

112TH CONGRESS  
1ST SESSION

# S. 574

To amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

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## IN THE SENATE OF THE UNITED STATES

MARCH 15, 2011

Mr. McCAIN (for himself and Mr. RUBIO) 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 allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated.

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 “Debt Buy-Down Act”.

1 **SEC. 2. DESIGNATION OF AMOUNTS FOR REDUCTION OF**  
 2 **PUBLIC DEBT.**

3 (a) IN GENERAL.—Subchapter A of chapter 61 of the  
 4 Internal Revenue Code of 1986 (relating to returns and  
 5 records) is amended by adding at the end the following  
 6 new part:

7 **“PART IX—DESIGNATION FOR REDUCTION OF**  
 8 **PUBLIC DEBT**

“Sec. 6097. Designation.

9 **“SEC. 6097. DESIGNATION.**

10 “(a) IN GENERAL.—Every individual with adjusted  
 11 income tax liability for any taxable year may designate  
 12 that a portion of such liability (not to exceed 10 percent  
 13 thereof) shall be used to reduce the public debt.

14 “(b) MANNER AND TIME OF DESIGNATION.—A des-  
 15 ignation under subsection (a) may be made with respect  
 16 to any taxable year only at the time of filing the return  
 17 of tax imposed by chapter 1 for the taxable year. The des-  
 18 ignation shall be made on the first page of the return or  
 19 on the page bearing the taxpayer’s signature.

20 “(c) ADJUSTED INCOME TAX LIABILITY.—For pur-  
 21 poses of this section, the adjusted income tax liability of  
 22 an individual for any taxable year is the income tax liabil-  
 23 ity of the individual for the taxable year determined under  
 24 section 6096(b), reduced by any amount designated under  
 25 section 6096(a).”.

1 (b) CLERICAL AMENDMENT.—The table of parts for  
2 such subchapter A is amended by adding at the end the  
3 following new item:

“PART IX. DESIGNATION FOR REDUCTION OF PUBLIC DEBT”.

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years ending after the  
6 date of the enactment of this Act.

7 **SEC. 3. PUBLIC DEBT REDUCTION TRUST FUND.**

8 (a) IN GENERAL.—Subchapter A of chapter 98 of the  
9 Internal Revenue Code of 1986 (relating to trust fund  
10 code) is amended by adding at the end the following sec-  
11 tion:

12 **“SEC. 9511. PUBLIC DEBT REDUCTION TRUST FUND.**

13 “(a) CREATION OF TRUST FUND.—There is estab-  
14 lished in the Treasury of the United States a trust fund  
15 to be known as the ‘Public Debt Reduction Trust Fund’,  
16 consisting of any amount appropriated or credited to the  
17 Trust Fund as provided in this section or section 9602(b).

18 “(b) TRANSFERS TO TRUST FUND.—There are here-  
19 by appropriated to the Public Debt Reduction Trust Fund  
20 amounts equivalent to the amounts designated under sec-  
21 tion 6097 (relating to designation for public debt reduc-  
22 tion).

23 “(c) EXPENDITURES.—Amounts in the Public Debt  
24 Reduction Trust Fund shall be used by the Secretary for  
25 purposes of paying at maturity, or to redeem or buy before

1 maturity, any obligation of the Federal Government in-  
 2 cluded in the public debt (other than an obligation held  
 3 by the Federal Old-Age and Survivors Insurance Trust  
 4 Fund or the Department of Defense Military Retirement  
 5 Fund). Any obligation which is paid, redeemed, or bought  
 6 with amounts from the Public Debt Reduction Trust Fund  
 7 shall be canceled and retired and may not be reissued.”.

8 (b) CLERICAL AMENDMENT.—The table of sections  
 9 for such subchapter is amended by adding at the end the  
 10 following new item:

“Sec. 9511. Public Debt Reduction Trust Fund.”.

11 (c) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to amounts received after the date  
 13 of the enactment of this Act.

