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119TH CONGRESS
1ST SESSION

H. R. 2909

To amend the Internal Revenue Code of 1986 to repeal the inclusion in gross income of social security benefits, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 2025

Ms. CRAIG (for herself, Mr. KHANNA, Ms. PETTERSEN, Mr. CASTEN, and Mr. RILEY of New York) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To amend the Internal Revenue Code of 1986 to repeal the inclusion in gross income of social security benefits, and for other purposes.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''You Earned It, You Keep It Act''.

SEC. 2. REPEAL OF INCLUSION IN GROSS INCOME OF SOCIAL SECURITY BENEFITS.

(a) IN GENERAL.—Section 86 of the Internal Revenue Code of 1986 (relating to social security benefits) is amended by adding at the end the following new subsection:

"(g) TERMINATION.—This section shall not apply to any taxable year beginning after the date of the enactment of this subsection.".

(b) SOCIAL SECURITY TRUST FUNDS HELD HARMLESS.—There are hereby appropriated (out of any money in the Treasury not otherwise appropriated) for each fiscal year to each fund under the Social Security Act (including the Federal Hospital Insurance Trust Fund) or the Railroad Retirement Act of 1974 an amount equal to the reduction in the transfers to such fund for such fiscal year by reason of section 86(g) of the Internal Revenue Code of 1986.

SEC. 3. DETERMINING WAGES AND SELF-EMPLOYMENT INCOME ABOVE CONTRIBUTION AND BENEFIT BASE AFTER 2025.

(a) DETERMINATION OF WAGES ABOVE CONTRIBUTION AND BENEFIT BASE AFTER 2025.—

(1) AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.—

(A) REPEAL OF PRESENT LAW LIMITATION.—Section 3121(a) of the Internal Revenue Code of 1986 is amended by striking paragraph (1).

(B) LIMITATION ON AMOUNT OF WAGES.—Section 3121 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(aa) LIMITATION ON AMOUNT OF WAGES.—

"(1) IN GENERAL.—In the case of any calendar year in which the contribution and benefit base (as determined under section 230 of the Social Security Act) is less than $250,000, for purposes of the taxes imposed by sections 3101(a) and 3111(a), the term 'wages' does not include that part of the remuneration which, after remuneration equal to such contribution and benefit base with respect to employment has been paid to an individual by an employer during the calendar year with respect to which such contribution and benefit base is effective, is paid to such individual by such employer during the calendar year. The preceding sentence shall not apply to that part of the remuneration paid to an individual after remuneration of $250,000 with respect to employment has been paid to such individual by an employer (or any person related to, or acting on behalf of, such employer, as determined by the Secretary) during the calendar year.

"(2) SUCCESSOR EMPLOYER.—If an employer (hereinafter referred to as successor employer) during any calendar year, acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration with respect to employment equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) to such individual during such calendar year, any remuneration with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer.

"(3) REMUNERATION.—For purposes of this subsection, the term 'remuneration' does not include remuneration referred to in any paragraph of subsection (a).".

(C) APPLICATION TO RAILROAD RETIREMENT.—

(i) IN GENERAL.—Section 3231(e)(2)(A) of the Internal Revenue Code of 1986 is amended by adding at the end the following new clause:

"(iv) LIMITATION ON EXCLUSION.—For purposes of so much of the taxes imposed by sections 3201(a), 3211(a), and 3221(a) as are determined by reference to the rate in effect under section 3101(a) or 3111(a)—

"(I) in the case of any calendar year in which the contribution and benefit base (as determined under section 230 of the Social Security Act) is less than $250,000, clause (i) shall not apply to that part of the remuneration paid to an individual after remuneration of $250,000 for services rendered as an employee has been paid to such individual by an employer (or any person related to, or acting on behalf of, such employer, as determined by the Secretary) during the calendar year, and

''(II) in the case of any calendar year in which such contribution and benefit base equals or exceeds $250,000, clause (i) shall not apply.''.

