E Provisions Affecting Payroll Taxes

These provisions modify: (1) the current-law OASDI payroll tax rate of 12.4 percent (6.2 percent each for employees and employers); or (2) the contribution and benefit base (taxable maximum), which limits the amount of earnings subject to payroll tax and credited for benefit computation. 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 for the 75th year. We base all estimates on the intermediate assumptions described in the 2016 Trustees Report.

We group these provisions as follows:

- E1: Increase payroll tax rate, with no changes in the taxable maximum.
- E2: Tax all earnings above the current-law taxable maximum.
- E3: Tax a portion of earnings above the current-law taxable maximum.

Category E: Payroll Taxes (including maximum taxable) (2016 Trustees Report intermediate assumptions)

Present law shortfall *in long-range actuarial balance is* ***2.66*** *percent of payroll and in annual balance for the 75th year is* ***4.35*** *percent of payroll.*

Description of proposed provisions		Change from present law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
E1.1	Increase the payroll tax rate (currently 12.4 percent) to 15.2 percent in 2017 and later.	2.67	2.77	100%	64%
E1.2	Increase the payroll tax rate (currently 12.4 percent) to 15.2 percent in 2029-2058, and to 18.0 percent in years 2059 and later.	3.03	5.42	114%	125%
E1.3	Reduce the payroll tax rate (currently 12.4 percent) to 11.4 percent in 2017 and later.	-0.97	-1.01	-36%	-23%
E1.4	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2022-2041, until the rate reaches 14.4 percent in 2041 and later.	1.45	1.98	55%	46%
E1.5	Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2019, 12.9 percent in 2027, 13.1 in percent in 2037, 13.9 percent in 2047, 13.5 percent in 2057, and 13.3 percent in 2067 and later.	0.76	0.91	29%	21%
E1.6	Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2019, 12.9 percent in 2027, 13.3 in percent in 2037, 13.8 percent in 2047, 14.4 percent in 2067, and 14.5 percent in 2082 and later.	1.08	2.07	41%	48%
E1.7	Increase the payroll tax rate (currently 12.4 percent) to 12.7 percent in 2019, 13.0 percent in 2032, 13.3 in percent in 2047, 14.0 percent in 2067, 14.5 percent in 2077, and 14.7 percent in 2087 and later.	0.88	2.24	33%	52%
E1.8	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2019-2024, until the rate reaches 13.0 percent for 2024 and later.	0.54	0.60	20%	14%
E1.9	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2020-2043, until the rate reaches 14.8 percent in 2043. Then increase the payroll tax rate an additional 0.1 percentage point in each year from 2082-2086, until the rate reaches 15.3 percent for 2086 and later.	1.77	2.85	67%	66%
E1.10	Increase the payroll tax rate by 0.1 percentage point per year for 2018 through 2027 so that it equals 13.4 percent for 2027 and later. The increase would be split evenly between the employer and employee share, and would be split between OASI and DI in proportion to currently scheduled payroll tax rates.	0.88	1.00	33%	23%
E2.1	Eliminate the taxable maximum in years 2017 and later, and apply full 12.4 percent payroll tax rate to all earnings. Do not provide benefit credit for earnings above the current-law taxable maximum.	2.36	2.45	89%	56%
E2.2	Eliminate the taxable maximum in years 2017 and later, and apply full 12.4 percent payroll tax rate to all earnings. Provide benefit credit for earnings above the current-law taxable maximum.	1.90	1.61	72%	37%
E2.3	Eliminate the taxable maximum in years 2017 and later, and apply full 12.4 percent payroll tax rate to all earnings. Provide benefit credit for earnings above the current-law taxable maximum, adding a bend point at the current-law taxable maximum and applying a formula factor of 3 percent for AIME above this new bend point.	2.16	2.15	81%	49%

Category E: Payroll Taxes (including maximum taxable) (continued)

Present law shortfall *in long-range actuarial balance is* ***2.66*** *percent of payroll and in annual balance for the 75th year is* ***4.35*** *percent of payroll.*

