

# E

## Provisions Affecting Payroll Taxes

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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 2013 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.
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**Category E: Payroll Taxes (including maximum taxable) (2013 Trustees Report intermediate assumptions)**

Description of proposed provisions		Change from present law		Results with this provision	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
	Present Law, Alternative II.			-2.72	-4.77
E1.1	Increase the payroll tax rate (currently 12.4 percent) to 15.3 percent in 2014 and later.	2.75	2.87	0.04	-1.89
E1.2	Increase the payroll tax rate (currently 12.4 percent) to 15.2 percent in 2026-2055, and to 18.0 percent in years 2056 and later.	2.93	5.44	0.21	0.67
E1.3	Reduce the payroll tax rate (currently 12.4 percent) to 11.4 percent in 2014 and later.	-0.97	-1.01	-3.69	-5.78
E1.4	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2019-2038, until the rate reaches 14.4 percent in 2038 and later.	1.42	1.99	-1.30	-2.78
E1.5	Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2016, 12.9 percent in 2024, 13.1 in percent in 2034, 13.9 percent in 2044, 13.5 percent in 2054, and 13.3 percent in 2064 and later.	0.74	0.91	-1.98	-3.86
E1.6	Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2016, 12.9 percent in 2024, 13.3 in percent in 2034, 13.8 percent in 2044, 14.4 percent in 2064, and 14.5 percent in 2079 and later.	1.04	2.07	-1.68	-2.70
E1.7	Increase the payroll tax rate (currently 12.4 percent) to 12.7 percent in 2016, 13.0 percent in 2029, 13.3 in percent in 2044, 14.0 percent in 2064, 14.5 percent in 2074, and 14.7 percent in 2084 and later.	0.85	2.25	-1.87	-2.52
E1.8	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2016-2021, until the rate reaches 13.0 percent for 2021 and later.	0.53	0.60	-2.19	-4.16
E2.1	Eliminate the taxable maximum in years 2014 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.	2.35	2.48	-0.37	-2.29
E2.2	Eliminate the taxable maximum in years 2014 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.	1.91	1.61	-0.81	-3.15
E2.3	Eliminate the taxable maximum in years 2014 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.	2.15	2.17	-0.56	-2.60
E2.4	Eliminate the taxable maximum for years 2020 and later (phased in 2014-2019), and apply full 12.4 percent payroll tax rate to all earnings. Provide benefit credit for earnings above the current-law taxable maximum that were taxed after 2013, using a secondary PIA formula. This secondary PIA formula uses: (1) an "AIME+" derived from annual earnings from each year after 2013 that were in excess of that year's current-law taxable maximum; (2) a bend point equal to 134 percent higher of the monthly current-law taxable maximum; and (3) formula factors of 3 percent and 0.25 percent, respectively.	2.18	2.36	-0.54	-2.40
E2.5	Apply 12.4 percent payroll tax rate on earnings above \$250,000 starting in 2014, and tax all earnings once the current-law taxable maximum exceeds \$250,000. Do not provide benefit credit for additional earnings taxed.	2.14	2.48	-0.57	-2.29
E2.6	Apply a 3 percent payroll tax on earnings above the current-law taxable maximum starting in 2014. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.61	0.64	-2.11	-4.13
E2.7	Apply a 6 percent payroll tax on earnings above the current-law taxable maximum starting in 2014. Do not provide benefit credit for earnings above the current-law taxable maximum.	1.19	1.25	-1.53	-3.51

<b>Category E: Payroll Taxes (including maximum taxable) (continued)</b>					
<b>Description of proposed provisions</b>		<b>Change from present law</b>		<b>Results with this provision</b>	
		<b>Long-range actuarial balance</b>	<b>Annual balance in 75th year</b>	<b>Long-range actuarial balance</b>	<b>Annual balance in 75th year</b>
E2.8	Apply a 2 percent payroll tax on earnings above the current-law taxable maximum for years 2016-2063, and a 3 percent rate for years 2064 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.44	0.63	-2.28	-4.13
E2.9	Apply the following payroll tax rates above the current-law taxable maximum: 2.0 percent in 2016, 3.0 percent in 2029, 3.5 percent in 2044, 4.5 percent in 2054, and 5.5 percent in 2064 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.70	1.14	-2.02	-3.62
E2.10	Eliminate the taxable maximum in years 2024 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2015, 2.48 percent in 2016, and so on, up to 11.16 percent in 2023. 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	2.07	-0.80	-2.70
E2.11	Eliminate the taxable maximum in years 2019 and later. Phase in elimination by taxing all earnings above the current law taxable maximum at: 2.48 percent in 2015, 4.96 percent in 2016, and so on, up to 12.40 percent in 2019. Credit the additional earnings for benefit purposes by: (a) calculating a second average indexed monthly earnings (AIME+) reflecting only earnings taxed above the current law taxable maximum, (b) applying a 5 percent factor on this newly computed AIME+ to develop a second component of the PIA, and (c) adding this second component to the current-law PIA.	2.09	2.17	-0.63	-2.60
E2.12	Eliminate the taxable maximum in years 2025 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2016, 2.48 percent in 2017, and so on, up to 11.16 percent in 2024. 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 the new bend point.	1.92	2.17	-0.80	-2.60
E2.13	Apply OASDI payroll tax rate on earnings above \$400,000 starting in 2015, and tax all earnings once the current-law taxable maximum exceeds \$400,000. Credit the additional earnings for benefit purposes by: (a) calculating a second average indexed monthly earnings (AIME+) reflecting only earnings taxed above the current law taxable maximum, (b) applying a 2 percent factor on this newly computed AIME+ to develop a second component of the PIA, and (c) adding this second component to the current-law PIA.	1.83	2.35	-0.89	-2.42
E3.1	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2014-2023). Provide benefit credit for earnings up to the revised taxable maximum levels.	0.77	0.64	-1.95	-4.13
E3.2	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2014-2023). Do not provide benefit credit for additional earnings taxed.	0.98	1.11	-1.74	-3.66
E3.3	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2015-2020). Provide benefit credit for earnings up to the revised taxable maximum levels.	0.78	0.64	-1.94	-4.13

