurses, and other student employees of hos-
12 pitals of the District of Columbia Government),
13 other than as a medical or dental intern or a
14 medical or dental resident in training,

15 “(v) by an election official or election
16 worker if the remuneration paid in a calendar
17 year for such service is less than \$1,000 with
18 respect to service performed during 2001, and
19 the adjusted amount determined under sub-
20 paragraph (C) for any subsequent year with re-
21 spect to service performed during such subse-
22 quent year, except to the extent that service by
23 such election official or election worker is in-
24 cluded in employment under an agreement
25 under section 218, or

1 “(vi) by an employee in a position com-
2 pensated solely on a fee basis which is treated
3 pursuant to section 211(c)(2)(E) as a trade or
4 business for purposes of inclusion of such fees
5 in net earnings from self-employment.

6 “(B) DEFINITIONS.—As used in this para-
7 graph, the terms ‘State’ and ‘political subdivision’
8 have the meanings given those terms in section
9 218(b).

10 “(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR
11 ELECTION OFFICIALS AND ELECTION WORKERS.—
12 For each year after 2001, the Secretary shall adjust
13 the amount referred to in subparagraph (A)(v) at
14 the same time and in the same manner as is pro-
15 vided under section 215(a)(1)(B)(ii) with respect to
16 the amounts referred to in section 215(a)(1)(B)(i),
17 except that—

18 “(i) for purposes of this subparagraph,
19 1998 shall be substituted for the calendar year
20 referred to in section 215(a)(1)(B)(ii)(II), and

21 “(ii) such amount as so adjusted, if not a
22 multiple of \$50, shall be rounded to the nearest
23 multiple of \$50.

24 The Commissioner of Social Security shall determine
25 and publish in the Federal Register each adjusted

1 amount determined under this subparagraph not
2 later than November 1 preceding the year for which
3 the adjustment is made.”.

4 (B) CONFORMING AMENDMENTS.—

5 (i) Subsection (k) of section 210 of
6 such Act (42 U.S.C. 410(k)) (relating to
7 covered transportation service) is repealed.

8 (ii) Section 210(p) of such Act (42
9 U.S.C. 410(p)) is amended—

10 (I) in paragraph (2), by striking
11 “service is performed” and all that
12 follows and inserting “service is serv-
13 ice described in subsection (s)(3)(A).”;
14 and

15 (II) in paragraph (3)(A), by in-
16 serting “under subsection (a)(7) as in
17 effect on December 31, 2000” after
18 “section”.

19 (iii) Section 218(e)(6) of such Act (42
20 U.S.C. 418(e)(6)) is amended—

21 (I) by striking subparagraph (C);

22 (II) by redesignating subpara-
23 graphs (D) and (E) as subparagraphs
24 (C) and (D), respectively; and

1 (III) by striking subparagraph
2 (F) and inserting the following:

3 “(E) service which is included as employment
4 under section 210(a).”

5 (b) AMENDMENTS TO THE INTERNAL REVENUE
6 CODE OF 1986.—

7 (1) IN GENERAL.—Paragraph (7) of section
8 3121(b) of the Internal Revenue Code of 1986 (re-
9 lating to employment) is amended to read as follows:

10 “(7) excluded State or local government em-
11 ployment (as defined in subsection (t));”.

12 (2) EXCLUDED STATE OR LOCAL GOVERNMENT
13 EMPLOYMENT.—Section 3121 of such Code is
14 amended by inserting after subsection (s) the follow-
15 ing new subsection:

16 “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-
17 PLOYMENT.—

18 “(1) IN GENERAL.—For purposes of this chap-
19 ter, the term ‘excluded State or local government
20 employment’ means any service performed in the
21 employ of a State, of any political subdivision there-
22 of, or of any instrumentality of any one or more of
23 the foregoing which is wholly owned thereby, if—

24 “(A)(i) such service would be excluded
25 from the term ‘employment’ for purposes of this

1 chapter if the provisions of subsection (b)(7) as
2 in effect on December 31, 2000, had remained
3 in effect, and (ii) the requirements of para-
4 graph (2) are met with respect to such service,
5 or

6 “(B) the requirements of paragraph (3)
7 are met with respect to such service.

