

# F

## Provisions Affecting Coverage of Employment or Earnings, or Inclusion of Other Sources of Revenue

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These provisions expand or reduce the categories of workers or the amount of earnings covered under the Social Security system, or add other sources of revenue that would be dedicated to OASDI. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and the 75th year. We base all estimates on the intermediate assumptions described in the 2023 Trustees Report.

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**Category F: Coverage of Employment or Earnings, or Inclusion of Other Sources of Revenue  
(2023 Trustees Report intermediate assumptions)**

*Current law shortfall in long-range actuarial balance is 3.61 percent of payroll and in annual balance for the 75th year is 4.35 percent of payroll.*

Description of proposed provisions		Change from current law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
F1	Starting in 2024, cover newly hired State and local government employees.	0.14	-0.16	4%	-4%
F2	Starting in 2024, exempt individuals with more than 180 quarters of coverage from the OASDI payroll tax. Earnings exempted from OASDI payroll tax would not be used in computing benefits.	-0.79	-1.00	-22%	-23%
F3	Expand covered earnings to include employer and employee premiums for employer-sponsored group health insurance (ESI). Starting in 2027, phase out the OASDI payroll tax exclusion for ESI premiums. Set an exclusion level at the 75th percentile of premium distribution in 2027, with amounts above that subject to the payroll tax. Reduce the exclusion level each year by 10 percent of the 2027 exclusion level until fully	1.13	0.77	31%	18%
F4	Expand covered earnings to include contributions to voluntary salary reduction plans (such as Cafeteria 125 plans and Flexible Spending Accounts). Starting in 2024, subject these contributions to the OASDI payroll tax, making the payroll tax treatment of these contributions like 401(k) contributions.	0.33	0.22	9%	5%
F6	Apply a separate 6.2 percent tax on investment income as defined in the Affordable Care Act (ACA), with unindexed thresholds as in the ACA (\$200,000 for single filer, \$250,000 for married filing jointly), starting in 2025. Proceeds go to the OASI and DI Trust Funds.	0.67	0.80	19%	18%
F7	For the estate tax, gift tax, and generation skipping transfer (GST) tax, return the respective exemption thresholds and tax rates to 2009 levels (\$3.5 million threshold for estate tax with a top 45% tax rate) for deaths after 2023 and gifts made after 2023, with those levels not indexed in future years. All proceeds from the estate tax, gift tax, and GST tax would go to the OASI and DI Trust Funds.	0.61	0.77	17%	18%
F8	For active S-corporation officers and limited partners, apply a 16.2 percent tax on investment income as defined in the ACA, with unindexed thresholds as in the ACA (\$200,000 single filer, \$250,000 for married filing joint), starting in 2024. Proceeds go to the OASDI Trust Funds for tax attributable to 12.4 percent of the total 16.2 percent tax rate.	0.93	1.01	26%	23%
F9	Apply a separate 12.4 percent tax on investment income as defined in the Affordable Care Act (ACA), with unindexed thresholds as in the ACA (\$200,000 single filer, \$250,000 for married filing joint), starting in 2025. Proceeds go to the OASDI Trust Funds.	1.31	1.57	36%	36%
F10	Expand the tax on net investment income (NII) as defined in the Affordable Care Act (ACA) to cover earnings from active S corporation holders and active limited partners. Apply a 12.4-percent tax on this expanded definition of NII, payable to the OASI and DI Trust Funds with specified thresholds, effective for 2024 and later. The unindexed thresholds for this provision are \$400,000 for a single filer and \$500,000 for a married couple filing jointly. The NII tax would apply to the lesser of NII and the excess of modified adjusted income (MAGI) above the unindexed thresholds.	1.79	2.22	50%	51%

**Category F: Coverage of Employment or Earnings, or Inclusion of Other Sources of Revenue (continued)**

*Current law shortfall in long-range actuarial balance is 3.61 percent of payroll and in annual balance for the 75th year is 4.35 percent of payroll.*

Description of proposed provisions		Change from current law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
F11	Apply a separate 12.4-percent tax on net investment income (NII), as defined in the Affordable Care Act (ACA), payable to the OASI and DI Trust Funds with an unindexed threshold of \$400,000, effective 2025 and later. The NII tax would apply to the lesser of NII and the excess of modified adjusted income (MAGI) above the unindexed threshold of \$400,000. This single threshold would apply regardless of tax filing status.	1.20	1.53	33%	35%