

Public Law 98-21
98th Congress

An Act

To assure the solvency of the Social Security Trust Funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes.

Apr. 20, 1983
[H.R. 1900]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Social Security
Amendments of
1983.

SHORT TITLE

SECTION 1. This Act, with the following table of contents, may be cited as the "Social Security Amendments of 1983".

42 USC 1305
note.

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TITLE I—PROVISIONS AFFECTING THE FINANCING OF THE SOCIAL SECURITY SYSTEM

PART A—COVERAGE

COVERAGE OF NEWLY HIRED FEDERAL EMPLOYEES

SEC. 101. (a)(1) Section 210(a) of the Social Security Act is amended by striking out paragraphs (5) and (6) and inserting in lieu thereof the following: 42 USC 410.

“(5) Service performed in the employ of the United States or any instrumentality of the United States, if such service—

“(A) would be excluded from the term ‘employment’ for purposes of this title if the provisions of paragraphs (5) and (6) of this subsection as in effect in January 1983 had remained in effect, and

“(B) is performed by an individual who (i) has been continuously in the employ of the United States or an instrumentality thereof since December 31, 1983 (and for this purpose an individual who returns to the performance

as may be applicable, effective with the first month of his or her concurrent entitlement to such benefit and such periodic payment.

“(B) If an individual’s primary insurance amount has been computed under subsection (a)(7) or (d)(5), and it becomes necessary to recompute that primary insurance amount under this subsection—

“(i) so as to increase the monthly benefit amount payable with respect to such primary insurance amount (except in the case of the individual’s death), such increase shall be determined as though such primary insurance amount had initially been computed without regard to subsection (a)(7) or (d)(5), or

“(ii) by reason of the individual’s death, such primary insurance amount shall be recomputed without regard to (and as though it had never been computed with regard to) subsection (a)(7) or (d)(5).”

(d) Sections 202(e)(2) and 202(f)(3) of such Act are each amended by striking out “section 215(f) (5) or (6)” wherever it appears and inserting in lieu thereof “section 215(f)(5), 215(f)(6), or 215(f)(9)(B)”.

42 USC 402.

INCREASE IN OLD-AGE INSURANCE BENEFIT AMOUNTS ON ACCOUNT OF DELAYED RETIREMENT

SEC. 114. (a) Section 202(w)(1)(A) of the Social Security Act is amended to read as follows:

42 USC 402.

“(A) the applicable percentage (as determined under paragraph (6)) of such amount, multiplied by”.

(b) Section 202(w) of such Act is further amended by adding at the end thereof the following new paragraph:

“(6) For purposes of paragraph (1)(A), the ‘applicable percentage’ is—

“(A) $\frac{1}{12}$ of 1 percent in the case of an individual who first becomes eligible for an old-age insurance benefit in any calendar year before 1979;

“(B) $\frac{1}{4}$ of 1 percent in the case of an individual who first becomes eligible for an old-age insurance benefit in any calendar year after 1978 and before 1987;

“(C) in the case of an individual who first becomes eligible for an old-age insurance benefit in a calendar year after 1986 and before 2005, a percentage equal to the applicable percentage in effect under this paragraph for persons who first became eligible for an old-age insurance benefit in the preceding calendar year (as increased pursuant to this subparagraph), plus $\frac{1}{24}$ of 1 percent if the calendar year in which that particular individual first becomes eligible for such benefit is not evenly divisible by 2; and

“(D) $\frac{2}{3}$ of 1 percent in the case of an individual who first becomes eligible for an old-age insurance benefit in a calendar year after 2004.”

(c)(1) Paragraphs (2) (A) and (3) of section 202(w) of such Act are each amended by striking out “age 72” and inserting in lieu thereof “age 70”.

(2) The amendments made by paragraph (1) shall apply with respect to increment months in calendar years after 1983.

Effective date.
42 USC 402 note.

PART C—REVENUE PROVISIONS

SEC. 121. TAXATION OF SOCIAL SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS.

(a) **GENERAL RULE.**—Part II of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to amounts specifically included in gross income) is amended by redesignating section 86 as section 87 and by inserting after section 85 the following new section:

26 USC 86.

“SEC. 86. SOCIAL SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS.