8 “(2) EXCEPTION FOR CURRENT EMPLOYMENT
9 WHICH CONTINUES.—

10 “(A) IN GENERAL.—The requirements of
11 this paragraph are met with respect to service
12 for any employer if—

13 “(i) such service is performed by an
14 individual—

15 “(I) who was performing sub-
16 stantial and regular service for remu-
17 neration for that employer before Jan-
18 uary 1, 2001,

19 “(II) who is a bona fide employee
20 of that employer on December 31,
21 2000, and

22 “(III) whose employment rela-
23 tionship with that employer was not
24 entered into for purposes of meeting

1 the requirements of this subpara-
2 graph, and

3 “(ii) the employment relationship with
4 that employer has not been terminated
5 after December 31, 2000.

6 “(B) TREATMENT OF MULTIPLE AGENCIES
7 AND INSTRUMENTALITIES.—For purposes of
8 subparagraph (A), under regulations—

9 “(i) all agencies and instrumentalities
10 of a State (as defined in section 218(b) of
11 the Social Security Act) or of the District
12 of Columbia shall be treated as a single
13 employer, and

14 “(ii) all agencies and instrumentalities
15 of a political subdivision of a State (as so
16 defined) shall be treated as a single em-
17 ployer and shall not be treated as de-
18 scribed in clause (i).

19 “(3) EXCEPTION FOR CERTAIN SERVICES.—

20 “(A) IN GENERAL.—The requirements of
21 this paragraph are met with respect to service
22 if such service is performed—

23 “(i) by an individual who is employed
24 by a State or political subdivision thereof

1 to relieve such individual from unemploy-
2 ment,

3 “(ii) in a hospital, home, or other in-
4 stitution by a patient or inmate thereof as
5 an employee of a State or political subdivi-
6 sion thereof or of the District of Columbia,

7 “(iii) by an individual, as an employee
8 of a State or political subdivision thereof
9 or of the District of Columbia, serving on
10 a temporary basis in case of fire, storm,
11 snow, earthquake, flood, or other similar
12 emergency,

13 “(iv) by any individual as an employee
14 included under section 5351(2) of title 5,
15 United States Code (relating to certain in-
16 terns, student nurses, and other student
17 employees of hospitals of the District of
18 Columbia Government), other than as a
19 medical or dental intern or a medical or
20 dental resident in training,

21 “(v) by an election official or election
22 worker if the remuneration paid in a cal-
23 endar year for such service is less than
24 \$1,000 with respect to service performed
25 during 2001, and the adjusted amount de-

1 terminated under section 210(s)(3)(C) of the
2 Social Security Act for any subsequent
3 year with respect to service performed dur-
4 ing such subsequent year, except to the ex-
5 tent that service by such election official or
6 election worker is included in employment
7 under an agreement under section 218 of
8 the Social Security Act, or

9 “vi) by an employee in a position
10 compensated solely on a fee basis which is
11 treated pursuant to section 1402(c)(2)(E)
12 as a trade or business for purposes of in-
13 clusion of such fees in net earnings from
14 self-employment.

15 “(B) DEFINITIONS.—As used in this para-
16 graph, the terms ‘State’ and ‘political subdivi-
17 sion’ have the meanings given those terms in
18 section 218(b) of the Social Security Act.”.

19 (3) CONFORMING AMENDMENTS.—

20 (A) Subsection (j) of section 3121 of such
21 Code (relating to covered transportation serv-
22 ice) is repealed.

23 (B) Paragraph (2) of section 3121(u) of
24 such Code (relating to application of hospital

1 insurance tax to Federal, State, and local em-
 2 ployment) is amended—

3 (i) in subparagraph (B), by striking
 4 “service is performed” in clause (ii) and all
 5 that follows through the end of such sub-
 6 paragraph and inserting “service is service
 7 described in subsection (t)(3)(A).”; and

8 (ii) in subparagraph (C)(i), by insert-
 9 ing “under subsection (b)(7) as in effect
 10 on December 31, 2000” after “chapter”.

