

104TH CONGRESS
2D SESSION

S. 1741

To amend the Internal Revenue Code of 1986 to allow a deduction for the old-age, survivors, and disability insurance taxes paid by employees and self-employed individuals, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 9, 1996

Mr. ASHCROFT (for himself, Mr. LOTT, Mr. DEWINE, Mr. MACK, Mr. HATCH, Mr. SMITH, Mr. CRAIG, and Mr. SHELBY) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for the old-age, survivors, and disability insurance taxes paid by employees and self-employed individuals, 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.**

4 This Act may be cited as the “Working Americans
5 Wage Restoration Act”.

1 **SEC. 2. DEDUCTION FOR OLD-AGE, SURVIVORS, AND DIS-**
 2 **ABILITY INSURANCE TAXES OF EMPLOYEES**
 3 **AND SELF-EMPLOYED INDIVIDUALS.**

4 (a) TAXES OF EMPLOYEES.—

5 (1) DEDUCTION ALLOWED IN ARRIVING AT AD-
 6 JUSTED GROSS INCOME.—Section 62(a) of the Inter-
 7 nal Revenue Code of 1986 (defining adjusted gross
 8 income) is amended by inserting after paragraph
 9 (15) the following new paragraph:

10 “(16) EMPLOYEES’ OASDI TAXES.—The deduc-
 11 tion allowed by section 164(g).”

12 (2) DETERMINATION OF DEDUCTION.—Section
 13 164 of such Code (relating to deduction for taxes)
 14 is amended by redesignating subsection (g) as sub-
 15 section (h) and by inserting after subsection (f) the
 16 following new subsection:

17 “(g) EMPLOYEES’ OASDI TAXES.—

18 “(1) IN GENERAL.—In the case of an individ-
 19 ual, in addition to the taxes described in subsection
 20 (a), there shall be allowed as a deduction for the
 21 taxable year an amount equal to the sum of—

22 “(A) the taxes imposed by section 3101(a)
 23 for the taxable year, and

24 “(B) the taxes imposed by section 3201(a)
 25 for the taxable year but only to the extent at-

1 tributable to the percentage in effect under sec-
2 tion 3101(a).

3 “(2) SPECIAL RULE FOR CERTAIN AGREE-
4 MENTS.—For purposes of paragraph (1), taxes im-
5 posed by section 3101(a) shall include amounts
6 equivalent to such taxes imposed with respect to re-
7 muneration covered by an agreement under section
8 218 of the Social Security Act.

9 “(3) COORDINATION WITH EARNED INCOME
10 CREDIT.—No deduction shall be allowed under para-
11 graph (1) for any taxable year if the individual
12 elects to claim the earned income credit under sec-
13 tion 32 for the taxable year.”

14 (3) CONFORMING AMENDMENT.—The next to
15 last sentence of section 275(a) of such Code is
16 amended by inserting “or 164(g)” after “164(f)”.

17 (b) DEDUCTION FOR SELF-EMPLOYED INDIVID-
18 UALS.—

19 (1) IN GENERAL.—Paragraph (1) of section
20 164(f) of the Internal Revenue Code of 1986 (relat-
21 ing to deduction for one-half of self-employment
22 taxes) is amended to read as follows:

23 “(1) IN GENERAL.—In the case of an individ-
24 ual, in addition to the taxes described in subsection

1 (a), there shall be allowed as a deduction for the
2 taxable year an amount equal to the sum of—

3 “(A) the taxes imposed by section 1401(a)
4 for such taxable year, plus

5 “(B) 50 percent of the taxes imposed by
6 section 1401(b) for such taxable year.

7 In the case of an individual who elects to claim the
8 earned income credit under section 32 for the tax-
9 able year, only 50 percent of the taxes described in
10 subparagraph (A) shall be taken into account.”

11 (2) CONFORMING AMENDMENTS.—

12 (A) Section 32(a)(1) of such Code is
13 amended by inserting “who elects the applica-
14 tion of this section” after “eligible individual”.

15 (B) The heading for section 164(f) of such
16 Code is amended by striking “ONE-HALF” and
17 inserting “PORTION”.

18 (C) Section 1402(a)(12) of such Code is
19 amended—

20 (i) by striking “one-half” the first
21 place it appears and inserting “portion”,
22 and

23 (ii) by striking subparagraph (B) and
24 inserting:

1 “(B) a percentage equal to the sum for
2 such year of the rate of tax under section
3 1401(a) and one-half of the rate of tax under
4 section 1401(b);”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 1996.

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