(ii) EXCLUSION OF REMUNERATION WHICH IS NOT TREATED AS COMPENSATION.—Section 3231(e)(2)(A)(ii) of the Internal Revenue Code of 1986 is amended by inserting ''or (iv)'' after ''under clause (i)''.

(D) CONFORMING AMENDMENT.—Section 3231(e)(2)(C) of the Internal Revenue Code of 1986 is amended by striking ''the second sentence of section 3121(a)(1)'' and inserting ''section 3121(aa)(2)''.

(2) AMENDMENT TO THE SOCIAL SECURITY ACT.—Section 209(a)(1)(I) of the Social Security Act (42 U.S.C. 409(a)(1)(I)) is amended by inserting before the semicolon at the end the following: ''except that this subparagraph shall apply only to

calendar years for which the contribution and benefit base (as so determined) is less than $250,000, and, for such calendar years, only to the extent that remuneration with respect to employment paid to such employee does not exceed $250,000''.

(b) DETERMINATION OF SELF-EMPLOYMENT INCOME ABOVE CONTRIBUTION AND BENEFIT BASE AFTER 2025.—

(1) AMENDMENTS TO INTERNAL REVENUE CODE OF 1986.—

(A) IN GENERAL.—Section 1402(b) of the Internal Revenue Code of 1986 is amended to read as follows:

''(b) SELF-EMPLOYMENT INCOME.—

''(1) IN GENERAL.—The term 'self-employment income' means the net earnings from self-employment derived by an individual, except that such term shall not include net earnings from self-employment if such net earnings for the taxable year are less than $400.

''(2) LIMITATION ON OASDI TAX.—For purposes of section 1401(a), the term 'self employment income' shall not exceed the sum of—

''(A) the total compensation not in excess of the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective for the calendar year in which such taxable year begins, reduced by the amount of wages not in excess of such base paid to such individual during the taxable year, plus

"(B) the total compensation in excess of the greater of—

"(i) $250,000, or

"(ii) the amount of wages paid to such individual during the taxable year.

"(3) DEFINITION AND SPECIAL RULES.—

"(A) TOTAL COMPENSATION.—For purposes of paragraph (2), the term 'total compensation' means the sum of the net earnings from self-employment and the amount of wages paid to such individual during the taxable year.

"(B) WAGES.—For purposes of this subsection, the term 'wages'—

"(i) includes such remuneration paid to an employee for services included under an agreement entered into pursuant to the provisions of section 3121(l) (relating to coverage of citizens of the United States who are employees of foreign affiliates of

American employers) as would be wages under section 3121(a) if such services constituted employment under section 3121(b), and

"(ii) includes compensation which is subject to the tax imposed by section 3201 or 3211 (or would be so subject but for paragraph (2) of section 3231(e)).

"(C) NONRESIDENT ALIENS.—A nonresident alien individual shall not be treated as an individual for purposes of paragraph (1), except as provided by an agreement under section 233 of the Social Security Act. An individual who is not a citizen of the United States but who is a resident of the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa shall not, for purposes of this chapter, be considered to be a nonresident alien individual.

"(D) CHURCH EMPLOYEE.—In the case of church employee income, the special rules of subsection (j)(2) shall apply for purposes of paragraph (1).".

(B) CONFORMING AMENDMENTS.—

(i) Section 1402(j)(2)(A) of the Internal Revenue Code of 1986 is amended by striking all that precedes "shall be applied" and inserting:

"(A) SEPARATE APPLICATION OF DE MINIMIS RULE.—Subsection (b)(1)".

(ii) Section 1402(j)(2)(B) of such Code is amended by striking "paragraph (2) of subsection (b)" and inserting "subsection (b)(1)".

