

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 2017 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) (2017 Trustees Report intermediate assumptions)

Current law shortfall in long-range actuarial balance is 2.83 percent of payroll and in annual balance for the 75th year is 4.48 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
E1.1	Increase the payroll tax rate (currently 12.4 percent) to 15.4 percent in 2018 and later.	2.85	2.97	101%	66%
E1.2	Increase the payroll tax rate (currently 12.4 percent) to 15.5 percent in 2030-2059, and to 18.6 percent in years 2060 and later.	3.33	5.99	118%	134%
E1.3	Reduce the payroll tax rate (currently 12.4 percent) to 11.4 percent in 2018 and later.	-0.97	-1.01	-34%	-23%
E1.4	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2023-2042, until the rate reaches 14.4 percent in 2042 and later.	1.45	1.99	51%	44%
E1.5	Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2020, 12.9 percent in 2028, 13.1 percent in 2038, 13.9 percent in 2048, 13.5 percent in 2058, and 13.3 percent in 2068 and later.	0.76	0.91	27%	20%
E1.6	Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2020, 12.9 percent in 2028, 13.3 percent in 2038, 13.8 percent in 2048, 14.4 percent in 2068, and 14.5 percent in 2083 and later.	1.07	2.07	38%	46%
E1.7	Increase the payroll tax rate (currently 12.4 percent) to 12.7 percent in 2020, 13.0 percent in 2033, 13.3 percent in 2048, 14.0 percent in 2068, 14.5 percent in 2078, and 14.7 percent in 2088 and later.	0.88	2.25	31%	50%
E1.8	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2020-2025, until the rate reaches 13.0 percent for 2025 and later.	0.54	0.60	19%	13%
E1.9	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2021-2044, until the rate reaches 14.8 percent in 2044. Then increase the payroll tax rate an additional 0.1 percentage point in each year from 2083-2087, until the rate reaches 15.3 percent for 2087 and later.	1.76	2.85	62%	64%
E1.10	Increase the payroll tax rate by 0.1 percentage point per year for 2019 through 2028 so that it equals 13.4 percent for 2028 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	31%	22%
E2.1	Eliminate the taxable maximum in years 2018 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	2.46	83%	55%
E2.2	Eliminate the taxable maximum in years 2018 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.	1.89	1.60	67%	36%
E2.3	Eliminate the taxable maximum in years 2018 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. Create a new bend point at the current-law taxable maximum with a 3 percent formula factor applying above the new bend point.	2.15	2.15	76%	48%

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

Current law shortfall in long-range actuarial balance is **2.83** percent of payroll and in annual balance for the 75th year is **4.48** 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
E2.4	Eliminate the taxable maximum for years 2024 and later (phased in 2018-2024), 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 2017 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.	2.18	2.35	77%	52%
E2.5	Apply 12.4 percent payroll tax rate on earnings above \$250,000 starting in 2018, and tax all earnings once the current-law taxable maximum exceeds \$250,000. Do not provide benefit credit for additional earnings taxed.	2.19	2.46	77%	55%
E2.6	Apply a 3 percent payroll tax on earnings above the current-law taxable maximum starting in 2018. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.61	0.64	21%	14%
E2.7	Apply a 6 percent payroll tax on earnings above the current-law taxable maximum starting in 2018. Do not provide benefit credit for earnings above the current-law taxable maximum.	1.19	1.25	42%	28%
E2.8	Apply a 2 percent payroll tax on earnings above the current-law taxable maximum for years 2020-2067, and a 3 percent rate for years 2068 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.44	0.63	16%	14%
E2.9	Apply the following payroll tax rates above the current-law taxable maximum: 2.0 percent in 2020, 3.0 percent in 2033, 3.5 percent in 2048, 4.5 percent in 2058, and 5.5 percent in 2068 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.71	1.14	25%	25%
E2.10	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 5 percent formula factor applying above the new bend point.	1.91	2.05	68%	46%
E2.11	Eliminate the taxable maximum in years 2023 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 2.48 percent in 2019, 4.96 percent in 2020, and so on, up to 12.40 percent in 2023. 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+.	2.09	2.16	74%	48%