11 (c) EFFECTIVE DATE.—Except as otherwise provided
 12 in this section, the amendments made by this section shall
 13 apply with respect to service performed after December
 14 31, 2000.

15 **SEC. 8. INCREASE IN LENGTH OF COMPUTATION PERIOD**
 16 **FROM 35 TO 38 YEARS.**

17 Section 215(b)(2)(B) of the Social Security Act (42
 18 U.S.C. 415(b)(2)) is amended—

19 (1) in clause (ii), by striking “and” at the end;

20 (2) in clause (iii)—

21 (A) by striking “age 62” and inserting
 22 “the applicable age”; and

23 (B) by striking the period at the end and
 24 inserting “; and”; and

25 (3) by adding at the end the following:

1 “(iv) the term ‘applicable age’ means with re-
2 spect to individuals who attain age 62—

3 “(I) before 2001, age 62;

4 “(II) in 2001, age 63;

5 “(III) in 2002, age 64; and

6 “(IV) after 2002, age 65.”.

7 **SEC. 9. PHASED IN INCREASE IN SOCIAL SECURITY RETIRE-**
8 **MENT AGE.**

9 (a) IN GENERAL.—Section 216(l) of the Social Secu-
10 rity Act (42 U.S.C. 416(l) is amended—

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

13 “(B) with respect to an individual who at-
14 tains early retirement age after December 31,
15 1999, and before January 1, 2018, 65 years of
16 age plus $\frac{2}{12}$ of the number of months in the
17 period beginning with January 2000 and ending
18 with December of the year in which the individ-
19 ual attains early retirement age;

20 “(C) with respect to an individual who at-
21 tains early retirement age after December 31,
22 2017, and before January 1, 2066, 68 years of
23 age plus $\frac{1}{24}$ of the number of months in the
24 period beginning with January 2018 and ending
25 with December of the year in which the individ-

1 ual attains early retirement age, rounded down
2 to the lowest whole month; and

3 “(D) with respect to an individual who at-
4 tains early retirement age after December 31,
5 2065, 70 years of age.”; and

6 (2) by striking paragraph (3).

7 (b) CONFORMING REDUCTIONS FOR RECEIVING BEN-
8 EFITS BEFORE NORMAL RETIREMENT AGE.—Section
9 202(q)(9)(A) of the Social Security Act (42 U.S.C.
10 402(q)(9)(A)) is amended by striking “and five-twelfths
11 of 1 percent for any additional months included in such
12 periods” and inserting “five-twelfths of 1 percent for the
13 next 24 months included in such periods, three-eighths of
14 1 percent for the next 24 months included in such periods,
15 and one-third of 1 percent for any additional months in-
16 cluded in such periods”.

17 (c) STUDY OF THE EFFECT OF INCREASING THE RE-
18 TIREMENT AGE.—

19 (1) STUDY PLAN.—Not later than February 15,
20 2000, the Commissioner of Social Security shall sub-
21 mit to Congress a detailed study plan for evaluating
22 the effects of increases in the retirement age sched-
23 uled under section 216(l) of the Social Security Act
24 on the day before the date of enactment of the
25 amendments made by subsection (a) and under such

1 amendments. The study plan shall include a descrip-
2 tion of the methodology, data, and funding that will
3 be required in order to provide to Congress not later
4 than February 15, 2005—

5 (A) an evaluation of trends in mortality
6 and their relationship to trends in health sta-
7 tus, among individuals approaching eligibility
8 for social security retirement benefits;

9 (B) an evaluation of trends in labor force
10 participation among individuals approaching eli-
11 gibility for social security retirement benefits
12 and among individuals receiving retirement ben-
13 efits, and of the factors that influence the
14 choice between retirement and participation in
15 the labor force;

16 (C) an evaluation of changes, if any, in the
17 social security disability program that would re-
18 duce the impact of increases in the retirement
19 age on workers in poor health or physically de-
20 manding occupations;

21 (D) an evaluation of the methodology used
22 to develop projections for trends in mortality,
23 health status, and labor force participation
24 among individuals approaching eligibility for so-

1 cial security retirement benefits and among in-
2 dividuals receiving retirement benefits; and

3 (E) an evaluation of such other matters as
4 the Commissioner deems appropriate for evalu-
5 ating the effects of increases in the retirement
6 age.

