

105TH CONGRESS
1ST SESSION

S. 580

To amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

IN THE SENATE OF THE UNITED STATES

APRIL 15, 1997

Mr. SMITH of New Hampshire (for himself, Mr. FAIRCLOTH, Mr. GRAMM, Mr. HATCH and Mr. KYL) 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 individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

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 “Taxpayer Debt Buy-
5 Down Act”.

1 **SEC. 2. DESIGNATION OF AMOUNTS FOR REDUCTION OF**
 2 **PUBLIC DEBT.**

3 (a) IN GENERAL.—Subchapter A of chapter 61 of the
 4 Internal Revenue Code of 1986 (relating to returns and
 5 records) is amended by adding at the end the following
 6 new part:

7 **“PART IX—DESIGNATION FOR REDUCTION OF**
 8 **PUBLIC DEBT**

“Sec. 6097. Designation.

9 **“SEC. 6097. DESIGNATION.**

10 “(a) IN GENERAL.—Every individual with adjusted
 11 income tax liability for any taxable year may designate
 12 that a portion of such liability (not to exceed 10 percent
 13 thereof) shall be used to reduce the public debt.

14 “(b) MANNER AND TIME OF DESIGNATION.—A des-
 15 ignation under subsection (a) may be made with respect
 16 to any taxable year only at the time of filing the return
 17 of tax imposed by chapter 1 for the taxable year. The des-
 18 ignation shall be made on the first page of the return or
 19 on the page bearing the taxpayer’s signature.

20 “(c) ADJUSTED INCOME TAX LIABILITY.—For pur-
 21 poses of this section, the term ‘adjusted income tax liabil-
 22 ity’ means income tax liability (as defined in section
 23 6096(b)) reduced by any amount designated under section
 24 6096 (relating to designation of income tax payments to
 25 Presidential Election Campaign Fund).”

1 (b) CLERICAL AMENDMENT.—The table of parts for
 2 such subchapter A is amended by adding at the end the
 3 following new item:

“Part IX. Designation for reduction of public debt.”

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years ending after the
 6 date of the enactment of this Act.

7 **SEC. 3. PUBLIC DEBT REDUCTION TRUST FUND.**

8 (a) IN GENERAL.—Subchapter A of chapter 98 of the
 9 Internal Revenue Code of 1986 (relating to trust fund
 10 code) is amended by adding at the end the following new
 11 section:

12 **“SEC. 9512. PUBLIC DEBT REDUCTION TRUST FUND.**

13 “(a) CREATION OF TRUST FUND.—There is estab-
 14 lished in the Treasury of the United States a trust fund
 15 to be known as the ‘Public Debt Reduction Trust Fund’,
 16 consisting of any amount appropriated or credited to the
 17 Trust Fund as provided in this section or section 9602(b).

18 “(b) TRANSFERS TO TRUST FUND.—There are here-
 19 by appropriated to the Public Debt Reduction Trust Fund
 20 amounts equivalent to the amounts designated under sec-
 21 tion 6097 (relating to designation for public debt reduc-
 22 tion).

23 “(c) EXPENDITURES.—Amounts in the Public Debt
 24 Reduction Trust Fund shall be used by the Secretary of
 25 the Treasury for purposes of paying at maturity, or to

1 redeem or buy before maturity, any obligation of the Fed-
 2 eral Government included in the public debt (other than
 3 an obligation held by the Federal Old-Age and Survivors
 4 Insurance Trust Fund, the Civil Service Retirement and
 5 Disability Fund, or the Department of Defense Military
 6 Retirement Fund). Any obligation which is paid, re-
 7 deemed, or bought with amounts from the Public Debt Re-
 8 duction Trust Fund shall be canceled and retired and may
 9 not be reissued.”

10 (b) CLERICAL AMENDMENT.—The table of sections
 11 for such subchapter is amended by adding at the end the
 12 following new item:

“Sec. 9512. Public Debt Reduction Trust Fund.”

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to amounts received after the date
 15 of the enactment of this Act.