“(a) **IN GENERAL.**—Gross income for the taxable year of any taxpayer described in subsection (b) includes social security benefits in an amount equal to the lesser of—

“(1) one-half of the social security benefits received during the taxable year, or

“(2) one-half of the excess described in subsection (b)(1).

“(b) **TAXPAYERS TO WHOM SUBSECTION (a) APPLIES.**—

“(1) **IN GENERAL.**—A taxpayer is described in this subsection if—

“(A) the sum of—

“(i) the modified adjusted gross income of the taxpayer for the taxable year, plus

“(ii) one-half of the social security benefits received during the taxable year, exceeds

“(B) the base amount.

“(2) **MODIFIED ADJUSTED GROSS INCOME.**—For purposes of this subsection, the term ‘modified adjusted gross income’ means adjusted gross income—

“(A) determined without regard to this section and sections 221, 911, 931, and 933, and

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

“(c) **BASE AMOUNT.**—For purposes of this section, the term ‘base amount’ means—

“(1) except as otherwise provided in this subsection, \$25,000,

“(2) \$32,000, in the case of a joint return, and

“(3) zero, in the case of a taxpayer who—

“(A) is married at the close of the taxable year (within the meaning of section 143) but does not file a joint return for such year, and

“(B) does not live apart from his spouse at all times during the taxable year.

“(d) **SOCIAL SECURITY BENEFIT.**—

“(1) **IN GENERAL.**—For purposes of this section, the term ‘social security benefit’ means any amount received by the taxpayer by reason of entitlement to—

“(A) a monthly benefit under title II of the Social Security Act, or

“(B) a tier 1 railroad retirement benefit.

For purposes of the preceding sentence, the amount received by any taxpayer shall be determined as if the Social Security Act did not contain section 203(i) thereof.

“(2) **ADJUSTMENT FOR REPAYMENTS DURING YEAR.**—

42 USC 401.

42 USC 403.

“(A) IN GENERAL.—For purposes of this section, the amount of social security benefits received during any taxable year shall be reduced by any repayment made by the taxpayer during the taxable year of a social security benefit previously received by the taxpayer (whether or not such benefit was received during the taxable year).

“(B) DENIAL OF DEDUCTION.—If (but for this subparagraph) any portion of the repayments referred to in subparagraph (A) would have been allowable as a deduction for the taxable year under section 165, such portion shall be allowable as a deduction only to the extent it exceeds the social security benefits received by the taxpayer during the taxable year (and not repaid during such taxable year).

“(3) WORKMEN’S COMPENSATION BENEFITS SUBSTITUTED FOR SOCIAL SECURITY BENEFITS.—For purposes of this section, if, by reason of section 224 of the Social Security Act (or by reason of section 3(a)(1) of the Railroad Retirement Act of 1974), any social security benefit is reduced by reason of the receipt of a benefit under a workmen’s compensation act, the term ‘social security benefit’ includes that portion of such benefit received under the workmen’s compensation act which equals such reduction.

42 USC 424a.

45 USC 231b.

“(4) TIER 1 RAILROAD RETIREMENT BENEFIT.—For purposes of paragraph (1), the term ‘tier 1 railroad retirement benefit’ means a monthly benefit under section 3(a), 4(a), or 4(f) of the Railroad Retirement Act of 1974.

45 USC 231b,
231c.

“(e) LIMITATION ON AMOUNT INCLUDED WHERE TAXPAYER RECEIVES LUMP-SUM PAYMENT.—

“(1) LIMITATION.—If—

“(A) any portion of a lump-sum payment of social security benefits received during the taxable year is attributable to prior taxable years, and

“(B) the taxpayer makes an election under this subsection for the taxable year,

then the amount included in gross income under this section for the taxable year by reason of the receipt of such portion shall not exceed the sum of the increases in gross income under this chapter for prior taxable years which would result solely from taking into account such portion in the taxable years to which it is attributable.

“(2) SPECIAL RULES.—

“(A) YEAR TO WHICH BENEFIT ATTRIBUTABLE.—For purposes of this subsection, a social security benefit is attributable to a taxable year if the generally applicable payment date for such benefit occurred during such taxable year.

“(B) ELECTION.—An election under this subsection shall be made at such time and in such manner as the Secretary shall by regulations prescribe. Such election, once made, may be revoked only with the consent of the Secretary.

