

106TH CONGRESS
1ST SESSION

S. 1012

To amend the Internal Revenue Code of 1986 to use the Consumer Price Index in addition to the national average wage index for purposes of cost-of-living adjustments.

IN THE SENATE OF THE UNITED STATES

MAY 11, 1999

Mr. FRIST 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 use the Consumer Price Index in addition to the national average wage index for purposes of cost-of-living adjustments.

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 “Bracket Creep Correc-
5 tion Act”.

6 **SEC. 2. USE OF NATIONAL AVERAGE WAGE INDEX FOR**
7 **COST-OF-LIVING ADJUSTMENTS.**

8 (a) IN GENERAL.—Section 1(f) of the Internal Rev-
9 enue Code of 1986 (relating to adjustments in tax tables

1 so that inflation will not result in tax increases) is amend-
2 ed by striking paragraphs (3), (4), and (5) and inserting
3 the following:

4 “(3) COST-OF-LIVING ADJUSTMENT.—For pur-
5 poses of paragraph (2), the cost-of-living adjustment
6 for any calendar year is the sum of—

7 “(A) the percentage (if any) by which—

8 “(i) the CPI for the preceding cal-
9 endar year, exceeds

10 “(ii) such index for calendar year
11 1998, and

12 “(B) the percentage (if any) by which—

13 “(i) the national average wage index
14 for the preceding calendar year, exceeds

15 “(ii) such index for calendar year
16 1998.

17 “(4) CPI AND NATIONAL AVERAGE WAGE
18 INDEX FOR ANY CALENDAR YEAR.—For purposes of
19 paragraph (3)—

20 “(A) the CPI for any calendar year is the
21 average of the Consumer Price Index as of the
22 close of the 12-month period ending on August
23 31 of such calendar year, and

24 “(B) the national average wage index for
25 any calendar year is the average of the national

1 average wage index as of the close of the 12-
2 month period ending on August 31 of such cal-
3 endar year.

4 “(5) CPI; NATIONAL AVERAGE WAGE INDEX.—
5 For purposes of this subsection—

6 “(A) CONSUMER PRICE INDEX.—The term
7 ‘Consumer Price Index’ means the last Con-
8 sumer Price Index for all-urban consumers pub-
9 lished by the Department of Labor. For pur-
10 poses of the preceding sentence, the revision of
11 the Consumer Price Index which is most con-
12 sistent with the Consumer Price Index for cal-
13 endar year 1986 shall be used.

14 “(B) NATIONAL AVERAGE WAGE INDEX.—
15 The term ‘national average wage index’ has the
16 meaning given such term by section 209(k)(1)
17 of the Social Security Act, as in effect on the
18 date of the enactment of this paragraph.”

19 (b) CONFORMING AMENDMENTS TO TAX TABLES TO
20 RESTART INFLATION ADJUSTMENT.—Section 1 of the In-
21 ternal Revenue Code of 1986 (relating to tax imposed) is
22 amended by striking subsections (a) through (e) and in-
23 serting the following:

1 “(a) MARRIED INDIVIDUALS FILING JOINT RETURNS
2 AND SURVIVING SPOUSES.—There is hereby imposed on
3 the taxable income of—

4 “(1) every married individual (as defined in sec-
5 tion 7703) who makes a single return jointly with
6 his spouse under section 6013, and

7 “(2) every surviving spouse (as defined in sec-
8 tion 2(a)),

9 a tax determined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$43,050	15% of taxable income.
Over \$43,050 but not over \$104,050.	\$6,457.50, plus 28% of the excess over \$43,050.
Over \$104,050 but not over \$158,550.	\$23,537.50, plus 31% of the excess over \$104,050.
Over \$158,550 but not over \$283,150.	\$40,432.50, plus 36% of the excess over \$158,550.
Over \$283,150	\$85,288.50 plus 39.6% of the excess over \$283,150.

10 “(b) HEADS OF HOUSEHOLDS.—There is hereby im-
11 posed on the taxable income of every head of a household
12 (as defined in section 2(b)) a tax determined in accordance
13 with the following table:

“If taxable income is:	The tax is:
Not over \$34,550	15% of taxable income.
Over \$34,550 but not over \$89,150.	\$5,182.50, plus 28% of the excess over \$34,550.
Over \$89,150 but not over \$144,400.	\$20,470.50, plus 31% of the excess over \$89,150.
Over \$144,400 but not over \$283,150.	\$37,598, plus 36% of the excess over \$144,400.
Over \$283,150	\$87,548 plus 39.6% of the excess over \$283,150.

14 “(c) UNMARRIED INDIVIDUALS (OTHER THAN SUR-
15 VIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There

1 is hereby imposed on the taxable income of every indi-
 2 vidual (other than a married individual (as defined in sec-
 3 tion 7703) filing a joint return or a separate return, a
 4 surviving spouse as defined in section 2(a), or a head of
 5 household as defined in section 2(b)) a tax determined in
 6 accordance with the following table:

“If taxable income is:	The tax is:
Not over \$25,750	15% of taxable income.
Over \$25,750 but not over \$62,450.	\$3,862.50, plus 28% of the excess over \$25,450.
Over \$62,450 but not over \$130,250.	\$14,138.50, plus 31% of the excess over \$62,450.
Over \$130,250 but not over \$283,150.	\$35,156.50, plus 36% of the excess over \$130,250.
Over \$283,150	\$90,200.50 plus 39.6% of the excess over \$283,150.