<b>Category E: Payroll Taxes (including maximum taxable) (continued)</b>					
<b>Description of proposed provisions</b>		<b>Change from present law</b>		<b>Results with this provision</b>	
		<b>Long-range actuarial balance</b>	<b>Annual balance in 75th year</b>	<b>Long-range actuarial balance</b>	<b>Annual balance in 75th year</b>
E3.4	Increase the taxable maximum from \$106,800 to \$115,200 (in 2009 AWI-indexed dollars), phased in 2014-2016. Provide benefit credit for earnings up to the revised taxable maximum levels.	0.11	0.08	-2.61	-4.69
E3.5	Increase the taxable maximum each year by an additional 2 percent beginning in 2014 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum levels.	0.62	0.67	-2.10	-4.10
E3.6	Increase the taxable maximum each year by an additional 2 percent beginning in 2016 until taxable earnings equal 90 percent of covered earnings. Do not provide benefit credit for additional earnings taxed.	0.72	1.10	-1.99	-3.66
E3.7	Increase the taxable maximum by an additional 2 percent per year beginning in 2015 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum levels. Create a new bend point equal to the current-law taxable maximum with a 5 percent formula factor applying above the new bend point.	0.63	0.77	-2.09	-3.99
E3.8	Beginning in 2021, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$200,000 in 2017, with the threshold wage-indexed after 2021. Provide proportional benefit credit for additional earnings taxed.	0.20	0.16	-2.52	-4.61
E3.9	Beginning in 2021, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$200,000 in 2017, with the threshold wage-indexed after 2021. Do not provide benefit credit for additional earnings taxed.	0.25	0.31	-2.46	-4.46
E3.10	Beginning in 2021, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$300,000 in 2017, with the threshold wage-indexed after 2021. Provide proportional benefit credit for additional earnings taxed.	0.15	0.12	-2.57	-4.65
E3.11	Beginning in 2021, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$300,000 in 2017, with the threshold wage-indexed after 2021. Do not provide benefit credit for additional earnings taxed.	0.19	0.23	-2.53	-4.54
E3.12	Beginning in 2021, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$400,000 in 2017, with the threshold wage-indexed after 2021. Provide proportional benefit credit for additional earnings taxed.	0.12	0.10	-2.60	-4.67
E3.13	Beginning in 2021, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$400,000 in 2017, with the threshold wage-indexed after 2021. Do not provide benefit credit for additional earnings taxed.	0.16	0.19	-2.56	-4.58
E3.14	Eliminate the taxable maximum for the employer payroll tax (6.2 percent) beginning in 2014. For the employee payroll tax (6.2 percent) and for benefit calculation purposes, beginning in 2014, increase the taxable maximum by an additional 2 percent per year until taxable earnings equal 90 percent of covered earnings.	1.43	1.39	-1.29	-3.38

<b>Category E: Payroll Taxes (including maximum taxable) (continued)</b>					
<b>Description of proposed provisions</b>		<b>Change from present law</b>		<b>Results with this provision</b>	
		<b>Long-range actuarial balance</b>	<b>Annual balance in 75th year</b>	<b>Long-range actuarial balance</b>	<b>Annual balance in 75th year</b>
E3.15	Increase the taxable maximum until taxable earnings equal 90 percent of covered earnings (phased in 2014-2023). In addition, apply a tax rate of 6.2 percent for earnings above the revised taxable maximum (phased in from 2014-2023). Provide benefit credit on earnings taxed up to the revised taxable maximum.	1.40	1.35	-1.32	-3.42
E3.16	Beginning in 2015, apply 4 percent payroll tax rate on earnings above \$400,000 in 2015, with the threshold wage-indexed after 2015. 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 \$400,000 and \$500,000 (with thresholds wage-indexed after 2015); and (2) a formula factor of 2 percent on this newly computed AIME+.	0.32	0.34	-2.40	-4.42