

CORONAVIRUS RELIEF FOR WORKING SENIORS ACT (H.R. 6554)

Introduced by Rep. Jackie Walorski (R-IN), H.R. 6554, *Coronavirus Relief for Working Seniors Act*, temporarily raises the Retirement Earnings Test thresholds to the taxable maximum for seniors under full retirement age (FRA) who are receiving Old Age and Survivors Insurance (OASI) benefits. Rep. Waloski has long championed eliminating the RET, however this new bill is an attempt to provide relief to seniors who may want or need to earn at higher levels than planned in 2020. This legislation is supported by the National Taxpayers Union.

BACKGROUND

- Under current law, monthly benefits are withheld (in part or whole) if OASI beneficiaries who have not reached the full retirement age (FRA)¹ earn income from work in excess of a certain threshold or “exempt” amount, known as the Retirement Earnings Test.
- Different exempt amounts apply to those attaining FRA in the calendar year and to those under FRA.
 - For those below FRA throughout the calendar year: \$1 reduction in benefits for every \$2 of earnings above a lower annual exempt amount, which is \$18,240 in 2020.
 - For those attaining FRA in the calendar year: \$1 reduction in benefits for every \$3 of earnings above an annual exempt amount, which is \$48,600 in 2020.
- When a beneficiary reaches the FRA, benefits increase to replace the amount withheld for the Retirement Earnings Test. This adjustment is meant to provide these beneficiaries with the same amount of benefits in the long-term as if they had not earned income before their FRA.
- The RET was included in the legislation establishing Social Security. In subsequent years, Congress has modified the provision to narrow its applicability by reducing the ages and thresholds at which it applies.
 - The earnings thresholds for the application of the RET were last increased by the Contract with America Advancement Act of 1996 (P.L. 104-121).
 - The age at which the RET no longer applies was last lowered by the Senior Citizens’ Freedom to Work Act of 2000 (P.L. 106-182).

KEY POINTS

- This legislation rewards work by temporarily eliminating the penalty on seniors who choose to enter, remain in, or return to the labor force and earn at or below the taxable maximum (\$137,700) in 2020.
 - Retired workers may be able to help their community by returning to work.
 - Beneficiaries might want to work as a result of losses in retirement savings.
- A lower lifetime earner can’t earn as much as a higher lifetime earner and still receive Social Security benefits because the RET is a gradual reduction of Social Security benefits (which increase based on lifetime earnings level).
 - Benefit of \$1,200 - zero out with earnings of \$3,920 monthly (\$47,040 annually)
 - Benefit of \$2,000 - zero out with earnings of \$5,520 monthly (\$66,240 annually)
- The RET is an unfair policy that forces certain Social Security beneficiaries to choose between the benefits they earned and how much they want to work.

¹ The FRA was age 65 when Social Security enacted in 1935 and has been increasing gradually. The FRA is age 66 for those born between 1943 and 1954, and then gradually increases to age 67 for those born in 1960 or later.