16 **SEC. 4. TAXPAYER-GENERATED SEQUESTRATION OF FED-**
 17 **ERAL SPENDING TO REDUCE THE PUBLIC**
 18 **DEBT.**

19 (a) SEQUESTRATION TO REDUCE THE PUBLIC
 20 DEBT.—Part C of the Balanced Budget and Emergency
 21 Deficit Control Act of 1985 is amended by adding after
 22 section 253 the following new section:

1 **“SEC. 253A. SEQUESTRATION TO REDUCE THE PUBLIC**
2 **DEBT.**

3 “(a) SEQUESTRATION.—Notwithstanding sections
4 255 and 256, within 15 days after Congress adjourns to
5 end a session, and on the same day as a sequestration
6 (if any) under sections 251, 252, and 253, but after any
7 sequestration of budget-year budgetary resources required
8 by those sections, there shall be a sequestration equivalent
9 to the estimated aggregate amount designated under sec-
10 tion 6097 of the Internal Revenue Code of 1986 for the
11 calendar year two years before the year in which that ses-
12 sion of Congress started, as estimated by the Department
13 of the Treasury on October 1 in the year after the applica-
14 ble tax year and as modified by the total of (1) any
15 amounts by which net discretionary spending is reduced
16 by legislation below the discretionary spending limits en-
17 acted after the enactment of this section related to the
18 fiscal year subject to the sequestration or, in the absence
19 of such limits, any net reduction below discretionary out-
20 lays for fiscal year 1997 and (2) the net deficit change
21 that has resulted from all direct spending legislation en-
22 acted after the enactment of this section related to the
23 fiscal year subject to the sequestration, as estimated by
24 OMB. Within 5 days after the enactment of any such di-
25 rect spending legislation, OMB shall estimate the change
26 in spending resulting from that legislation for the 5-fiscal-

1 year period beginning with the first fiscal year for which
2 that legislation becomes effective and transmit a report
3 to the House of Representatives and the Senate containing
4 that estimate. Only the estimated deficit reduction in-
5 cluded in the 5-year estimate made at the time the legisla-
6 tion is enacted shall be used for purposes of determining
7 whether there shall be a sequestration under this sub-
8 section. If the reduction in spending under paragraphs (1)
9 and (2) for a fiscal year is greater than the estimated ag-
10 gregate amount designated under section 6097 of the In-
11 ternal Revenue Code of 1986 respecting that fiscal year,
12 then there shall be no sequestration under this section.

13 “(b) APPLICABILITY.—

14 “(1) IN GENERAL.—Except as provided by
15 paragraph (2), each account of the United States
16 shall be reduced by a dollar amount calculated by
17 multiplying the level of budgetary resources in that
18 account at that time by the uniform percentage nec-
19 essary to carry out subsection (a). All obligational
20 authority reduced under this section shall be done in
21 a manner that makes such reductions permanent.

22 “(2) EXEMPT ACCOUNTS.—(A) No order issued
23 under this part may—

1 “(i) reduce benefits payable under the old-
2 age and survivors insurance program estab-
3 lished under title II of the Social Security Act;

4 “(ii) reduce payments for net interest (all
5 of major functional category 900); or

6 “(iii) make any reduction in the following
7 accounts:

8 “Federal Deposit Insurance Corpora-
9 tion, Bank Insurance Fund;

10 “Federal Deposit Insurance Corpora-
11 tion, FSLIC Resolution Fund;

12 “Federal Deposit Insurance Corpora-
13 tion, Savings Association Insurance Fund;

14 “National Credit Union Administra-
15 tion, credit union share insurance fund; or

16 “Resolution Trust Corporation.

17 “(B) The following budget accounts, activities
18 within accounts, or income shall be exempt from se-
19 questration—

20 “(i) all payments to trust funds from ex-
21 cise taxes or other receipts or collections prop-
22 erly creditable to those trust funds;

23 “(ii) offsetting receipts and collections;

24 “(iii) all payments from one Federal direct
25 spending budget account to another Federal

1 budget account; all intragovernmental funds in-
2 cluding those from which funding is derived pri-
3 marily from other Government accounts, except
4 to the extent that such funds are augmented by
5 direct appropriations for the fiscal year for
6 which the order is in effect; and those obliga-
7 tions of discretionary accounts or activities that
8 are financed by intragovernmental payments
9 from another discretionary account or activity;
10 “(iv) expenses to the extent they result
11 from private donations, bequests, or voluntary
12 contributions to the Government;
13 “(v) nonbudgetary activities;
14 “(vi) payments resulting from Government
15 insurance, Government guarantees, or any other
16 form of contingent liability, to the extent those
17 payments result from contractual or other le-
18 gally binding commitments of the Government
19 at the time of any sequestration;
20 “(vii) accounts which largely fulfill require-
21 ments of the Constitution;
22 “(viii) noncredit special, revolving, or
23 trust-revolving funds;
24 “(ix)(I) any amount paid as regular unem-
25 ployment compensation by a State from its ac-

