

104TH CONGRESS  
2D SESSION

# H. R. 3427

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.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 9, 1996

Mr. NETHERCUTT (for himself, Mr. HOSTETTLER, Mr. CRANE, Mr. MCINTOSH, and Ms. DUNN of Washington) introduced the following bill; which was referred to the Committee on Ways and Means

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## 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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