

107<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2693

To amend the Internal Revenue Code of 1986 to encourage retirement savings for individuals by providing a refundable credit for individuals to deposit in a Social Security Plus account, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JUNE 27, 2002

Mr. DORGAN (for himself and Mr. CORZINE) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to encourage retirement savings for individuals by providing a refundable credit for individuals to deposit in a Social Security Plus account, 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; AMENDMENT OF 1986 CODE;**

4                       **TABLE OF CONTENTS.**

5       (a) SHORT TITLE.—This Act may be cited as the  
6       “Social Security Plus Account (SSPA) Act of 2002”.

7       (b) AMENDMENT OF 1986 CODE.—Except as other-  
8       wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment  
 2 to, or repeal of, a section or other provision, the reference  
 3 shall be considered to be made to a section or other provi-  
 4 sion of the Internal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents for  
 6 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

#### TITLE I—SOCIAL SECURITY PLUS CREDIT

Sec. 101. Social Security Plus credit.

Sec. 102. Transfer of credit amount to Social Security Plus Account.

#### TITLE II—SOCIAL SECURITY PLUS ACCOUNTS

Sec. 201. Establishment of Social Security Plus Account.

## 7 **TITLE I—SOCIAL SECURITY** 8 **PLUS CREDIT**

### 9 **SEC. 101. SOCIAL SECURITY PLUS CREDIT.**

10 (a) IN GENERAL.—Part IV of subchapter A of chap-  
 11 ter 1 (relating to credits against tax) is amended by add-  
 12 ing at the end the following new subpart:

#### 13 **“Subpart H—Social Security Plus Credits**

“Sec. 54. Social Security Plus credit.

#### 14 **“SEC. 54. SOCIAL SECURITY PLUS CREDIT.**

15 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-  
 16 gible individual, there shall be allowed as a credit for the  
 17 taxable year an amount equal to the sum of—

18 “(1) 20 percent of any eligible contributions  
 19 made by the individual to a Social Security Plus Ac-  
 20 count for the taxable year, and

1           “(2) the matching contribution determined  
2           under subsection (c) with respect to such individual  
3           for the taxable year.

4           “(b) ELIGIBLE INDIVIDUAL.—For purposes of this  
5           section—

6           “(1) IN GENERAL.—The term ‘eligible indi-  
7           vidual’ means—

8                   “(A) an individual who has received an ag-  
9                   gregate amount of wages with respect to em-  
10                  ployment and self employment income for the  
11                  taxable year equal to an amount which is not  
12                  less than \$5,000, and

13                  “(B) the spouse of such individual, if—

14                          “(i) such spouse is not an eligible in-  
15                          dividual by reason of subparagraph (A),  
16                          and

17                          “(ii) a joint return is filed for the tax-  
18                          able year under section 6013 on behalf of  
19                          such spouse and individual.

20           “(2) EXCLUSIONS.—Such term shall not in-  
21           clude an individual—

22                          “(A) who is a full-time student (within the  
23                          meaning of section 151(c)) during the taxable  
24                          year,

1           “(B) with respect to whom a deduction  
2 under section 151 is allowable to another tax-  
3 payer for the taxable year, or

4           “(C) the modified adjusted gross income of  
5 whom for the taxable year—

6           “(i) in the case of an individual filing  
7 a joint return, exceeds \$300,000,

8           “(ii) in the case of a head of house-  
9 hold (as defined in section 2(b)), exceeds  
10 \$225,000, or

11           “(iii) in the case of any other indi-  
12 vidual, exceeds \$150,000.

13           “(c) DETERMINATION OF MATCHING CONTRIBU-  
14 TION.—

15           “(1) MATCHING CONTRIBUTION.—

16           “(A) IN GENERAL.—For purposes of this  
17 section, a matching contribution with respect to  
18 an individual shall be an amount equal to the  
19 product of the applicable percentage and the  
20 amount of any eligible contributions made by  
21 the individual to a Social Security Plus Account  
22 for the taxable year.