(2) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

(A) IN GENERAL.—Section 211(b)(1) of the Social Security Act (42 U.S.C. 411(b)) is amended—

(i) in subparagraph (I)—

(I) by inserting "and before 2026" after "1974"; and

(II) by striking "or" at the end; and

(ii) by adding at the end the following:

"(J) For any taxable year beginning in any calendar year after 2025, an amount equal to—

"(i) $250,000, reduced (but not below zero) by

"(ii) the sum of—

"(I) the part of the net earnings from self-employment (if any) which is not in excess of—

"(aa) the amount equal to the contribution and benefit base (as determined under section 230) which is effective for the calendar year in which such taxable year begins, minus

"(bb) the amount of the wages paid to such individual during such taxable year, plus

"(II) the amount of the wages paid to such individual during such taxable year which is in excess of the amount in subclause (I)(aa); or".

(B) PHASEOUT.—Section 211(b) of the Social Security Act (42 U.S.C. 411(b)) is amended by adding at the end the following: "Paragraph (1) shall apply only to taxable years beginning in calendar years for which the contribution and benefit base (as determined under section 230) is less than $250,000.''.

(c) SPECIAL RULE FOR WAGES FROM MULTIPLE EMPLOYERS WHICH TOTAL IN EXCESS OF $250,000.—

(1) IN GENERAL.—Subchapter A of chapter 21 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

''SEC. 3103. SPECIAL RULES FOR REMUNERATION FROM MULTIPLE EMPLOYERS.

''(a) IN GENERAL.—In the case of an employee receiving wages from more than one employer during a calendar year, there is hereby imposed a tax on such employee (for the last taxable year beginning in the calendar year the wages are received) equal to the excess (if any) of—

''(1) the tax that would have been imposed by section 3101(a) if such wages had been received from one employer, over

''(2) the aggregate tax imposed by such section with respect to such wages.

''(b) COORDINATION WITH SPECIAL REFUND PROVISION.—No credit shall be determined under section 31(b) with respect to any employee for any taxable year unless the amount described in subsection (a)(1) with respect to wages received during the calendar year in which such taxable year begins exceeds the amount described in subsection (a)(2) with respect to such wages, and the amount of such credit so determined shall not exceed such excess.

"(c) WAGES.—For purposes of this section, the term 'wages' shall have the same meaning as when used in section 1402(b).

"(d) APPLICATION TO TIER I RAILROAD RETIREMENT TAX.—In the case of compensation (as defined in section 3231(e)), for purposes of applying subsections (a) and (b), the reference to the tax that would have been imposed by section 3101(a) shall be treated as including a reference to so much of the tax that would have been imposed on such compensation under section 3201(a) or 3211(a) (or would have been so imposed but for paragraph (2) of section 3231(e)) as is determined by reference to the rate of tax in effect under section 3101(a).".

(2) FAILURE BY INDIVIDUAL TO PAY ESTIMATED INCOME TAX.—Subsection (m) of section 6654 of the Internal Revenue Code of 1986 is amended to read as follows:

"(m) SPECIAL RULE FOR CERTAIN EMPLOYMENT TAXES.—For purposes of this section, the tax imposed by sections 3101(b)(2) (to the extent not withheld) and the tax imposed by section 3103 shall be treated as taxes imposed by chapter 2.".

(3) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 21 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"Sec. 3103. Special rules for remuneration from multiple employers.".

(d) CONFORMING CHANGE TO NATIONAL AVERAGE WAGE INDEX.—Section 209(k) of the Social Security Act (42 U.S.C. 409(k)) is amended—

(1) in paragraph (1), by inserting "and to paragraph (4)" after "paragraph (2)"; and

(2) by adding at the end the following:

"(4) For each calendar year after 2025, the national average wage index as defined in this section for such calendar year shall be deemed to be the national average wage index determined under the preceding paragraphs of this section increased by the following percentage:

"(A) For calendar years 2026 through 2030, 0.7 percent.

"(B) For calendar years 2032 through 2036, 0.8 percent.