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

Current law shortfall in long-range actuarial balance is **2.83** percent of payroll and in annual balance for the 75th year is **4.48** 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
E2.12	Eliminate the taxable maximum in years 2029 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2020, 2.48 percent in 2021, and so on, up to 12.40 percent in 2029. 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.	1.92	2.15	68%	48%
E2.13	Apply OASDI payroll tax rate on earnings above \$400,000 starting in 2019, 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 2018 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	2.34	66%	52%
E2.14	Apply OASDI payroll tax rate on earnings above \$250,000 starting in 2019, and tax all earnings once the current-law taxable maximum exceeds \$250,000. 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 2018 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+.	2.11	2.34	75%	52%
E2.15	Apply OASDI payroll tax rate on earnings above \$300,000 starting in 2019, and tax all earnings once the current-law taxable maximum exceeds \$300,000. 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 2018 that were in excess of that year's current-law taxable maximum; and (2) a formula factor of 3 percent on this newly computed AIME+.	2.00	2.28	71%	51%
E3.1	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2018-2027). Provide benefit credit for earnings up to the revised taxable maximum.	0.77	0.64	27%	14%
E3.2	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2018-2027). Do not provide benefit credit for additional earnings taxed.	0.98	1.10	35%	25%
E3.3	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2019-2024). Provide benefit credit for earnings up to the revised taxable maximum.	0.77	0.64	27%	14%
E3.4	Increase the taxable maximum from \$106,800 to \$115,200 (in 2009 AWI-indexed dollars), or from \$142,200 to \$153,300 in 2020, phased in 2018-2020. 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 2018 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum.	0.63	0.66	22%	15%

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

Current law shortfall in long-range actuarial balance is **2.83** percent of payroll and in annual balance for the 75th year is **4.48** 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
E3.6	Increase the taxable maximum each year by an additional 2 percent beginning in 2020 until taxable earnings equal 90 percent of covered earnings. Do not provide benefit credit for additional earnings taxed.	0.75	1.10	26%	25%
E3.7	Increase the taxable maximum by an additional 2 percent per year beginning in 2019 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	23%	17%
E3.8	Beginning in 2025, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$200,000 in 2017 (about \$274,500 in 2025), with the threshold wage-indexed after 2025. 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.	0.20	0.16	7%	4%
E3.9	Beginning in 2025, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$200,000 in 2017 (about \$274,500 in 2025), with the threshold wage-indexed after 2025. Do not provide benefit credit for additional earnings taxed.	0.25	0.30	9%	7%
E3.10	Beginning in 2025, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$300,000 in 2017 (about \$411,600 in 2025), with the threshold wage-indexed after 2025. 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 2025, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$300,000 in 2017 (about \$411,600 in 2025), with the threshold wage-indexed after 2025. Do not provide benefit credit for additional earnings taxed.	0.19	0.22	7%	5%
E3.12	Beginning in 2025, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$400,000 in 2017 (about \$548,700 in 2025), with the threshold wage-indexed after 2025. 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	0.09	4%	2%
E3.13	Beginning in 2025, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$400,000 in 2017 (about \$548,700 in 2025), with the threshold wage-indexed after 2025. Do not provide benefit credit for additional earnings taxed.	0.15	0.18	5%	4%
E3.14	Eliminate the taxable maximum for the employer payroll tax (6.2 percent) beginning in 2018. For the employee payroll tax (6.2 percent) and for benefit credit purposes, beginning in 2018, increase the taxable maximum by an additional 2 percent per year until taxable earnings equal 90 percent of covered earnings.	1.43	1.38	51%	31%
E3.15	Increase the taxable maximum such that 90 percent of earnings are subject to the payroll tax (phased in 2018-2027). In addition, apply a tax rate of 6.2 percent for earnings above the revised taxable maximum (phased in from 2018-2027). Provide benefit credit for earnings taxed up to the revised taxable maximum.	1.39	1.35	49%	30%

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

Current law shortfall in long-range actuarial balance is **2.83** percent of payroll and in annual balance for the 75th year is **4.48** 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
E3.16	Beginning in 2019, apply 4 percent payroll tax rate on earnings above the wage-indexed equivalent of \$400,000 in 2015 (about \$457,200 in 2019), with the threshold wage-indexed after 2019. 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, or about \$457,200 and \$571,500 in 2019 (with thresholds wage-indexed after 2019); and (2) a formula factor of 2 percent on this newly computed AIME+.	0.30	0.33	11%	7%
E3.17	Beginning in 2019, 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.	1.06	1.47	37%	33%
E3.18	Increase the taxable maximum linearly over 4 years to \$212,700 for 2022. After 2022, index the taxable maximum to AWI plus 0.5 percentage point. Apply benefit credit on additional earnings taxed.	0.57	0.64	20%	14%
E3.19	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in linearly from 2019-2024). 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+.	0.97	1.06	34%	24%