23           “(B) ELIGIBLE CONTRIBUTIONS.—For  
24 purposes of subparagraph (A), the term ‘eligible  
25 contributions’ means the lesser of—

1 “(i) \$2,000, or

2 “(ii) the amount determined under  
3 subparagraph (D).

4 Such term does not include any qualified roll-  
5 over contribution (as defined in section  
6 408B(e).

7 “(C) APPLICABLE PERCENTAGE.—For  
8 purposes of subparagraph (A), the applicable  
9 percentage with respect to an individual shall be  
10 determined in accordance with the following ta-  
11 bles:

12 “(i) In the case of an individual filing  
13 a joint return:

<b>“If modified adjusted gross income is:</b>	<b>The applicable percentage is:</b>
\$30,000 or less .....	100.
Over \$30,000 but not over \$60,000 .....	50.
Over \$60,000 but not over \$100,000 .....	25.
Over \$100,000 .....	zero.

14 “(ii) In the case of a head of house-  
15 hold (as defined in section 2(b)):

<b>“If modified adjusted gross income is:</b>	<b>The applicable percentage is:</b>
\$22,500 or less .....	100.
Over \$22,500 but not over \$45,000 .....	50.
Over \$45,000 but not over \$75,000 .....	25.
Over \$75,000 .....	zero.

16 “(iii) In the case of any other indi-  
17 vidual:

<b>“If modified adjusted gross income is:</b>	<b>The applicable percentage is:</b>
\$15,000 or less .....	100.
Over \$15,000 but not over \$30,000 .....	50.

<b>“If modified adjusted gross income is:</b>	<b>The applicable percentage is:</b>
Over \$30,000 but not over \$50,000 .....	25.
Over \$50,000 .....	zero.

1                   “(D) LIMIT ON ELIGIBLE CONTRIBUTIONS  
2                   TAKEN INTO ACCOUNT.—The amount of eligible  
3                   contributions taken into account in determining  
4                   the matching contribution of an individual  
5                   under this paragraph shall not exceed an  
6                   amount equal to—

7                               “(i) \$2,000, divided by

8                               “(ii) an amount equal to—

9                                       “(I) 1, plus

10                                       “(II) the applicable percentage  
11                                       determined under subparagraph (C)  
12                                       for such individual expressed as a  
13                                       fraction.

14                   “(E) COST-OF-LIVING ADJUSTMENT.—In  
15                   the case of a taxable year beginning after 2003,  
16                   the \$2,000 amount under subparagraph (D)  
17                   shall be increased by an amount equal to—

18                               “(i) such dollar amount, multiplied by

19                               “(ii) the cost-of-living adjustment de-  
20                               termined under section 1(f)(3) for the cal-  
21                               endar year in which the taxable year be-  
22                               gins, determined by substituting ‘calendar  
23                               year 2002’ for ‘calendar year 1992’ in sub-  
24                               paragraph (B) thereof.

1           “(2) MINIMUM CONTRIBUTION TO ACCOUNT RE-  
2           QUIRED.—For purposes of paragraph (1), no con-  
3           tributions shall be taken into account with respect to  
4           an individual unless the aggregate amount of con-  
5           tributions made by such individual to Social Security  
6           Plus Accounts for the taxable year are in excess of  
7           an amount equal to—

8                   “(A) \$200, divided by

9                   “(B) an amount equal to—

10                          “(i) 1, plus

11                          “(ii) the applicable percentage deter-  
12                          mined under paragraph (1)(C) for such in-  
13                          dividual expressed as a fraction.

14           “(d) OTHER DEFINITIONS.—For purposes of this  
15           section—

16                   “(1) EMPLOYMENT.—The term ‘employment’  
17                   has the meaning given such term in section 3121(b).

18                   “(2) MODIFIED ADJUSTED GROSS INCOME.—  
19                   For purposes of this section, the term ‘modified ad-  
20                   justed gross income’ means adjusted gross income—

21                          “(A) determined without regard to this  
22                          section, and sections 86, 135, 137, 221, 222,  
23                          911, 931, and 933, and

1           “(B) increased by the amount of interest  
2           received or accrued by the taxpayer during the  
3           taxable year which is exempt from tax.

