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## Congress of the United States

JOINT COMMITTEE ON TAXATION  
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ROBERT P. HARVEY  
DEPUTY CHIEF OF STAFF

**MAY 23 2019**

Honorable Kevin Brady  
U.S. House of Representatives  
1011 Longworth House Office Building  
Washington, D.C. 20515

Dear Mr. Brady:

This letter is in response to your April 2, 2019, request for an estimate of H.R. 860 (116<sup>th</sup> Congress), the “Social Security 2100 Act.” In this response, we provide estimates of the effects on revenues through 2029 from three revenue-related sections of H.R. 860. The Congressional Budget Office should be able to provide estimated effects on outlays from proposed changes to benefits, as well as estimated revenues effects for years after 2029.

Section 104 of H.R. 860 would change the amount of Social Security benefits that are included in gross income for individual income tax purposes. Under present law, if the sum of a recipient's modified adjusted gross income (generally, adjusted gross income plus certain other excluded items and tax-exempt interest) and half of either Social Security benefits or Social Security-equivalent Tier I Railroad Retirement benefits exceeds \$25,000 for single taxpayers or \$32,000 for couples who file jointly, generally up to 50 percent of the benefits are taxable. Above a higher threshold—\$34,000 for single filers and \$44,000 for joint filers—as much as 85 percent of the benefits may be taxable. This proposal replaces the present-law two-tier system of eligible income thresholds with a single set of thresholds of \$100,000 for joint filers and \$50,000 for most other filers, and provides that as much as 85 percent of the benefits may be taxable. Neither the present-law nor the proposal threshold amounts are indexed for inflation. These changes are effective for taxable years after December 31, 2019. Note that our analysis does not account for transfers from the general fund to the Medicare Trust Fund.

Section 201 of H.R. 860 would change the earnings base for the Old Age, Survivors, and Disability Insurance (“OASDI”) portion of Federal Insurance Contributions Act (FICA) taxes and Self-Employment Contributions Act (“SECA”) taxes. As a parallel to FICA taxes, SECA taxes apply to the net income from self-employment of self-employed individuals. Under present law, wages and net income from self-employment up to a maximum are subject to OASDI taxes. This taxable maximum, also referred to as the Social Security wage base, is \$132,900 in calendar year 2019 and increases with the average wage index. Under this proposal, in addition to wages and net income from self-employment below the Social Security wage base, annual individual wages and net income from self-employment in excess of \$400,000 would also be subject to OASDI taxes. The Social Security wage base would continue to grow with average wages, but the \$400,000 threshold would not change, so the gap between the two would shrink

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over time. This proposal applies to wages or remuneration paid, and net earnings from self-employment derived, in calendar years after 2019.

Section 203 of H.R. 860 would increase the total OASDI tax rate by 0.1 percentage point annually, beginning in calendar year 2020 and through calendar year 2043, after which the rate would remain at the increased level. Under present law, the total OASDI tax rate is 12.4 percent of earnings up to the Social Security wage base. For the employee portion, the employer must withhold 6.2 percent of earnings from an employee's paycheck, and the remaining 6.2 percent is paid by the employer. The rate of the OASDI portion of SECA taxes is equal to the combined employee and employer OASDI tax rates. Under SECA, self-employed individuals generally pay 12.4 percent of their net self-employment income. Under the proposal, the OASDI tax rate would annually increase by 0.1 percentage point. For example, under this proposal, the employer and employee rates both increase from 6.2 percent in 2019 to 6.7 percent in 2029, and to 7.4 percent in any calendar year after 2042; and the SECA rate increases from 12.4 percent in 2019 to 13.4 percent in 2029, and to 14.8 percent in any calendar year after 2042. This proposal applies to remuneration received, and taxable years beginning, after December 31, 2019.

We estimate this proposal will have the following effects on Federal fiscal year budget receipts. Note that each estimate measures the effect from a baseline including the changes listed above (e.g., the increase in OASDI tax rates applies to earnings over \$400,000).

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Item	Fiscal Years [Billions of Dollars]											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-24	2020-29
Taxation of Social Security Benefits [1].	-1.7	-34.2	-36.5	-39.0	-41.5	-44.1	-47.3	-59.0	-62.3	-65.6	-152.9	-431.2
OASDI taxes applied to earnings over \$400,000 [1].....	21.6	71.7	77.0	81.9	87.3	93.7	99.4	105.0	111.8	118.9	339.5	868.2
Annual increase in OASDI tax rate by 0.1 percentage point [1].....	7.6	12.8	21.0	29.8	39.3	49.6	60.2	71.5	84.1	97.6	110.5	473.6

**NOTE:** Details may not add to totals due to rounding.

[1] Estimates contains the following effects:

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-24	2020-29
Taxation of Social Security Benefits:												
On-budget.....	---	-28.6	-31.3	-34.3	-37.5	-41.0	-44.6	-56.6	-61.7	-66.9	-131.8	-402.6
Off-budget.....	-1.7	-5.6	-5.2	-4.6	-4.0	-3.2	-2.7	-2.4	-0.6	1.3	-21.1	-28.6
OASDI taxes applied to earnings over \$400,000:												
On-budget.....	-9.9	-20.5	-21.9	-23.3	-24.8	-26.7	-29.4	-32.1	-34.1	-36.1	-100.4	-258.7
Off-budget.....	31.4	92.3	98.9	105.1	112.1	120.3	128.7	137.1	145.9	155.0	439.9	1,126.9
Annual increase in OASDI tax rate by 0.1 percentage point:												
On budget.....	-0.4	-1.3	-2.3	-3.3	-4.4	-5.6	-7.3	-9.3	-10.9	-12.6	-11.7	-57.3
Off-budget.....	8.0	14.1	23.2	33.1	43.7	55.2	67.5	80.8	95.0	110.2	122.2	530.9

Sincerely,  
  
 Thomas A. Barthold

cc: Randy Gartin  
 Amy Shuart