1 count in the Unemployment Trust Fund (estab-
2 lished by section 904(a) of the Social Security
3 Act);

4 “(II) any advance made to a State from
5 the Federal unemployment account (established
6 by section 904(g) of such Act) under title XII
7 of such Act and any advance appropriated to
8 the Federal unemployment account pursuant to
9 section 1203 of such Act; and

10 “(III) any payment made from the Federal
11 Employees Compensation Account (as estab-
12 lished under section 909 of such Act) for the
13 purpose of carrying out chapter 85 of title 5,
14 United States Code, and funds appropriated or
15 transferred to or otherwise deposited in such
16 Account.

17 “(3) FEDERAL ADMINISTRATIVE EXPENSES.—

18 “(A) Administrative expenses incurred by
19 the departments and agencies, including inde-
20 pendent agencies, of the Federal Government in
21 connection with any program, project, activity,
22 or account shall be subject to reduction pursu-
23 ant to any sequestration order, without regard
24 to the exemptions under paragraph (2) and re-
25 gardless of whether the program, project, activ-

1 ity, or account is self-supporting and does not
2 receive appropriations.

3 “(B) Payments made by the Federal Gov-
4 ernment to reimburse or match administrative
5 costs incurred by a State or political subdivision
6 under or in connection with any program,
7 project, activity, or account shall not be consid-
8 ered administrative expenses of the Federal
9 Government for purposes of this section, and
10 shall be subject to sequestration to the extent
11 (and only to the extent) that other payments
12 made by the Federal Government under or in
13 connection with that program, project, activity,
14 or account are subject to that reduction or se-
15 questration; except that Federal payments
16 made to a State as reimbursement of adminis-
17 trative costs incurred by that State under or in
18 connection with the unemployment compensa-
19 tion programs specified in paragraph (2)(ix)
20 shall be subject to reduction or sequestration
21 under this part notwithstanding the exemption
22 otherwise granted to such programs under that
23 paragraph.”.

24 (b) REPORTS.—Section 254 of the Balanced Budget
25 and Emergency Deficit Control Act of 1985 is amended—

1 (1) in subsection (a), by inserting after the item
2 relating to the GAO compliance report the following:
3 “October 1 . . . Department of Treasury report to
4 Congress estimating amount of income tax designated
5 pursuant to section 6097 of the Internal Revenue Code
6 of 1986.”;

7 (2) in subsection (d)(1), by inserting “, and se-
8 questration to reduce the public debt,”;

9 (3) in subsection (d), by redesignating para-
10 graph (5) as paragraph (6) and by inserting after
11 paragraph (4) the following new paragraph:

12 “(5) SEQUESTRATION TO REDUCE THE PUBLIC
13 DEBT REPORTS.—The preview reports shall set forth
14 for the budget year estimates for each of the
15 following:

16 “(A) The aggregate amount designated
17 under section 6097 of the Internal Revenue
18 Code of 1986 for the calendar year two years
19 before the year in which the budget year begins.

20 “(B) The amount of reductions required
21 under section 253A and the deficit remaining
22 after those reductions have been made.

23 “(C) The sequestration percentage nec-
24 essary to achieve the required reduction in ac-
25 counts under section 253A(b).”; and

1 (4) in subsection (g), by redesignating para-
2 graphs (4) and (5) as paragraphs (5) and (6), re-
3 spectively, and by inserting after paragraph (3) the
4 following new paragraph:

5 “(4) SEQUESTRATION TO REDUCE THE PUBLIC
6 DEBT REPORTS.—The final reports shall contain all
7 of the information contained in the public debt tax-
8 ation designation report required on October 1.”

9 (c) EFFECTIVE DATE.—Notwithstanding section
10 275(b) of the Balanced Budget and Emergency Deficit
11 Control Act of 1985, the expiration date set forth in that
12 section shall not apply to the amendments made by this
13 section. The amendments made by this section shall cease
14 to have any effect after the first fiscal year during which
15 there is no public debt.

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