4           “(3) SELF EMPLOYMENT INCOME.—The term  
5           ‘self employment income’ has the meaning given  
6           such term in section 1402(b).

7           “(4) WAGES.—The term ‘wages’ has the mean-  
8           ing given such term in section 3121(a).

9           “(e) TREATMENT OF CREDIT.—For purposes of this  
10          title—

11           “(1) CREDIT FOR ELIGIBLE CONTRIBUTIONS.—  
12          The aggregate credits allowed to a taxpayer under  
13          subpart C shall be increased by the credit allowed  
14          under subsection (a)(1).

15           “(2) CREDIT FOR MATCHING CONTRIBUTIONS  
16          USED ONLY FOR SOCIAL SECURITY PLUS AC-  
17          COUNT.—The credit allowed under subsection  
18          (a)(2)—

19           “(A) shall not be treated as a credit al-  
20          lowed under this part, but

21           “(B) shall be treated as an overpayment of  
22          tax under section 6401(b)(3) which may, in ac-  
23          cordance with section 6402(l), only be trans-  
24          ferred to a Social Security Plus Account (as de-  
25          fined in section 408B(b)).”.



1 (b) CREDIT FOR MATCHING CONTRIBUTIONS TREAT-  
2 ED AS OVERPAYMENT OF TAX.—Subsection (b) of section  
3 6401 (relating to amounts treated as overpayments) is  
4 amended by adding at the end the following new para-  
5 graph:

6 “(3) SPECIAL RULE FOR CREDIT FOR MATCH-  
7 ING CONTRIBUTIONS UNDER SECTION 54.—Subject  
8 to the provisions of section 6402(l), the amount of  
9 any credit allowed under section 54(a)(2) (relating  
10 to Social Security Plus credit) for any taxable year  
11 shall be considered an overpayment.”.

12 (c) NOTIFICATION OF CREDIT AMOUNT.—The Sec-  
13 retary of the Treasury shall provide a table to enable an  
14 eligible individual (as defined in section 54(b) of the Inter-  
15 nal Revenue Code of 1986, as added by subsection (a))  
16 to determine the amount of credit allowable under section  
17 54(a)(2) of such Code, as so added, for such individual  
18 for the taxable year.

19 (d) CONFORMING AMENDMENTS.—

20 (1) Section 1324(b)(2) of title 31, United  
21 States Code, is amended by striking “or” before  
22 “enacted” and by inserting before the period at the  
23 end “, or enacted by the Social Security Plus Ac-  
24 count (SSPA) Act of 2002”.

1           (2) The table of subparts for part IV of sub-  
2           chapter A of chapter 1 is amended by adding at the  
3           end the following new item:

“Subpart H. Social Security Plus Credits.”.

4           (e) EFFECTIVE DATE.—The amendments made by  
5           this section shall apply to taxable years beginning after  
6           December 31, 2002.

7           **SEC. 102. TRANSFER OF CREDIT AMOUNT TO SOCIAL SECU-**  
8   **RITY PLUS ACCOUNT.**

9           (a) IN GENERAL.—Section 6402 (relating to author-  
10          ity to make credits or refunds) is amended by adding at  
11          the end the following:

12          “(1) OVERPAYMENTS ATTRIBUTABLE TO SOCIAL SE-  
13          CURITY PLUS CREDIT.—

14                 “(1) IN GENERAL.—In the case of any overpay-  
15          ment described in section 6401(b)(3), the Secretary  
16          shall transfer an amount equal to the amount of  
17          such overpayment to the Social Security Plus Ac-  
18          count designated under paragraph (2) by the indi-  
19          vidual entitled to the overpayment.

20                 “(2) DESIGNATION OF ACCOUNT.—An eligible  
21          individual (as defined in section 54(b)) shall file a  
22          designation including the information described in  
23          paragraph (3) along with the return of the indi-  
24          vidual for the taxable year of the overpayment (or  
25          if no return is required to be filed, on a form pre-

1 scribed by the Secretary) not later than the later  
2 of—

3 “(A) the due date (including extensions)  
4 for filing such return (if applicable), or

5 “(B) the 15th day of April following the  
6 close of the taxable year.

