

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2263

To amend the Internal Revenue Code of 1986 to reduce the burden of social security taxes on lower and middle income individuals by allowing a refundable credit for a portion of such taxes, and to repeal the limit on the amount of wages subject to the employee OASDI taxes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 25, 1993

Mr. WHEAT introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to reduce the burden of social security taxes on lower and middle income individuals by allowing a refundable credit for a portion of such taxes, and to repeal the limit on the amount of wages subject to the employee OASDI taxes.

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 “Social Security Tax  
5 Fairness Act of 1993”.

1 **SEC. 2. CREDIT FOR PORTION OF EMPLOYEE OASDI TAXES.**

2 (a) GENERAL RULE.—Subpart C of part IV of sub-  
3 chapter A of chapter 1 of the Internal Revenue Code of  
4 1986 (relating to refundable credits) is amended by redес-  
5 ignating section 35 as section 36 and by inserting after  
6 section 34 the following new section:

7 **“SEC. 35. CREDIT FOR PORTION OF EMPLOYEE OASDI**  
8 **TAXES.**

9 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
10 dividual, there shall be allowed as a credit against the tax  
11 imposed by this subtitle for the taxable year an amount  
12 equal to the lesser of—

13 “(1) such individual’s employee OASDI taxes  
14 for the taxable year, or

15 “(2) the tax credit limitation amount for the  
16 calendar year in which such taxable year begins.

17 “(b) TAX CREDIT LIMITATION AMOUNT.—For pur-  
18 poses of subsection (a)—

19 “(1) IN GENERAL.—Except as otherwise pro-  
20 vided in this subsection, the tax credit limitation  
21 amount for any calendar year is the amount which  
22 the Secretary estimates will result in a reduction of  
23 revenues to the Federal Old-Age and Survivors In-  
24 surance Trust Fund for such calendar year equal to  
25 the increase in revenues for such year attributable to  
26 the application of—

1           “(A) the tax imposed by section 3101(a) to  
2           wages in excess of the contribution and benefit  
3           base for such year, and

4           “(B) the last sentence of section 1402(b).

5           “(2) RAILROAD RETIREMENT.—In the case of  
6           an individual all of whose employee OASDI taxes for  
7           the taxable year are described in subparagraphs (B)  
8           and (D) of subsection (c)(1), the tax credit limita-  
9           tion amount for any calendar year is the amount  
10          which the Railroad Retirement Board estimates will  
11          result in a reduction of revenues to the Railroad Re-  
12          tirement Account for such calendar year equal to the  
13          increase in revenues for such year attributable to the  
14          application of the taxes described in such subpara-  
15          graphs to compensation in excess of the contribution  
16          and benefit base for such year.

17          “(3) ADJUSTMENTS.—The Secretary of the  
18          Treasury and the Railroad Retirement Board, as the  
19          case may be, shall make proper adjustments in the  
20          determination of the tax credit limitation amounts to  
21          the extent prior estimates were in excess of or less  
22          than the correct amounts for the purpose of ensur-  
23          ing that the balances of the Federal Old-Age and  
24          Survivors Insurance Trust Fund and the Railroad  
25          Retirement Account are not eroded by reason of the

1 credits allowed under this section, thereby maintain-  
2 ing the long-term stability of such Trust Fund and  
3 Account.

4 “(c) EMPLOYEE OASDI TAXES.—For purposes of  
5 this section—

6 “(1) IN GENERAL.—The term ‘employee  
7 OASDI taxes’ means, with respect to any taxpayer  
8 for any taxable year—

9 “(A) the amount of the taxes imposed by  
10 section 3101(a) on amounts received by the tax-  
11 payer during the calendar year in which the  
12 taxable year begins,

13 “(B) so much of the tax imposed by sec-  
14 tion 3201(a) as is determined at a rate not  
15 greater than the rate in effect under section  
16 3101(a) on amounts received by the taxpayer  
17 during the calendar year in which the taxable  
18 year begins,

19 “(C) 50 percent of the taxes imposed by  
20 section 1401(a) on the self-employment income  
21 of the taxpayer for the taxable year, and

22 “(D) so much of the tax imposed by sec-  
23 tion 3211(a)(1) as is determined at a rate not  
24 greater than the rate in effect under section  
25 3101(a) on amounts received by the taxpayer

1           during the calendar year in which the taxable  
2           year begins.

3           “(2) SPECIAL RULE.—Any amounts paid pursu-  
4           ant to an agreement under section 3121(l) (relating  
5           to agreements entered into by American employers  
6           with respect to foreign affiliates) which are equiva-  
7           lent to the taxes referred to in paragraph (1)(A)  
8           shall be treated as taxes referred to in such para-  
9           graph.