“(f) TREATMENT AS PENSION OR ANNUITY FOR CERTAIN PURPOSES.—For purposes of—

“(1) section 43(c)(2) (defining earned income),

“(2) section 219(f)(1) (defining compensation),

“(3) section 221(b)(2) (defining earned income), and

“(4) section 911(b)(1) (defining foreign earned income),

any social security benefit shall be treated as an amount received as a pension or annuity.”

(b) **INFORMATION REPORTING.**—Subpart B of part III of subchapter A of chapter 61 of such Code (relating to information concerning transactions with other persons) is amended by adding at the end thereof the following new section:

26 USC 6050F.

"SEC. 6050F. RETURNS RELATING TO SOCIAL SECURITY BENEFITS.

"(a) REQUIREMENT OF REPORTING.—The appropriate Federal official shall make a return, according to the forms and regulations prescribed by the Secretary, setting forth—

"(1) the—

"(A) aggregate amount of social security benefits paid with respect to any individual during any calendar year,

"(B) aggregate amount of social security benefits repaid by such individual during such calendar year, and

42 USC 424a.

45 USC 231b.

"(C) aggregate reductions under section 224 of the Social Security Act (or under section 3(a)(1) of the Railroad Retirement Act of 1974) in benefits which would otherwise have been paid to such individual during the calendar year on account of amounts received under a workmen's compensation act, and

"(2) the name and address of such individual.

"(b) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every person making a return under subsection (a) shall furnish to each individual whose name is set forth in such return a written statement showing—

"(1) the name of the agency making the payments, and

"(2) the aggregate amount of payments, of repayments, and of reductions, with respect to the individual as shown on such return.

The written statement required under the preceding sentence shall be furnished to the individual on or before January 31 of the year following the calendar year for which the return under subsection (a) was made.

"(c) DEFINITIONS.—For purposes of this section—

"(1) APPROPRIATE FEDERAL OFFICIAL.—The term 'appropriate Federal official' means—

"(A) the Secretary of Health and Human Services in the case of social security benefits described in section 86(d)(1)(A), and

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"(B) the Railroad Retirement Board in the case of social security benefits described in section 86(d)(1)(B).

"(2) SOCIAL SECURITY BENEFIT.—The term 'social security benefit' has the meaning given to such term by section 86(d)(1)."

(c) TREATMENT OF NONRESIDENT ALIENS.—

26 USC 871.

(1) AMENDMENT OF SECTION 871 (a).—Subsection (a) of section 871 of such Code (relating to tax on income not connected with United States business) is amended by adding at the end thereof the following new paragraph:

"(3) TAXATION OF SOCIAL SECURITY BENEFITS.—For purposes of this section and section 1441—

"(A) one-half of any social security benefit (as defined in section 86(d)) shall be included in gross income, and

"(B) section 86 shall not apply."

26 USC 1441.

(2) AMENDMENT OF SECTION 1441.—Section 1441 of such Code (relating to withholding of tax on nonresident aliens) is amended by adding at the end thereof the following new subsection:

“(g) CROSS REFERENCE.—

“For provision treating one-half of social security benefits as subject to withholding under this section, see section 871(a)(3).”

(3) DISCLOSURE OF INFORMATION TO SOCIAL SECURITY ADMINISTRATION OR RAILROAD RETIREMENT BOARD.—

(A) **IN GENERAL.**—Subsection (h) of section 6103 of such Code (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended by adding at the end thereof the following new paragraph: 26 USC 6103.

“(6) **WITHHOLDING OF TAX FROM SOCIAL SECURITY BENEFITS.**—Upon written request of the payor agency, the Secretary may disclose available return information from the master files of the Internal Revenue Service with respect to the address and status of an individual as a nonresident alien or as a citizen or resident of the United States to the Social Security Administration or the Railroad Retirement Board (whichever is appropriate) for purposes of carrying out its responsibilities for withholding tax under section 1441 from social security benefits (as defined in section 86(d)).”

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(B) **CONFORMING AMENDMENT.**—Paragraph (4) of section 6103(p) of such Code (relating to safeguards) is amended by inserting “(h)(6),” after “(h)(2),” in the material preceding subparagraph (A) and in subparagraph (F)(ii), thereof. 26 USC 6103.