"(C) For calendar years after 2038, 0.9 percent.".

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a) and (c) shall apply to remuneration paid in calendar years after 2025.

(2) SELF-EMPLOYMENT INCOME.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2025.

SEC. 4. INCLUDING EARNINGS OVER $250,000 IN SOCIAL SECURITY BENEFIT FORMULA.

(a) INCLUSION OF EARNINGS OVER $250,000 IN DETERMINATION OF PRIMARY INSURANCE AMOUNTS.—Section 215(a)(1)(A) of the Social Security Act (42 U.S.C. 415(a)(1)(A)) is amended—

(1) in clause (ii), by striking ‘‘and’’ at the end;

(2) in clause (iii), by inserting ‘‘and’’ at the end; and

(3) by inserting after clause (iii) the following:

‘‘(iv) 2 percent of the individual's excess average indexed monthly earnings (as defined in subsection (b)(5)(A)).’’.

(b) DEFINITION OF EXCESS AVERAGE INDEXED MONTHLY EARNINGS.—Section 215(b) of the Social Security Act (42 U.S.C. 415(b)) is amended—

(1) by striking ‘‘wages’’ and ‘‘self-employment income’’ each place such terms appear and inserting ‘‘basic wages’’ and ‘‘basic self-employment income’’, respectively; and

(2) by adding at the end the following:

''(5)(A) An individual's excess average indexed monthly earnings shall be equal to the amount of the individual's average indexed monthly earnings that would be determined under this subsection by substituting 'excess wages' for 'basic wages' and 'excess self-employment income' for 'basic self-employment income' each place such terms appear in this subsection (except in this paragraph).

''(B) For purposes of this subsection—

''(i) the term 'basic wages' means that portion of the wages of an individual paid in a year that does not exceed the contribution and benefit base for the year;

''(ii) the term 'basic self-employment income' means that portion of the self-employment income of an individual credited to a year that does not exceed an amount equal to the contribution and benefit base for the year minus the amount of the wages paid to the individual in the year;

''(iii) the term 'excess wages' means that portion of the wages of an individual paid in a year after 2025 in excess of the higher of $250,000 or the contribution and benefit base for the year; and

''(iv) the term 'excess self-employment income' means that portion of the self-employment income of an individual credited to a year after 2025 in excess of the higher of $250,000 or such contribution and benefit base for the year.''.

(c) CONFORMING AMENDMENTS.—Title II of the Social Security Act is amended—

(1) in section 203(a)(6)(A) (42 U.S.C. 403(a)(6)(A)), by striking ''85 percent of such individual's average indexed monthly earnings'' and inserting ''the sum of 85 percent of such individual's average indexed monthly earnings and 1 percent of such individual's excess average indexed monthly earnings (as defined in section 215(b)(5)(A))'';

(2) in section 212 (42 U.S.C. 412), by inserting ''excess average indexed monthly earnings,'' after ''average indexed monthly earnings,'' each place it appears; and

(3) in section 215(e)(1) (42 U.S.C. 415(e)(1)), by inserting ''and before 2026'' after ''after 1974''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to individuals who initially become eligible (within the meaning of section 215(a)(3)(B) of the Social Security Act) for old-age or disability insurance benefits under title II of the Social Security Act, or who die (before becoming eligible for such benefits), in any calendar year after 2025.

(e) HOLDING SSI, MEDICAID, AND CHIP BENEFICIARIES HARMLESS.—For purposes of determining the income of an individual to establish eligibility for, and the amount of, benefits payable under title XVI of the Social Security Act, eligibility for medical assistance under the State plan under title XIX (or a waiver of such plan), or eligibility for child health assistance under the State child health plan under title XXI (or a waiver of the plan), the amount of any benefit to which the individual is entitled under title II of such Act shall be deemed not to exceed the amount of the benefit that would be determined for such individual under such title as in effect on the day before the date of the enactment of this Act.

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