

105TH CONGRESS
1ST SESSION

H. R. 2860

To amend the Internal Revenue Code of 1986 to use 50 percent of any Federal budget surplus in the general fund for reductions in Social Security taxes and to provide that the remainder of the surplus shall be used to increase discretionary nondefense spending and to reduce the outstanding public debt.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 6, 1997

Mr. SCHUMER introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on 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

A BILL

To amend the Internal Revenue Code of 1986 to use 50 percent of any Federal budget surplus in the general fund for reductions in Social Security taxes and to provide that the remainder of the surplus shall be used to increase discretionary nondefense spending and to reduce the outstanding public debt.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Budget Surplus Divi-
3 dend Act of 1997”.

4 **SEC. 2. 50 PERCENT OF FEDERAL BUDGET SURPLUS TO RE-**
5 **IMBURSE EMPLOYERS AND EMPLOYEES FOR**
6 **A PORTION OF THEIR SOCIAL SECURITY**
7 **TAXES.**

8 (a) IN GENERAL.—Subpart C of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of
10 1986 (relating to refundable credits) is amended by redес-
11 ignating section 35 as section 36 and by inserting after
12 section 34 the following new section:

13 **“SEC. 35. CREDIT FOR PORTION OF SOCIAL SECURITY**
14 **TAXES.**

15 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
16 able year to which this section applies, there shall be al-
17 lowed as a credit against the tax imposed by this subtitle
18 for the taxable year an amount equal to the applicable per-
19 centage of the taxpayer’s social security taxes for the tax-
20 able year.

21 “(b) TAXABLE YEARS TO WHICH SECTION AP-
22 PLIES.—This section shall apply to any taxable year be-
23 ginning in the first calendar year beginning after a fiscal
24 year if there is a Federal budget surplus for such fiscal
25 year of more than \$1,000,000,000.

1 “(c) APPLICABLE PERCENTAGE.—For purposes of
2 this section—

3 “(1) IN GENERAL.—The term ‘applicable per-
4 centage’ means—

5 “(A) the base percentage with respect to so
6 much of the taxpayer’s social security taxes as
7 does not exceed \$3,000, and

8 “(B) the phasedown percentage with re-
9 spect to so much of the taxpayer’s social secu-
10 rity taxes as exceeds \$3,000.

11 “(2) BASE PERCENTAGE.—The term ‘base per-
12 centage’ means, for taxable years beginning in a cal-
13 endar year, the percentage which the Secretary esti-
14 mates will result in a reduction of revenues to the
15 Treasury by reason of this section for such taxable
16 year equal to 50 percent of the Federal budget sur-
17 plus for the most recent fiscal year ending before
18 such calendar year. Proper adjustments shall be
19 made in the percentage determined under the pre-
20 ceding sentence with respect to any subsequent fiscal
21 year to the extent that prior estimates were in ex-
22 cess of or less than the proper percentage.

23 “(3) PHASEDOWN PERCENTAGE.—The term
24 ‘phasedown percentage’ means the base percentage
25 reduced (but not below zero) by the number of per-

1 centage points which bears the same ratio to the
2 base percentage as—

3 “(A) the excess of the taxpayer’s social se-
4 curity taxes over \$3,000 bears to

5 “(B) the excess of the maximum social se-
6 curity taxes over \$3,000.

7 “(4) MAXIMUM SOCIAL SECURITY TAXES.—The
8 term ‘maximum social security taxes’ means the
9 amount which would be the social security taxes of
10 the taxpayer if the amount on which such taxes are
11 determined were equal to the maximum amount of
12 remuneration which may be taken into account
13 under section 3101(a).

14 “(5) SPECIAL RULES.—

15 “(A) DOLLAR LIMITATIONS ON PER EM-
16 PLOYEE BASIS.—The dollar limitations in para-
17 graphs (1) and (3) shall be applied on a per
18 employee basis.

19 “(B) SELF-EMPLOYED INDIVIDUALS.—
20 Paragraphs (1) and (3) shall be applied by sub-
21 stituting ‘\$6,000’ for ‘\$3,000’ each place it ap-
22 pears in the case of the taxes referred to in
23 subparagraph (C) or (D) of subsection (d)(1).

24 “(d) SOCIAL SECURITY TAXES.—For purposes of this
25 section—

1 “(1) IN GENERAL.—The term ‘social security
2 taxes’ means, with respect to any taxpayer for any
3 taxable year—

4 “(A) the taxes imposed by sections 3101
5 and 3201(a) (relating to taxes on employees) on
6 amounts received by the taxpayer during the
7 calendar year in which the taxable year begins,

8 “(B) the taxes imposed by sections 3111
9 and 3221(a) (relating to taxes on employers) on
10 amounts paid by the taxpayer during the cal-
11 endar year in which the taxable year begins,

12 “(C) the taxes imposed by section 1401 on
13 the self-employment income of the taxpayer for
14 the taxable year, and

15 “(D) the taxes imposed by section
16 3211(a)(1) on amounts received by the taxpayer
17 during the calendar year in which the taxable
18 year begins.

19 “(2) COORDINATION WITH SPECIAL REFUND OF
20 SOCIAL SECURITY TAXES.—The term ‘social security
21 taxes’ shall not include any taxes to the extent the
22 taxpayer is entitled to a special refund of such taxes
23 under section 6413(c).

24 “(3) SPECIAL RULE.—Any amounts paid pursu-
25 ant to an agreement under section 3121(l) (relating

1 to agreements entered into by American employers
2 with respect to foreign affiliates) which are equiva-
3 lent to the taxes referred to in paragraph (1)(A)
4 shall be treated as taxes referred to in such para-
5 graph.”

6 (b) CLERICAL AMENDMENT.—The table of sections
7 for subpart C of part IV of subchapter A of chapter 1
8 of such Code is amended by striking the item relating to
9 section 35 and inserting the following:

“Sec. 35. Credit for portion of social security taxes.
“Sec. 36. Overpayments of tax.”

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 1997.

13 **SEC. 3. APPROPRIATION TO USE 25 PERCENT OF FEDERAL**
14 **BUDGET SURPLUS TO REDUCE OUTSTAND-**
15 **ING PUBLIC DEBT.**

16 There is hereby appropriated for the first fiscal year
17 following each fiscal year for which there is a Federal
18 budget surplus an amount equal to 25 percent of such sur-
19 plus for purpose of paying at maturity, or to redeem or
20 buy before maturity, obligations of the Government in-
21 cluded in the public debt. An obligation of the Government
22 that is paid, redeemed, or bought with funds appropriated
23 by the preceding sentence shall be canceled and retired
24 and may not be reissued.

1 **SEC. 4. USE 25 PERCENT OF FEDERAL BUDGET SURPLUS**
2 **TO INCREASE NONDEFENSE DISCRETIONARY**
3 **SPENDING LIMITS.**

4 For the first fiscal year following each fiscal year for
5 which there is a Federal budget surplus, the Director of
6 the Office of Management and Budget shall increase (on
7 a pro rata basis between the applicable nondefense cat-
8 egories for that fiscal year) the discretionary spending
9 limit for new budget authority under section 251(c) of the
10 Balanced Budget and Emergency Deficit Control Act of
11 1985 by an amount equal to 25 percent of such surplus
12 and shall adjust the outlays flowing from that budget au-
13 thority accordingly.

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