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## Provisions Affecting Coverage of Employment or Earnings

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These provisions extend or reduce the categories of workers or the amount of earnings covered under the Social Security system. 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 2016 Trustees Report.

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## Category F: Coverage of Employment (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
F1	Starting in 2017, cover newly hired State and local government employees.	0.15	-0.15	6%	-3%
F2	Starting in 2017, 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.	-0.48	-0.65	-18%	-15%
F3	Expand covered earnings to include employer and employee premiums for employer-sponsored group health insurance (ESI). Starting in 2020, phase out the OASDI payroll tax exclusion for ESI premiums. Set an exclusion level at the 75th percentile of premium distribution in 2020, with amounts above that subject to the payroll tax. Reduce the exclusion level each year by 10 percent of the 2020 exclusion level until fully eliminated in 2030. Eliminate the excise tax on ESI premiums scheduled to begin in 2020.	0.87	0.61	33%	14%
F4	Expand covered earnings to include contributions to voluntary salary reduction plans (such as Cafeteria 125 plans and Flexible Spending Accounts). Starting in 2017, subject these contributions to the OASDI payroll tax, making the payroll tax treatment of these contributions like 401(k) contributions.	0.26	0.16	10%	4%
F5	<b>Tax Reform for Business:</b> Establish a value added tax of 3.0 percent for 2018 and 6.5 percent for 2019 and later. Starting in 2018, reduce the corporate income tax rate from 35 to 27 percent.	-0.02	0.17	-1%	4%
F6	Apply a 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 2018. Proceeds go to the OASDI Trust Fund.	0.93	1.15	35%	26%