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Congress of the United States

JOINT COMMITTEE ON TAXATION
502 FORD HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6453
(202) 225-3621
<http://www.jct.gov>

ROBERT P. HARVEY
DEPUTY CHIEF OF STAFF

JUL 22 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 request for a distributional analysis of H.R. 860 (116th Congress), the “Social Security 2100 Act.” In this response, we provide an analysis of the distributional effects of three revenue-related sections of H.R. 860.

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.

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 is adjusted based on changes in the national average wage index. Under this proposal, in addition to wages and net income from self-employment below the Social Security wage base, OASDI taxes apply to annual individual wages and net income from self-employment in excess of \$400,000. Since under present law the Social Security wage base is expected to increase based on changes in the national average wage index, but the \$400,000 threshold under the proposal remains the same, over time the gap between the two is expected to shrink. This proposal applies to wages or remuneration paid, and net earnings from self-employment derived, in calendar years after 2019.

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Honorable Kevin Brady
U.S. House of Representatives

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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. Thus, under the proposal, the employer and employee rates of 6.2 percent each increase annually by 0.05 percentage point after 2019 to reach 6.7 percent in 2029, and reach a cap of 7.4 percent to apply for calendar years after 2042; and the SECA rate increases from 12.4 percent in 2019 to 13.4 percent in 2029, and reaches a cap of 14.8 percent to apply for calendar years after 2042. This proposal applies to remuneration received, and taxable years beginning, after December 31, 2019.

The distribution analysis for H.R. 860 is provided in the enclosed Table #D-01-19. I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,



Thomas A. Barthold

Enclosure: Table #D-01-19

cc: Randy Gartin
Amy Shuart

**DISTRIBUTIONAL EFFECTS OF
THE REVENUE PROVISIONS OF H.R. 860
THE "SOCIAL SECURITY 2100 ACT" (1)**

Calendar Year 2021

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$102	4.4%	\$2.3	0.1%	\$2.4	0.1%	3.6%	3.8%
\$10,000 to \$20,000.....	\$390	(5)	-\$2.5	-0.1%	-\$2.1	-0.1%	-0.9%	-0.7%
\$20,000 to \$30,000.....	\$563	2.4%	\$23.4	0.7%	\$24.0	0.7%	4.4%	4.5%
\$30,000 to \$40,000.....	\$577	1.2%	\$48.2	1.5%	\$48.7	1.5%	7.8%	7.9%
\$40,000 to \$50,000.....	\$352	0.5%	\$70.3	2.1%	\$70.6	2.1%	10.1%	10.2%
\$50,000 to \$75,000.....	-\$2,889	-1.2%	\$240.2	7.3%	\$237.4	7.1%	12.9%	12.8%
\$75,000 to \$100,000.....	-\$6,827	-2.7%	\$253.3	7.7%	\$246.4	7.4%	15.3%	14.9%
\$100,000 to \$200,000.....	-\$17,374	-1.9%	\$907.0	27.6%	\$889.6	26.6%	19.1%	18.8%
\$200,000 to \$500,000.....	\$3,497	0.5%	\$757.8	23.0%	\$761.3	22.8%	24.0%	24.1%
\$500,000 to \$1,000,000..	\$14,242	5.0%	\$282.3	8.6%	\$296.5	8.9%	28.1%	29.8%
\$1,000,000 and over.....	\$60,792	8.6%	\$708.9	21.5%	\$769.7	23.0%	29.5%	32.4%
Total, All Taxpayers.....	\$53,425	1.6%	\$3,291.1	100.0%	\$3,344.5	100.0%	19.3%	19.7%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- (1) This table is a distributional analysis of the following provisions: (a) modify the amount of Social Security benefits included in gross income; (b) apply OASDI taxes to wages and self-employment income in excess of \$400,000; and (c) increase the total OASDI tax rate by 0.1 percentage point annually from 2020 through 2043.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2019 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) For returns in the \$10,000 to \$20,000 income category, Federal taxes would increase from -\$2.507 billion to -\$2.118 billion.