7 (2) REPORT ON RESULTS OF STUDY.—Not later
8 than February 15, 2005, the Commissioner of Social
9 Security shall provide to Congress an evaluation of
10 the implications of the trends studied under para-
11 graph (1), along with recommendations, if any, of
12 the extent to which the conclusions of such evalua-
13 tions indicate that future scheduled increases in the
14 retirement age should be modified. Furthermore,
15 such report should include recommendations for
16 modifying the social security disability program and
17 other income support programs that should be con-
18 sidered in conjunction with scheduled increases in
19 the retirement age.

20 **SEC. 10. ELIMINATION OF EARNINGS TEST FOR INDIVID-**
21 **UALS WHO HAVE ATTAINED EARLY RETIRE-**
22 **MENT AGE.**

23 (a) IN GENERAL.—Section 203 of the Social Security
24 Act (42 U.S.C. 403) is amended—

1 (1) in subsection (c)(1), by striking “the age of
2 seventy” and inserting “early retirement age (as de-
3 fined in section 216(l))”;

4 (2) in paragraphs (1)(A) and (2) of subsection
5 (d), by striking “the age of seventy” each place it
6 appears and inserting “early retirement age (as de-
7 fined in section 216(l))”;

8 (3) in subsection (f)(1)(B), by striking “was
9 age seventy or over” and inserting “was at or above
10 early retirement age (as defined in section 216(l))”;

11 (4) in subsection (f)(3)—

12 (A) by striking “33 $\frac{1}{3}$ percent” and all
13 that follows through “any other individual,”
14 and inserting “50 percent of such individual’s
15 earnings for such year in excess of the product
16 of the exempt amount as determined under
17 paragraph (8),”; and

18 (B) by striking “age 70” and inserting
19 “early retirement age (as defined in section
20 216(l))”;

21 (5) in subsection (h)(1)(A), by striking “age
22 70” each place it appears and inserting “early re-
23 tirement age (as defined in section 216(l))”; and

24 (6) in subsection (j)—

1 (A) in the heading, by striking “Age Sev-
2 enty” and inserting “Early Retirement Age”;
3 and

4 (B) by striking “seventy years of age” and
5 inserting “having attained early retirement age
6 (as defined in section 216(l))”.

7 (b) CONFORMING AMENDMENTS ELIMINATING THE
8 SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE
9 ATTAINED AGE 62.—

10 (1) UNIFORM EXEMPT AMOUNT.—Section
11 203(f)(8)(A) of the Social Security Act (42 U.S.C.
12 403(f)(8)(A)) is amended by striking “the new ex-
13 empt amounts (separately stated for individuals de-
14 scribed in subparagraph (D) and for other individ-
15 uals) which are to be applicable” and inserting “a
16 new exempt amount which shall be applicable”.

17 (2) CONFORMING AMENDMENTS.—Section
18 203(f)(8)(B) of the Social Security Act (42 U.S.C.
19 403(f)(8)(B)) is amended—

20 (A) in the matter preceding clause (i), by
21 striking “Except” and all that follows through
22 “whichever” and inserting “The exempt amount
23 which is applicable for each month of a particu-
24 lar taxable year shall be whichever”;

1 (B) in clauses (i) and (ii), by striking “cor-
2 responding” each place it appears; and

3 (C) in the last sentence, by striking “an
4 exempt amount” and inserting “the exempt
5 amount”.

6 (3) REPEAL OF BASIS FOR COMPUTATION OF
7 SPECIAL EXEMPT AMOUNT.—Section 203(f)(8)(D) of
8 the Social Security Act (42 U.S.C. (f)(8)(D)) is re-
9 pealed.