(C) **DISCLOSURE BY FINANCIAL INSTITUTIONS.**—Section 1113 of the Right to Financial Privacy Act of 1978 (92 Stat. 3706; 12 U.S.C. 3413) is amended by adding at the end thereof the following new subsection:

“(k)(1) Nothing in this title shall apply to the disclosure by the financial institution of the name and address of any customer to the Department of the Treasury, the Social Security Administration, or the Railroad Retirement Board, where the disclosure of such information is necessary to, and such information is used solely for the purpose of, the proper administration of section 1441 of the Internal Revenue Code of 1954, title II of the Social Security Act, or the Railroad Retirement Act of 1974.

Information disclosure.

26 USC 1441; 42 USC 401; 45 USC 231t.

“(2) Notwithstanding any other provision of law, any request authorized by paragraph (1) (and the information contained therein) may be used by the financial institution or its agents solely for the purpose of providing the customer’s name and address to the Department of the Treasury, the Social Security Administration, or the Railroad Retirement Board and shall be barred from redisclosure by the financial institution or its agents.”

(d) **SOCIAL SECURITY BENEFITS TREATED AS UNITED STATES SOURCED.**—Subsection (a) of section 861 of such Code (relating to income from sources within the United States) is amended by adding at the end thereof the following new paragraph: 26 USC 861.

“(8) **SOCIAL SECURITY BENEFITS.**—Any social security benefit (as defined in section 86(d)).”

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(e) TRANSFERS TO TRUST FUNDS.—

42 USC 401 note.

(1) **IN GENERAL.**—There are hereby appropriated to each payor fund amounts equivalent to the aggregate increase in tax liabilities under chapter 1 of the Internal Revenue Code of 1954 which is attributable to the application of sections 86 and 871(a)(3) of such Code (as added by this section) to payments from such payor fund.

26 USC 1 *et seq.*

Ante, p. 80.

(2) **TRANSFERS.**—The amounts appropriated by paragraph (1) to any payor fund shall be transferred from time to time (but not less frequently than quarterly) from the general fund of the Treasury on the basis of estimates made by the Secretary of the Treasury of the amounts referred to in such paragraph. Any such quarterly payment shall be made on the first day of such quarter and shall take into account social security benefits estimated to be received during such quarter. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

(3) **DEFINITIONS.**—For purposes of this subsection—

(A) **PAYOR FUND.**—The term “payor fund” means any trust fund or account from which payments of social security benefits are made.

(B) **SOCIAL SECURITY BENEFITS.**—The term “social security benefits” has the meaning given such term by section 86(d)(1) of the Internal Revenue Code of 1954.

(4) **REPORTS.**—The Secretary of the Treasury shall submit annual reports to the Congress and to the Secretary of Health and Human Services and the Railroad Retirement Board on—

(A) the transfers made under this subsection during the year, and the methodology used in determining the amount of such transfers and the funds or account to which made, and

(B) the anticipated operation of this subsection during the next 5 years.

(f) **TECHNICAL AMENDMENTS.**—

(1) Subsection (a) of section 85 of such Code is amended by striking out “this section,” and inserting in lieu thereof “this section, section 86,”.

(2) Subparagraph (B) of section 128(c)(3) of such Code (as in effect for taxable years beginning after December 31, 1984) is amended by striking out “85,” and inserting in lieu thereof “85, 86,”.

(3) The table of sections for part II of subchapter B of chapter 1 of such Code is amended by striking out the item relating to section 86 and inserting in lieu thereof the following:

“Sec. 86. Social security and tier 1 railroad retirement benefits.

“Sec. 87. Alcohol fuel credit.”

(4) The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding at the end thereof the following new item:

“Sec. 6050F. Returns relating to social security benefits.”

(g) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall apply to benefits received after December 31, 1983, in taxable years ending after such date.

(2) **TREATMENT OF CERTAIN LUMP-SUM PAYMENTS RECEIVED AFTER DECEMBER 31, 1983.**—The amendments made by this section shall not apply to any portion of a lump-sum payment of social security benefits (as defined in section 86(d) of the Internal Revenue Code of 1954) received after December 31, 1983, if the generally applicable payment date for such portion was before January 1, 1984.

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26 USC 85.

96 Stat. 2375.
26 USC 128.

26 USC 86 note.

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