**DISTRIBUTIONAL EFFECTS OF
THE REVENUE PROVISIONS OF H.R. 860
THE "SOCIAL SECURITY 2100 ACT" (1)**

Calendar Year 2023

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$210	10.5%	\$2.0	0.1%	\$2.2	0.1%	3.0%	3.3%
\$10,000 to \$20,000.....	\$842	(5)	-\$3.1	-0.1%	-\$2.2	-0.1%	-1.0%	-0.7%
\$20,000 to \$30,000.....	\$1,176	4.7%	\$25.1	0.7%	\$26.3	0.7%	4.5%	4.7%
\$30,000 to \$40,000.....	\$1,247	2.4%	\$52.2	1.4%	\$53.5	1.4%	7.9%	8.1%
\$40,000 to \$50,000.....	\$974	1.3%	\$76.6	2.1%	\$77.5	2.1%	10.3%	10.4%
\$50,000 to \$75,000.....	-\$1,992	-0.8%	\$265.1	7.3%	\$263.2	7.1%	13.0%	13.0%
\$75,000 to \$100,000.....	-\$6,267	-2.2%	\$280.8	7.7%	\$274.5	7.4%	15.5%	15.2%
\$100,000 to \$200,000.....	-\$14,279	-1.4%	\$1,012.8	27.8%	\$998.5	26.9%	19.3%	19.1%
\$200,000 to \$500,000.....	\$7,890	0.9%	\$849.4	23.4%	\$857.3	23.1%	24.3%	24.5%
\$500,000 to \$1,000,000..	\$17,913	5.7%	\$312.8	8.6%	\$330.8	8.9%	28.5%	30.4%
\$1,000,000 and over.....	\$67,605	8.9%	\$763.3	21.0%	\$830.9	22.4%	29.8%	32.9%
Total, All Taxpayers.....	\$75,318	2.1%	\$3,637.2	100.0%	\$3,712.5	100.0%	19.6%	20.1%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- (1) This table is a distributional analysis of the following provisions: (a) modify the amount of Social Security benefits included in gross income; (b) apply OASDI taxes to wages and self-employment income in excess of \$400,000; and (c) increase the total OASDI tax rate by 0.1 percentage point annually from 2020 through 2043.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2019 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) For returns in the \$10,000 to \$20,000 income category, Federal taxes would increase from -\$3.086 billion to -\$2.244 billion.

**DISTRIBUTIONAL EFFECTS OF
THE REVENUE PROVISIONS OF H.R. 860
THE "SOCIAL SECURITY 2100 ACT" (1)**

Calendar Year 2025

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$342	20.8%	\$1.6	(6)	\$2.0	(6)	2.3%	2.8%
\$10,000 to \$20,000.....	\$1,351	(5)	-\$3.6	-0.1%	-\$2.3	-0.1%	-1.1%	-0.7%
\$20,000 to \$30,000.....	\$1,871	6.9%	\$27.0	0.7%	\$28.9	0.7%	4.5%	4.9%
\$30,000 to \$40,000.....	\$1,944	3.5%	\$55.4	1.4%	\$57.4	1.4%	7.9%	8.2%
\$40,000 to \$50,000.....	\$1,647	2.0%	\$83.0	2.1%	\$84.7	2.1%	10.3%	10.6%
\$50,000 to \$75,000.....	-\$798	-0.3%	\$290.2	7.2%	\$289.4	7.0%	13.1%	13.1%
\$75,000 to \$100,000.....	-\$5,505	-1.8%	\$307.3	7.7%	\$301.8	7.3%	15.5%	15.3%
\$100,000 to \$200,000.....	-\$10,593	-0.9%	\$1,118.5	27.9%	\$1,107.9	26.9%	19.3%	19.2%
\$200,000 to \$500,000.....	\$13,350	1.4%	\$946.4	23.6%	\$959.7	23.3%	24.5%	24.9%
\$500,000 to \$1,000,000..	\$22,498	6.5%	\$348.4	8.7%	\$370.9	9.0%	28.8%	30.9%
\$1,000,000 and over.....	\$76,780	9.2%	\$837.0	20.9%	\$913.8	22.2%	30.1%	33.3%
Total, All Taxpayers.....	\$102,887	2.6%	\$4,011.3	100.0%	\$4,114.2	100.0%	19.7%	20.3%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- (1) This table is a distributional analysis of the following provisions: (a) modify the amount of Social Security benefits included in gross income; (b) apply OASDI taxes to wages and self-employment income in excess of \$400,000; and (c) increase the total OASDI tax rate by 0.1 percentage point annually from 2020 through 2043.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2019 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) For returns in the \$10,000 to \$20,000 income category, Federal taxes would increase from -\$3.647 billion to -\$2.295 billion.
- (6) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF
THE REVENUE PROVISIONS OF H.R. 860
THE "SOCIAL SECURITY 2100 ACT" (1)**