10 (c) ADDITIONAL CONFORMING AMENDMENTS.—

11 (1) ELIMINATION OF REDUNDANT REFERENCES
12 TO RETIREMENT AGE.—Section 203 of the Social
13 Security Act (42 U.S.C. 403) is amended—

14 (A) in subsection (c), in the last sentence,
15 by striking “nor shall any deduction” and all
16 that follows and inserting “nor shall any deduc-
17 tion be made under this subsection from any
18 widow’s or widower’s insurance benefit if the
19 widow, surviving divorced wife, widower, or sur-
20 viving divorced husband involved became enti-
21 tled to such benefit prior to attaining age 60.”;
22 and

23 (B) in subsection (f)(1), by striking clause
24 (D) and inserting the following: “(D) for which
25 such individual is entitled to widow’s or widow-

1 er's insurance benefits if such individual be-
2 came so entitled prior to attaining age 60,".

3 (2) CONFORMING AMENDMENT TO PROVISIONS
4 FOR DETERMINING AMOUNT OF INCREASE ON AC-
5 COUNT OF DELAYED RETIREMENT.—Section
6 202(w)(2)(B)(ii) of the Social Security Act (42
7 U.S.C. 402(w)(2)(B)(ii)) is amended—

8 (A) by striking “either”; and

9 (B) by striking “or suffered deductions
10 under section 203(b) or 203(c) in amounts
11 equal to the amount of such benefit”.

12 (3) PROVISIONS RELATING TO EARNINGS
13 TAKEN INTO ACCOUNT IN DETERMINING SUBSTAN-
14 TIAL GAINFUL ACTIVITY OF BLIND INDIVIDUALS.—
15 The second sentence of section 223(d)(4) of such
16 Act (42 U.S.C. 423(d)(4)) is amended by striking
17 “if section 102 of the Senior Citizens’ Right to
18 Work Act of 1996 had not been enacted” and insert-
19 ing the following: “if the amendments to section 203
20 made by section 102 of the Senior Citizens’ Right to
21 Work Act of 1996 and by the Social Security Sol-
22 vency Act of 1998 had not been enacted”.

23 (d) STUDY OF THE EFFECT OF TAKING EARNINGS
24 INTO ACCOUNT IN DETERMINING SUBSTANTIAL GAINFUL
25 ACTIVITY OF DISABLED INDIVIDUALS.—

1 (1) IN GENERAL.—Not later than February 15,
2 2000, the Commissioner of Social Security shall con-
3 duct a study on the effect that taking earnings into
4 account in determining substantial gainful activity of
5 individuals receiving disability insurance benefits has
6 on the incentive for such individuals to work and
7 submit to Congress a report on the study.

8 (2) CONTENTS OF STUDY.—The study con-
9 ducted under paragraph (1) shall include the evalua-
10 tion of—

11 (A) the effect of the current limit on earn-
12 ings on the incentive for individuals receiving
13 disability insurance benefits to work;

14 (B) the effect of increasing the earnings
15 limit or changing the manner in which disability
16 insurance benefits are reduced or terminated as
17 a result of substantial gainful activity (includ-
18 ing reducing the benefits gradually when the
19 earnings limit is exceeded) on—

20 (i) the incentive to work; and

21 (ii) the financial status of the Federal
22 Disability Insurance Trust Fund;

23 (C) the effect of extending eligibility for
24 the Medicare program to individuals during the
25 period in which disability insurance benefits of

1 the individual are gradually reduced as a result
2 of substantial gainful activity and extending
3 such eligibility for a fixed period of time after
4 the benefits are terminated on—

5 (i) the incentive to work; and

6 (ii) the financial status of the Federal
7 Hospital Insurance Trust Fund and the
8 Federal Supplementary Medical Insurance
9 Trust Fund; and

10 (D) the relationship between the effect of
11 substantial gainful activity limits on blind indi-
12 viduals receiving disability insurance benefits
13 and other individuals receiving disability insur-
14 ance benefits.

15 (3) CONSULTATION.—The analysis under para-
16 graph (2)(C) shall be done in consultation with the
17 Administrator of the Health Care Financing Admin-
18 istration.

19 (e) EFFECTIVE DATE.—The amendments and re-
20 peals made by subsections (a), (b), and (c) shall apply with
21 respect to taxable years ending after December 31, 2002.

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