7 “(3) REQUIRED INFORMATION.—For purposes  
8 of paragraph (2), the information described in this  
9 paragraph is—

10 “(A) the designation of a Social Security  
11 Plus Account (as defined in section 408B(b))  
12 maintained on behalf of the individual to which  
13 the transfer shall be made and such informa-  
14 tion as the Secretary may require to enable  
15 electronic transfer of the overpayment amount  
16 to such account, and

17 “(B) the amount of eligible contributions  
18 (as defined in section 54) for the taxable year  
19 with respect to the individual.”.

20 (b) REPORTING REQUIREMENTS FOR ELIGIBLE CON-  
21 TRIBUTION AMOUNTS.—Section 6047 is amended by re-  
22 designating subsection (f) as subsection (g) and by insert-  
23 ing after subsection (e) the following new subsection:

24 “(f) ELIGIBLE CONTRIBUTIONS.—The Secretary  
25 shall require the trustee of each Social Security Plus Ac-

1 count (as defined in section 408B(b)) to make such re-  
2 turns and reports regarding eligible contributions (as de-  
3 fined in section 54) of a participant to the Secretary, par-  
4 ticipants, and beneficiaries of the plan, and such other  
5 persons as the Secretary may prescribe.”.

6 (c) DIRECT DEPOSIT OF REFUND AMOUNTS.—The  
7 Secretary of the Treasury shall promulgate such regula-  
8 tions as necessary to allow—

9 (1) an eligible individual (as defined in section  
10 54(b) of the Internal Revenue Code of 1986, as  
11 added by section 101(a)) to designate an otherwise  
12 allowable amount (or portion of such amount) which  
13 is allowable as a refund on the return of the indi-  
14 vidual for any taxable year to be treated as an eligi-  
15 ble contribution (as defined in subsection (c) of such  
16 section 54) with respect to the taxable year to which  
17 such return relates, and

18 (2) such contributions to be electronically trans-  
19 ferred to a Social Security Plus Account (as defined  
20 in section 408B(b) of the Internal Revenue Code of  
21 1986, as added by section 201) maintained for the  
22 benefit of the individual, along with any matching  
23 amount (as defined in such section 54) with respect  
24 to such contribution.

1 (d) CONFORMING AMENDMENT.—Section 6402(a) is  
 2 amended by striking “In the case” and inserting “Except  
 3 as provided in subsection (l), in the case”.

4 **TITLE II—SOCIAL SECURITY**  
 5 **PLUS ACCOUNTS**

6 **SEC. 201. ESTABLISHMENT OF SOCIAL SECURITY PLUS AC-**  
 7 **COUNT.**

8 (a) IN GENERAL.—Subpart A of part I of subchapter  
 9 D of chapter 1 (relating to pension, profit-sharing, stock  
 10 bonus plans, etc.) is amended by inserting after section  
 11 408A the following new section:

12 **“SEC. 408B. SOCIAL SECURITY PLUS ACCOUNT.**

13 “(a) GENERAL RULE.—Except as provided in this  
 14 section, a Social Security Plus Account shall be treated  
 15 for purposes of this title in the same manner as an indi-  
 16 vidual retirement plan.

17 “(b) SOCIAL SECURITY PLUS ACCOUNT.—For pur-  
 18 poses of this title, the term ‘Social Security Plus Account’  
 19 means an individual retirement plan (as defined in section  
 20 7701(a)(37)) which is designated (in such manner as the  
 21 Secretary may prescribe) at the time of establishment of  
 22 the plan as a Social Security Plus Account.

23 “(c) TREATMENT OF CONTRIBUTIONS.—For pur-  
 24 poses of this title—

1           “(1) IN GENERAL.—The aggregate amount of  
2 contributions for any taxable year to a Social Secu-  
3 rity Plus Account shall not exceed—

4           “(A) the maximum amount of contribu-  
5 tions from an eligible individual (as defined in  
6 section 54(b)) that may be taken into account  
7 under section 54(c)(1)(D) for such taxable year,

8           “(B) amounts transferred under section  
9 6402(l) on behalf of the individual for whom  
10 the account is maintained for such taxable year,  
11 and

12           “(C) any qualified rollover contribution.