14 **SEC. 4. TAXPAYER-GENERATED SEQUESTRATION OF FED-**  
 15 **ERAL SPENDING TO REDUCE THE PUBLIC**  
 16 **DEBT.**

17 (a) SEQUESTRATION TO REDUCE THE PUBLIC  
 18 DEBT.—Part C of the Balanced Budget and Emergency  
 19 Deficit Control Act of 1985 is amended by inserting after  
 20 section 253 the following new section:

21 **“SEC. 253A. SEQUESTRATION TO REDUCE THE PUBLIC**  
 22 **DEBT.**

23 “(a) SEQUESTRATION.—Notwithstanding sections  
 24 255 and 256, within 15 days after Congress adjourns to  
 25 end a session, and on the same day as sequestration (if

1 any) under sections 251, 252, and 253, and under section  
2 5(b) of the Statutory Pay-As-You-Go Act of 2010, but  
3 after any sequestration required by those sections, there  
4 shall be a sequestration equivalent to the estimated aggregate  
5 amount designated under section 6097 of the Internal  
6 Revenue Code of 1986 for the last taxable year ending  
7 one year before the beginning of that session of Congress,  
8 as estimated by the Department of the Treasury on October  
9 ber 1 and as modified by the total of—

10           “(1) any amounts by which net discretionary  
11           spending is reduced by legislation below the discretionary  
12           spending limits enacted after the enactment  
13           of this section related to the fiscal year subject to  
14           the sequestration (or, in the absence of such limits,  
15           any net deficit change from the baseline amount calculated  
16           under section 257; and

17           “(2) the net deficit change that has resulted  
18           from all direct spending legislation enacted after the  
19           enactment of this section related to the fiscal year  
20           subject to the sequestration, as estimated by OMB.

21 If the reduction in spending under paragraphs (1) and (2)  
22 for a fiscal year is greater than the estimated aggregate  
23 amount designated under section 6097 of the Internal  
24 Revenue Code of 1986 respecting that fiscal year, then  
25 there shall be no sequestration under this section.

1 “(b) APPLICABILITY.—

2 “(1) IN GENERAL.—Except as provided by  
3 paragraph (2), each account of the United States  
4 shall be reduced by a dollar amount calculated by  
5 multiplying the level of budgetary resources in that  
6 account at that time by the uniform percentage nec-  
7 essary to carry out subsection (a). All obligational  
8 authority reduced under this section shall be done in  
9 a manner that makes such reductions permanent.

10 “(2) EXEMPT ACCOUNTS.—No order issued  
11 under this part may—

12 “(A) reduce benefits payable to the old-age  
13 and survivors insurance program established  
14 under title II of the Social Security Act;

15 “(B) reduce retired or retainer pay payable  
16 to a member or former member of the uni-  
17 formed services; or

18 “(C) reduce payments for net interest (all  
19 of major functional category 900).”.

20 (b) REPORTS.—Section 254 of the Balanced Budget  
21 and Emergency Deficit Control Act of 1985 is amended—

22 (1) in subsection (a), by adding at the end of  
23 the table the following new item:

“October 1 .....	Department of Treasury report to Congress estimating amount of in- come tax designated pursuant to section 6097 of the Internal Rev- enue Code of 1986.”;
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1           (2) in subsection (c)(1), by inserting “, and se-  
2           questration to reduce the public debt,” after “se-  
3           questration”;

4           (3) in subsection (c), by redesignating para-  
5           graph (5) as paragraph (6) and by inserting after  
6           paragraph (4) the following new paragraph:

7           “(5) REPORTS ON SEQUESTRATION TO REDUCE  
8           THE PUBLIC DEBT.—The preview reports shall set  
9           forth for the budget year estimates for each of the  
10          following:

11           “(A) The aggregate amount designated  
12          under section 6097 of the Internal Revenue  
13          Code of 1986 for the last taxable year ending  
14          before the budget year.

15           “(B) The amount of reductions required  
16          under section 253A and the deficit remaining  
17          after those reductions have been made.

18           “(C) The sequestration percentage nec-  
19          essary to achieve the required reduction in ac-  
20          counts under section 253A(b).”; and

21          (4) in subsection (f), by redesignating para-  
22          graphs (4) and (5) as paragraphs (5) and (6), re-  
23          spectively, and by inserting after paragraph (3) the  
24          following new paragraph:

1           “(4) REPORTS ON SEQUESTRATION TO REDUCE  
2           THE PUBLIC DEBT.—The final reports shall contain  
3           all of the information contained in the public debt  
4           taxation designation report required on October 1.”.

5           (c) CONFORMING AMENDMENT.—The table of con-  
6           tents in section 250(a) of the Balanced Budget and Emer-  
7           gency Deficit Control Act of 1985 is amended by inserting  
8           after the item relating to section 253 the following new  
9           item:

          “Sec. 253A. Sequestration to reduce the public debt.”.

10          (d) EFFECTIVE DATE.—Notwithstanding section  
11          275(b) of the Balanced Budget and Emergency Deficit  
12          Control Act of 1985, the expiration date set forth in that  
13          section shall not apply to the amendments made by this  
14          section. The amendments made by this section shall cease  
15          to have any effect after the first fiscal year during which  
16          there is no public debt.

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