	Description of proposed provisions	Change from present law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
E2.4	Eliminate the taxable maximum for years 2023 and later (phased in 2017-2022), and apply full 12.4 percent payroll tax rate to all earnings. Provide benefit credit for earnings above the current-law taxable maximum that are subject to the payroll tax, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from annual earnings from each year after 2016 that were in excess of that year's current-law taxable maximum; (2) a new bend point equal to 134 percent of the monthly current-law taxable maximum; and (3) formula factors of 3 percent and 0.25 percent below and above the new bend point, respectively.	2.19	2.34	82%	54%
E2.5	Apply 12.4 percent payroll tax rate on earnings above $250,000 starting in 2017, and tax all earnings once the current-law taxable maximum exceeds $250,000. Do not provide benefit credit for additional earnings taxed.	2.19	2.45	82%	56%
E2.6	Apply a 3 percent payroll tax on earnings above the current-law taxable maximum starting in 2017. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.61	0.63	23%	15%
E2.7	Apply a 6 percent payroll tax on earnings above the current-law taxable maximum starting in 2017. Do not provide benefit credit for earnings above the current-law taxable maximum.	1.19	1.24	45%	29%
E2.8	Apply a 2 percent payroll tax on earnings above the current-law taxable maximum for years 2019-2066, and a 3 percent rate for years 2067 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.44	0.63	17%	14%
E2.9	Apply the following payroll tax rates above the current-law taxable maximum: 2.0 percent in 2019, 3.0 percent in 2032, 3.5 percent in 2047, 4.5 percent in 2057, and 5.5 percent in 2067 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.72	1.13	27%	26%
E2.10	Eliminate the taxable maximum in years 2027 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2018, 2.48 percent in 2019, and so on, up to 12.40 percent in 2027. Provide benefit credit for earnings above the current-law taxable maximum, adding a bend point at the current-law taxable maximum and applying a formula factor of 5 percent for AIME above this new bend point.	1.92	2.05	72%	47%
E2.11	Eliminate the taxable maximum in years 2022 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 2.48 percent in 2018, 4.96 percent in 2019, and so on, up to 12.40 percent in 2022. Provide benefit credit for earnings above the current-law taxable maximum that are subject to the payroll tax, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from annual earnings from each year after 2017 that were in excess of that year's current-law taxable maximum; and (2) a formula factor of 5 percent on this newly computed AIME+.	2.10	2.16	79%	50%

Category E: Payroll Taxes (including maximum taxable) (continued)

Present law shortfall *in long-range actuarial balance is* ***2.66*** *percent of payroll and in annual balance for the 75th year is* ***4.35*** *percent of payroll.*

	Description of proposed provisions	Change from present law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
E2.12	Eliminate the taxable maximum in years 2028 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2019, 2.48 percent in 2020, and so on, up to 12.40 percent in 2028. Provide benefit credit for earnings above the current-law taxable maximum. Create a new bend point at the current-law taxable maximum with a 3 percent formula factor applying above the new bend point.	1.93	2.15	73%	49%
E2.13	Apply OASDI payroll tax rate on earnings above $400,000 starting in 2018, and tax all earnings once the current-law taxable maximum exceeds $400,000. Provide benefit credit for earnings above the current-law taxable maximum that are subject to the payroll tax, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from annual earnings from each year after 2017 that were in excess of that year's current-law taxable maximum; and (2) a formula factor of 2 percent on this newly computed AIME+.	1.88	2.33	71%	54%
E3.1	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2017-2026). Provide benefit credit for earnings up to the revised taxable maximum.	0.77	0.64	29%	15%
E3.2	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2017-2026). Do not provide benefit credit for additional earnings taxed.	0.98	1.10	37%	25%
E3.3	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2018-2023). Provide benefit credit for earnings up to the revised taxable maximum.	0.78	0.64	29%	15%
E3.4	Increase the taxable maximum from $106,800 to $115,200 (in 2009 AWI-indexed dollars), phased in 2017-2019. Provide benefit credit for earnings up to the revised taxable maximum.	0.11	0.08	4%	2%
E3.5	Increase the taxable maximum each year by an additional 2 percent beginning in 2017 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum.	0.63	0.67	24%	15%
E3.6	Increase the taxable maximum each year by an additional 2 percent beginning in 2019 until taxable earnings equal 90 percent of covered earnings. Do not provide benefit credit for additional earnings taxed.	0.74	1.10	28%	25%
E3.7	Increase the taxable maximum by an additional 2 percent per year beginning in 2018 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum. Create a new bend point equal to the current-law taxable maximum with a 5 percent formula factor applying above the new bend point.	0.64	0.77	24%	18%
E3.8	Beginning in 2024, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $200,000 in 2017, with the threshold wage-indexed after 2024. Provide proportional benefit credit for additional earnings taxed, based on the payroll tax rate applied to the additional earnings divided by the full 12.4 percent payroll tax rate.	0.19	0.16	7%	4%
E3.9	Beginning in 2024, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $200,000 in 2017, with the threshold wage-indexed after 2024. Do not provide benefit credit for additional earnings taxed.	0.25	0.29	9%	7%