10           “(3) CONTRIBUTION AND BENEFIT BASE.—The  
11           term ‘contribution and benefit base’ means the con-  
12           tribution and benefit base determined under section  
13           230 of the Social Security Act.”

14           (b) COST OF CREDIT BORNE BY RETIREMENT  
15           FUNDS.—

16           (1) OASDI TRUST FUND.—The Secretary of  
17           the Treasury shall pay, from time to time, from the  
18           Federal Old-Age and Survivors Insurance Trust  
19           Fund to the general fund of the Treasury amounts  
20           equivalent to the credits allowed under section 35 of  
21           the Internal Revenue Code of 1986 which are attrib-  
22           utable to taxes described in subparagraphs (A) and  
23           (C) of section 35(c)(1) of such Code.

24           (2) RAILROAD RETIREMENT ACCOUNT.—The  
25           Railroad Retirement Board shall pay, from time to

1 time, from the Railroad Retirement Account to the  
2 general fund of the Treasury amounts equivalent to  
3 the credits allowed under section 35 of the Internal  
4 Revenue Code of 1986 which are attributable to  
5 taxes described in subparagraphs (B) and (D) of  
6 section 35(c)(1) of such Code.

7 (3) TRANSFERS.—Such amounts shall be trans-  
8 ferred on the basis of estimates by the Secretary of  
9 the Treasury or the Railroad Retirement Board, as  
10 the case may be, and proper adjustments shall be  
11 made in amounts subsequently transferred to the ex-  
12 tent prior estimates were in excess of or less than  
13 the credits allowed.

14 (c) TECHNICAL AMENDMENTS.—

15 (1) Paragraph (2) of section 1324(b) of title  
16 31, United States Code, is amended by inserting be-  
17 fore the period “or from section 35 of such Code”.

18 (2) The table of sections for subpart C of part  
19 IV of subchapter A of chapter 1 of such Code is  
20 amended by striking the item relating to section 35  
21 and inserting the following:

“Sec. 35. Credit for portion of employee OASDI taxes.  
“Sec. 36. Overpayments of tax.”

22 (d) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to taxable years beginning after  
24 December 31, 1993.

1 **SEC. 3. REPEAL OF DOLLAR LIMITATION ON AMOUNT OF**  
2 **WAGES SUBJECT TO EMPLOYEE OASDI TAX.**

3 (a) OASDI TAX.—

4 (1) Paragraph (1) of section 3121(a) of the In-  
5 ternal Revenue Code of 1986 (defining wages) is  
6 amended by inserting “except in the case of the tax  
7 imposed by section 3101(a),” after “(1)”.

8 (2) Paragraph (1) of section 3121(x) of such  
9 Code is amended—

10 (A) by striking “sections 3101(a) and  
11 3111(a)” and inserting “section 3111(a)”, and

12 (B) by inserting “EMPLOYER TAX FOR”  
13 before “OLD-AGE” in the heading.

14 (b) SELF-EMPLOYMENT TAX.—Subsection (b) of sec-  
15 tion 1402 of such Code is amended by adding at the end  
16 thereof the following new sentence: “Paragraph (1) shall  
17 not apply to so much of the rate applicable under section  
18 1401(a) as does not exceed the rate of tax in effect under  
19 section 3101(a).”

20 (c) RAILROAD RETIREMENT TAX.—Subparagraph  
21 (A) of section 3231(e)(2) of such Code is amended by add-  
22 ing at the end thereof the following new clause:

23 “(iii) EMPLOYEE OASDI TAXES.—

24 Clause (i) shall not apply to—

25 “(I) so much of the rate applica-  
26 ble under section 3201(a) as does not

1 exceed the rate of tax in effect under  
2 section 3101(a), and

3 “(II) so much of the rate applica-  
4 ble under section 3211(a)(1) as does  
5 not exceed the rate of tax in effect  
6 under section 3101(a).”

7 (d) TECHNICAL AMENDMENTS.—

8 (1) Paragraph (1) of section 6413(c) of such  
9 Code is amended—

10 (A) by striking “the contribution and bene-  
11 fit base (as determined under section 230 of the  
12 Social Security Act)” and inserting “the appli-  
13 cable contribution base determined under sec-  
14 tion 3121(x)(2)”, and

15 (B) by striking “section 3101 or section  
16 3201” and inserting “section 3101(b) or section  
17 3201(a) (to the extent the rate applicable under  
18 section 3201(a) as does not exceed the rate of  
19 tax in effect under section 3101(b))”.

20 (2) Subparagraphs (B) and (C) of section  
21 6413(c)(2) of such Code are each amended by strik-  
22 ing “section 3101” each place it appears and insert-  
23 ing “section 3101(b)”.

24 (3) Subsection (c) of section 6413 of such Code  
25 is amended by striking paragraph (3).

1       (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to 1994 and later calendar years.

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