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 2024 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) (2024 Trustees Report intermediate assumptions)

Current law shortfall in long-range actuarial balance is **3.50** percent of payroll and in annual balance for the 75th year is **4.64** 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 16.0 percent in 2025 and later.	3.51	3.62	100%	78%
E1.2	Increase the payroll tax rate (currently 12.4 percent) to 15.9 percent in 2035-2064, and to 19.4 percent in years 2065 and later.	4.13	6.95	118%	150%
E1.4	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2030-2049, until the rate reaches 14.4 percent in 2049 and later.	1.50	2.02	43%	44%
E1.8	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2027-2032, until the rate reaches 13.0 percent for 2032 and later.	0.55	0.61	16%	13%
E1.9	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2028-2051, until the rate reaches 14.8 percent in 2051 and later.	1.79	2.42	51%	52%
E1.10	Increase the payroll tax rate by 0.1 percentage point per year for 2026 through 2035 so that it equals 13.4 percent for 2035 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.	0.90	1.01	26%	22%
E2.1	Eliminate the taxable maximum in years 2025 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.	2.55	2.60	73%	56%
E2.2	Eliminate the taxable maximum in years 2025 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.	1.86	1.37	53%	29%
E2.4	Eliminate the taxable maximum for years 2031 and later (phased in 2025-2031), 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 2024 that were in excess of that year's current-law taxable maximum; (2) a new bend point equal to $9,770 in 2025, indexed by wages after 2025; and (3) formula factors of 3 percent and 0.25 percent below and above the new bend point, respectively.	2.37	2.49	68%	54%
E2.5	Apply 12.4 percent payroll tax rate on earnings above $250,000 starting in 2025, and tax all earnings once the current-law taxable maximum exceeds $250,000. Do not provide benefit credit for additional earnings taxed.	2.49	2.60	71%	56%
E2.11	Eliminate the taxable maximum in years 2030 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 2.48 percent in 2026, 4.96 percent in 2027, and so on, up to 12.40 percent in 2030. 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 2025 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+.	2.22	2.20	64%	47%

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

Current law shortfall in long-range actuarial balance is **3.50** percent of payroll and in annual balance for the 75th year is **4.64** 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 2036 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2027, 2.48 percent in 2028, and so on, up to 12.40 percent in 2036. 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.	2.01	2.15	57%	46%
E2.13	Apply OASDI 12.4 percent payroll tax rate on earnings above $400,000 starting in 2026, 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 2025 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+.	2.20	2.45	63%	53%
E2.14	Apply OASDI 12.4 percent payroll tax rate on earnings above $250,000 starting in 2026, 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 2025 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+.	2.38	2.44	68%	53%
E2.15	Apply OASDI 12.4 percent payroll tax rate on earnings above $300,000 starting in 2026, 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 2025 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+.	2.28	2.36	65%	51%
E2.16	Apply OASDI 12.4 percent payroll tax rate on earnings above $250,000 starting in 2025, and tax all earnings once the current-law taxable maximum exceeds $250,000. Increase the computed level of the SSA average wage index for years after 2024 by amounts ranging from 0.7 percent for 2025 to 0.9 percent for 2033 and later. 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 2024 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+.	2.34	2.38	67%	51%
E2.17	Apply 12.4 percent payroll tax rate on earnings above $400,000 starting in 2025 and tax all earnings once the current-law taxable maximum exceeds $400,000. Do not provide benefit credit for additional earnings taxed.	2.30	2.60	66%	56%

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

Current law shortfall in long-range actuarial balance is **3.50** percent of payroll and in annual balance for the 75th year is **4.64** 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
E2.18	Apply the combined OASDI payroll tax rate on covered earnings above $400,000 paid in 2026 and later, and tax all covered earnings once the current-law taxable maximum exceeds $400,000. Increase the computed level of the AWI for years after 2025 by amounts ranging from 0.5 percent for 2026 to 0.9 percent for 2047 and later. Credit the additional earnings taxed 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 1 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.	2.18	2.46	62%	53%
E3.1	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2025-2034). Provide benefit credit for earnings up to the revised taxable maximum.	0.84	0.69	24%	15%
E3.2	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2025-2034). Do not provide benefit credit for additional earnings taxed.	1.08	1.19	31%	26%
E3.5	Increase the taxable maximum each year by an additional 2 percent beginning in 2025 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum.	0.70	0.72	20%	16%
E3.6	Increase the taxable maximum each year by an additional 2 percent beginning in 2027 until taxable earnings equal 90 percent of covered earnings. Do not provide benefit credit for additional earnings taxed.	0.83	1.19	24%	26%
E3.7	Increase the taxable maximum by an additional 2 percent per year beginning in 2026 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.	0.72	0.87	21%	19%
E3.8	Beginning in 2032, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $200,000 in 2017 (about $366,000 in 2032), with the threshold wage-indexed after 2032. 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.	0.18	0.10	5%	2%
E3.9	Beginning in 2032, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $200,000 in 2017 (about $366,000 in 2032), with the threshold wage-indexed after 2032. Do not provide benefit credit for additional earnings taxed.	0.26	0.30	7%	6%
E3.10	Beginning in 2032, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $300,000 in 2017 (about $549,000 in 2032), with the threshold wage-indexed after 2032. 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.	0.13	0.07	4%	2%
E3.11	Beginning in 2032, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $300,000 in 2017 (about $549,000 in 2032), with the threshold wage-indexed after 2032. Do not provide benefit credit for additional earnings taxed.	0.19	0.22	6%	5%

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

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	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
E3.12	Beginning in 2032, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $400,000 in 2017 (about $732,000 in 2032), with the threshold wage-indexed after 2032. 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.	0.10	0.06	3%	1%
E3.13	Beginning in 2032, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $400,000 in 2017 (about $732,000 in 2032), with the threshold wage-indexed after 2032. Do not provide benefit credit for additional earnings taxed.	0.16	0.18	4%	4%
E3.14	Eliminate the taxable maximum for the employer payroll tax (6.2 percent) beginning in 2025. For the employee payroll tax (6.2 percent) and for benefit credit purposes, beginning in 2025, increase the taxable maximum by an additional 2 percent per year until taxable earnings equal 90 percent of covered earnings.	1.56	1.45	45%	31%
E3.15	Increase the taxable maximum such that 90 percent of earnings are subject to the payroll tax (phased in 2025-2034). In addition, apply a tax rate of 6.2 percent for earnings above the revised taxable maximum (phased in from 2025-2034). Provide benefit credit for earnings taxed up to the revised taxable maximum.	1.52	1.41	43%	30%
E3.16	Beginning in 2026, apply 4 percent payroll tax rate on earnings above the wage-indexed equivalent of $400,000 in 2015 (about $612,900 in 2026), with the threshold wage-indexed after 2026. 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 $612,900 and $766,200 in 2026 (with thresholds wage-indexed after 2026); and (2) a formula factor of 2 percent on this newly computed AIME+.	0.32	0.33	9%	7%
E3.17	Beginning in 2026, 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.	1.13	1.56	32%	34%
E3.18	Increase the taxable maximum linearly over 4 years to $291,000 for 2029. After 2029, index the taxable maximum to AWI plus 0.5 percentage point. Apply benefit credit on additional earnings taxed.	0.66	0.72	19%	16%
E3.19	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in linearly from 2026-2031). 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+.	1.05	1.11	30%	24%

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