Calendar Year 2027

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$497	50.1%	\$1.0	(6)	\$1.5	(6)	1.3%	1.9%
\$10,000 to \$20,000.....	\$1,896	(5)	-\$0.6	(6)	\$1.3	(6)	-0.2%	0.4%
\$20,000 to \$30,000.....	\$2,623	7.3%	\$36.1	0.8%	\$38.7	0.8%	5.7%	6.1%
\$30,000 to \$40,000.....	\$2,678	4.1%	\$65.6	1.4%	\$68.2	1.4%	8.8%	9.2%
\$40,000 to \$50,000.....	\$2,205	2.3%	\$97.3	2.1%	\$99.5	2.1%	11.4%	11.7%
\$50,000 to \$75,000.....	-\$1,020	-0.3%	\$341.9	7.3%	\$340.9	7.1%	14.2%	14.2%
\$75,000 to \$100,000.....	-\$6,585	-1.8%	\$358.5	7.7%	\$352.0	7.4%	16.6%	16.4%
\$100,000 to \$200,000....	-\$12,580	-1.0%	\$1,301.2	27.9%	\$1,288.6	26.9%	20.5%	20.4%
\$200,000 to \$500,000....	\$19,748	1.8%	\$1,120.3	24.0%	\$1,140.1	23.8%	26.2%	26.7%
\$500,000 to \$1,000,000..	\$26,917	6.6%	\$406.0	8.7%	\$432.9	9.1%	30.8%	33.2%
\$1,000,000 and over.....	\$84,194	9.0%	\$934.5	20.0%	\$1,018.7	21.3%	31.7%	35.0%
Total, All Taxpayers.....	\$120,572	2.6%	\$4,661.7	100.0%	\$4,782.3	100.0%	21.1%	21.7%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- (1) This table is a distributional analysis of the following provisions: (a) modify the amount of Social Security benefits included in gross income; (b) apply OASDI taxes to wages and self-employment income in excess of \$400,000; and (c) increase the total OASDI tax rate by 0.1 percentage point annually from 2020 through 2043.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2019 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) For returns in the \$10,000 to \$20,000 income category, Federal taxes would increase from -\$0.599 billion to \$1.296 billion.
- (6) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF
THE REVENUE PROVISIONS OF H.R. 860
THE "SOCIAL SECURITY 2100 ACT" (1)**

Calendar Year 2029

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$693	182.6%	\$0.4	(5)	\$1.1	(5)	0.4%	1.2%
\$10,000 to \$20,000.....	\$2,535	958.4%	\$0.3	(5)	\$2.8	0.1%	0.1%	0.8%
\$20,000 to \$30,000.....	\$3,511	8.6%	\$41.0	0.8%	\$44.5	0.9%	6.0%	6.6%
\$30,000 to \$40,000.....	\$3,533	5.0%	\$71.0	1.4%	\$74.5	1.4%	8.9%	9.4%
\$40,000 to \$50,000.....	\$2,954	2.8%	\$105.7	2.1%	\$108.7	2.1%	11.5%	11.8%
\$50,000 to \$75,000.....	\$393	0.1%	\$374.8	7.4%	\$375.2	7.2%	14.3%	14.4%
\$75,000 to \$100,000.....	-\$5,475	-1.4%	\$393.4	7.8%	\$387.9	7.4%	16.6%	16.4%
\$100,000 to \$200,000.....	-\$7,535	-0.5%	\$1,424.2	28.1%	\$1,416.7	27.1%	20.4%	20.4%
\$200,000 to \$500,000.....	\$28,406	2.3%	\$1,234.4	24.3%	\$1,262.8	24.2%	26.3%	27.0%
\$500,000 to \$1,000,000..	\$32,108	7.4%	\$434.1	8.6%	\$466.3	8.9%	30.8%	33.4%
\$1,000,000 and over.....	\$93,321	9.4%	\$991.2	19.5%	\$1,084.5	20.8%	31.6%	35.0%
Total, All Taxpayers.....	\$154,443	3.0%	\$5,070.4	100.0%	\$5,224.8	100.0%	21.1%	21.8%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- (1) This table is a distributional analysis of the following provisions: (a) modify the amount of Social Security benefits included in gross income; (b) apply OASDI taxes to wages and self-employment income in excess of \$400,000; and (c) increase the total OASDI tax rate by 0.1 percentage point annually from 2020 through 2043.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, [8] individual share of business taxes, and [9] excluded income of U.S. citizens living abroad. Categories are measured at 2019 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), excise taxes (attributed to consumers), and corporate income taxes. The estimates of Federal taxes are preliminary and subject to change. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) Less than 0.05%.