13           “(2) PROHIBITION ON CONTRIBUTIONS.—No  
14 contribution may be made to a Social Security Plus  
15 Account in any taxable year in which—

16           “(A) the individual for whom the account  
17 is maintained attains age 70½, or

18           “(B) any distribution from such account is  
19 made.

20           “(3) TAX TREATMENT OF CONTRIBUTIONS.—

21           “(A) NO DEDUCTION ALLOWED.—No de-  
22 duction shall be allowed under section 219 with  
23 respect to any contribution made by an eligible  
24 individual or any matching contribution trans-

1           ferred under section 6402(l) to an individual's  
2           Social Security Plus Account.

3           “(B) EXCLUSION.—Gross income shall not  
4           include any amount transferred under section  
5           6402(l) to an individual's Social Security Plus  
6           Account.

7           “(4) ROLLOVER CONTRIBUTIONS.—No rollover  
8           contribution may be made to a Social Security Plus  
9           Account unless it is a qualified rollover contribution.

10          “(5) COORDINATION WITH CONTRIBUTION LIM-  
11          ITS.—In the case of any contribution or transfer, in-  
12          cluding a qualified rollover contribution, to an ac-  
13          count under paragraph (1) such contribution or  
14          transfer shall not, with respect to the year in which  
15          the contribution or transfer is made—

16                 “(A) be subject to any otherwise applicable  
17                 limitation contained in section 408 or 219, or

18                 “(B) be taken into account in applying  
19                 such limitations to other contributions or bene-  
20                 fits under such account or any other such ac-  
21                 count.

22          “(d) DISTRIBUTION RULES.—For purposes of this  
23          title—

24                 “(1) GENERAL RULES.—

1           “(A) APPLICATION OF SECTION 86.—Any  
2 qualified distribution shall be treated for pur-  
3 poses of this title as the receipt of social secu-  
4 rity benefits (as defined in section 86).

5           “(B) EXCEPTION FROM PENALTY TAX.—  
6 Section 72(t) shall not apply to any qualified  
7 distribution from a Social Security Plus Ac-  
8 count.

9           “(2) QUALIFIED DISTRIBUTION.—For purposes  
10 of this subsection, the term ‘qualified distribution’  
11 means any payment or distribution—

12           “(A) made on or after the date on which  
13 the individual attains early retirement age (as  
14 determined under section 216(l)(2) of the Social  
15 Security Act),

16           “(B) made to a beneficiary (or to the es-  
17 tate of the individual) on or after the death of  
18 the individual,

19           “(C) attributable to the account holder’s  
20 being disabled within the meaning of section  
21 72(m)(7), or

22           “(D) described in section 72(t)(2)(B).

23           “(3) ROLLOVERS.—Paragraph (1) shall not  
24 apply to any distribution which is transferred in a



1 qualified rollover contribution to a Social Security  
2 Plus Account.

3 “(4) MATCHING CONTRIBUTIONS MAY BE USED  
4 ONLY FOR CERTAIN DISTRIBUTIONS.—Any distribu-  
5 tion (other than a qualified distribution described in  
6 subparagraph (A), (B), or (C) of paragraph (2) or  
7 a distribution transferred in a qualified rollover con-  
8 tribution) may be made, but only to the extent such  
9 distribution does not exceed the balance in the ac-  
10 count as of the date of such distribution, reduced by  
11 any amount transferred under section 6402(l) to  
12 such account.

13 “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For  
14 purposes of this section, the term ‘qualified rollover con-  
15 tribution’ means a rollover contribution to a Social Secu-  
16 rity Plus Account from another such account, but only if  
17 such rollover contribution meets the requirements of sec-  
18 tion 408(d)(3).”.

19 (b) CONFORMING AMENDMENT.—The table of sec-  
20 tions for subpart A of part I of subchapter D of chapter  
21 1 is amended by inserting after the item relating to section  
22 408A the following new item:

“Sec. 408B. Social Security Plus Account.”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2002.

○