Category E: Payroll Taxes (including maximum taxable) (continued)

Present law shortfall *in long-range actuarial balance is* ***2.66*** *percent of payroll and in annual balance for the 75th year is* ***4.35*** *percent of payroll.*

Description of proposed provisions		Change from present law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
E3.10	Beginning in 2024, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $300,000 in 2017, with the threshold wage-indexed after 2024. Provide proportional benefit credit for additional earnings taxed, based on the payroll tax rate applied to the additional earnings divided by the full 12.4 percent payroll tax rate.	0.14	0.12	5%	3%
E3.11	Beginning in 2024, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $300,000 in 2017, with the threshold wage-indexed after 2024. Do not provide benefit credit for additional earnings taxed.	0.19	0.22	7%	5%
E3.12	Beginning in 2024, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $400,000 in 2017, with the threshold wage-indexed after 2024. Provide proportional benefit credit for additional earnings taxed, based on the payroll tax rate applied to the additional earnings divided by the full 12.4 percent payroll tax rate.	0.12	0.10	4%	2%
E3.13	Beginning in 2024, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $400,000 in 2017, with the threshold wage-indexed after 2024. Do not provide benefit credit for additional earnings taxed.	0.15	0.18	6%	4%
E3.14	Eliminate the taxable maximum for the employer payroll tax (6.2 percent) beginning in 2017. For the employee payroll tax (6.2 percent) and for benefit credit purposes, beginning in 2017, increase the taxable maximum by an additional 2 percent per year until taxable earnings equal 90 percent of covered earnings.	1.44	1.38	54%	32%
E3.15	Increase the taxable maximum such that 90 percent of earnings are subject to the payroll tax (phased in 2017-2026). In addition, apply a tax rate of 6.2 percent for earnings above the revised taxable maximum (phased in from 2017-2026). Provide benefit credit for earnings taxed up to the revised taxable maximum.	1.40	1.35	53%	31%
E3.16	Beginning in 2018, apply 4 percent payroll tax rate on earnings above the wage-indexed equivalent of $400,000 in 2015, with the threshold wage-indexed after 2018. Provide benefit credit for additional earnings taxed, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from annual earnings taxed only between 2015 wage-indexed equivalents of $400,000 and $500,000 (with thresholds wage-indexed after 2018); and (2) a formula factor of 2 percent on this newly computed AIME+.	0.32	0.34	12%	8%
E3.17	Beginning in 2018, increase the taxable maximum by twice the rate of increase in the national Average Wage Index, but never by less than 3 percent. Provide benefit credit for earnings up to the revised taxable maximum levels.	1.05	1.48	40%	34%
E3.18	Increase the taxable maximum linearly over 4 years to $203,700 for 2021. After 2021, index the taxable maximum to AWI plus 0.5 percentage point. Apply benefit credit on additional earnings taxed.	0.56	0.63	21%	14%

Category E: Payroll Taxes (including maximum taxable) (continued)

Present law shortfall *in long-range actuarial balance is* ***2.66*** *percent of payroll and in annual balance for the 75th year is* ***4.35*** *percent of payroll.*

Description of proposed provisions		Change from present law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
E3.19	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in linearly from 2018-2023). Provide benefit credit for additional earnings taxed, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from additional annual earnings taxed over the current-law taxable maximum; and (2) a formula factor of 2.5 percent on this newly computed AIME+.	0.99	1.06	37%	24%