7 “(d) MARRIED INDIVIDUALS FILING SEPARATE RE-
 8 TURNS.—There is hereby imposed on the taxable income
 9 of every married individual (as defined in section 7703)
 10 who does not make a single return jointly with his spouse
 11 under section 6013, a tax determined in accordance with
 12 the following table:

“If taxable income is:	The tax is:
Not over \$21,175	15% of taxable income.
Over \$21,175 but not over \$52,025.	\$3,228.75, plus 28% of the excess over \$21,175.
Over \$52,025 but not over \$79,275.	\$11,768.75, plus 31% of the excess over \$52,025.
Over \$79,275 but not over \$141,575.	\$20,216.20, plus 36% of the excess over \$79,275.
Over \$141,575	\$42,644.25 plus 39.6% of the excess over \$141,575.

13 “(e) ESTATES AND TRUSTS.—There is hereby im-
 14 posed on the taxable income of—

15 “(1) every estate, and

1 “(2) every trust,
2 taxable under this subsection a tax determined in accord-
3 ance with the following table:

“If taxable income is:	The tax is:
Not over \$1,750	15% of taxable income.
Over \$1,750 but not over \$4,050 ..	\$262.50, plus 28% of the excess over \$1,750.
Over \$4,050 but not over \$6,200 ..	\$906.50, plus 31% of the excess over \$4,050.
Over \$6,200 but not over \$8,450 ..	\$1,573, plus 36% of the excess over \$6,200.
Over \$8,450	\$2,383, plus 39.6% of the excess over \$8,450.”

4 (c) INFLATION ADJUSTMENT TO APPLY IN DETER-
5 MINING RATES FOR 2000.—Section 1(f) of the Internal
6 Revenue Code of 1986 is amended—

7 (1) by striking “1993” in paragraph (1) and in-
8 sserting “1999”,

9 (2) by striking “1992” in paragraph (3)(B) and
10 inserting “1998”, and

11 (3) by striking paragraph (7).

12 (d) CONFORMING AMENDMENTS.—

13 (1) The following provisions of the Internal
14 Revenue Code of 1986 are each amended by striking
15 “1992” and inserting “1998” each place it appears:

16 (A) Section 25A(h).

17 (B) Section 32(j)(1)(B).

18 (C) Section 41(e)(5)(C).

19 (D) Section 59(j)(2)(B).

20 (E) Section 63(c)(4)(B).

- 1 (F) Section 68(b)(2)(B).
- 2 (G) Section 135(b)(2)(B)(ii).
- 3 (H) Section 151(d)(4).
- 4 (I) Section 220(g)(2).
- 5 (J) Section 221(g)(1)(B).
- 6 (K) Section 512(d)(2)(B).
- 7 (L) Section 513(h)(2)(C)(ii).
- 8 (M) Section 685(c)(3)(B).
- 9 (N) Section 877(a)(2).
- 10 (O) Section 911(b)(2)(D)(ii)(II).
- 11 (P) Section 2032A(a)(3)(B).
- 12 (Q) Section 2503(b)(2)(B).
- 13 (R) Section 2631(c)(1)(B).
- 14 (S) Section 4001(e)(1)(B).
- 15 (T) Section 4261(e)(4)(A)(ii).
- 16 (U) Section 6039F(d).
- 17 (V) Section 6323(i)(4)(B).
- 18 (W) Section 6601(j)(3)(B).
- 19 (X) Section 7430(c)(1).

20 (2) Subclause (II) of section 42(h)(6)(G)(i) of
21 such Code is amended by striking “1987” and in-
22 serting “1998”.

23 (3) Clause (ii) of section 132(f)(6)(A) of such
24 Code, as amended by section 9010(b)(1) of the
25 Transportation Equity Act for the 21st Century, is

1 amended by striking “, by substituting ‘calendar
2 year 1998’ for ‘calendar year 1992’.” and by insert-
3 ing a period.

4 (4) Subparagraph (A) of section 132(f)(6) of
5 such Code, as amended by section 9010(c)(2) of the
6 Transportation Equity Act for the 21st Century, is
7 amended by striking clause (ii) and all that follows
8 through “paragraph (2)(A).” and inserting:

9 “(ii) the cost-of-living adjustment de-
10 termined under section 1(f)(3) for the cal-
11 endar year in which the taxable year be-
12 gins. In the case of any taxable year begin-
13 ning in a calendar year after 2002, section
14 1(f)(3) shall be applied by substituting
15 ‘calendar year 2001’ for ‘calendar year
16 1998’ for purposes of adjusting the dollar
17 amount contained in paragraph (2)(A).”.

18 (5) Subparagraph (B) of section 6334(g)(1) of
19 such Code is amended by striking “, by substituting
20 ‘calendar year 1998’ for ‘calendar year 1992’ in sub-
21 paragraph (B) thereof”.

22 (e) ADDITIONAL CONFORMING AMENDMENT.—Sec-
23 tion 42(h)(6)(G)(ii) of the Internal Revenue Code of 1986
24 is amended by striking “the CPI” and all that follows
25 through “base calendar year” and inserting “the cost-of-

1 living adjustment for any calendar year (as defined in sec-
2 tion 1(f)(3)) exceeds 5 percent, the CPI and national aver-
3 age wage index for the base calendar year”.

4 (f) EFFECTIVE DATE.—

5 (1) IN GENERAL.—Except as provided in para-
6 graph (2), the amendments made by this section
7 shall apply to taxable years beginning after Decem-
8 ber 31, 1998.

9 (2) CONFORMING AMENDMENT.—The amend-
10 ment made by subsection (d)(4) shall apply to tax-
11 able years beginning after December 31, 2001.

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