

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 2014 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) (2014 Trustees Report intermediate assumptions)

Description of proposed provisions		Change from present law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
Present law shortfall in long-range actuarial balance is 2.88 percent of payroll and annual balance for 75th year is 4.90 percent of payroll.					
E1.1	Increase the payroll tax rate (currently 12.4 percent) to 15.5 percent in 2015 and later.	2.94	3.07	102%	63%
E1.2	Increase the payroll tax rate (currently 12.4 percent) to 15.5 percent in 2027-2056, and to 18.6 percent in years 2057 and later.	3.24	6.00	112%	122%
E1.3	Reduce the payroll tax rate (currently 12.4 percent) to 11.4 percent in 2015 and later.	-0.97	-1.01	-34%	-21%
E1.4	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2020-2039, until the rate reaches 14.4 percent in 2039 and later.	1.42	1.99	49%	41%
E1.5	Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2017, 12.9 percent in 2025, 13.1 in percent in 2035, 13.9 percent in 2045, 13.5 percent in 2055, and 13.3 percent in 2065 and later.	0.74	0.91	26%	19%
E1.6	Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2017, 12.9 percent in 2025, 13.3 in percent in 2035, 13.8 percent in 2045, 14.4 percent in 2065, and 14.5 percent in 2080 and later.	1.04	2.07	36%	42%
E1.7	Increase the payroll tax rate (currently 12.4 percent) to 12.7 percent in 2017, 13.0 percent in 2030, 13.3 in percent in 2045, 14.0 percent in 2065, 14.5 percent in 2075, and 14.7 percent in 2085 and later.	0.85	2.25	29%	46%
E1.8	Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2017-2022, until the rate reaches 13.0 percent for 2022 and later.	0.53	0.60	19%	12%
E2.1	Eliminate the taxable maximum in years 2015 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	2.47	82%	50%
E2.2	Eliminate the taxable maximum in years 2015 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.	1.91	1.60	66%	33%
E2.3	Eliminate the taxable maximum in years 2015 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, adding a bend point at the current-law taxable maximum and applying a formula factor of 3 percent for AIME above this new bend point.	2.15	2.16	75%	44%
E2.4	Eliminate the taxable maximum for years 2021 and later (phased in 2015-2020), 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 2014 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	76%	48%
E2.5	Apply 12.4 percent payroll tax rate on earnings above \$250,000 starting in 2015, and tax all earnings once the current-law taxable maximum exceeds \$250,000. Do not provide benefit credit for additional earnings taxed.	2.16	2.47	75%	50%

Category E: Payroll Taxes (including maximum taxable) (continued)					
Description of proposed provisions		Change from present law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
E2.6	Apply a 3 percent payroll tax on earnings above the current-law taxable maximum starting in 2015. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.61	0.64	21%	13%
E2.7	Apply a 6 percent payroll tax on earnings above the current-law taxable maximum starting in 2015. Do not provide benefit credit for earnings above the current-law taxable maximum.	1.19	1.25	41%	26%
E2.8	Apply a 2 percent payroll tax on earnings above the current-law taxable maximum for years 2017-2064, and a 3 percent rate for years 2065 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.44	0.63	15%	13%
E2.9	Apply the following payroll tax rates above the current-law taxable maximum: 2.0 percent in 2017, 3.0 percent in 2030, 3.5 percent in 2045, 4.5 percent in 2055, and 5.5 percent in 2065 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.	0.70	1.14	24%	23%
E2.10	Eliminate the taxable maximum in years 2025 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2016, 2.48 percent in 2017, and so on, up to 11.16 percent in 2024. Provide benefit credit for earnings above the current-law taxable maximum, adding a bend point at the current-law taxable maximum and applying a formula factor of 5 percent for AIME above this new bend point.	1.91	2.05	66%	42%
E2.11	Eliminate the taxable maximum in years 2020 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 2.48 percent in 2016, 4.96 percent in 2017, and so on, up to 12.40 percent in 2020. 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 2014 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	72%	44%
E2.12	Eliminate the taxable maximum in years 2026 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2017, 2.48 percent in 2018, and so on, up to 11.16 percent in 2025. 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.	1.91	2.15	66%	44%
E2.13	Apply OASDI payroll tax rate on earnings above \$400,000 starting in 2016, 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 2015 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+".	1.84	2.35	64%	48%
E3.1	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2015-2024). Provide benefit credit for earnings up to the revised taxable maximum.	0.77	0.63	27%	13%

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

Description of proposed provisions		Change from present law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
E3.2	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2015-2024). Do not provide benefit credit for additional earnings taxed.	0.97	1.11	34%	23%
E3.3	Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2016-2021). Provide benefit credit for earnings up to the revised taxable maximum.	0.78	0.63	27%	13%
E3.4	Increase the taxable maximum from \$106,800 to \$115,200 (in 2009 AWI-indexed dollars), phased in 2015-2017. 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 2015 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum.	0.62	0.66	21%	14%
E3.6	Increase the taxable maximum each year by an additional 2 percent beginning in 2017 until taxable earnings equal 90 percent of covered earnings. Do not provide benefit credit for additional earnings taxed.	0.72	1.10	25%	22%
E3.7	Increase the taxable maximum by an additional 2 percent per year beginning in 2016 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.	0.62	0.77	22%	16%
E3.8	Beginning in 2022, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$200,000 in 2017, with the threshold wage-indexed after 2022. 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%	3%
E3.9	Beginning in 2022, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$200,000 in 2017, with the threshold wage-indexed after 2022. Do not provide benefit credit for additional earnings taxed.	0.25	0.30	9%	6%
E3.10	Beginning in 2022, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$300,000 in 2017, with the threshold wage-indexed after 2022. 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.	0.15	0.12	5%	2%
E3.11	Beginning in 2022, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$300,000 in 2017, with the threshold wage-indexed after 2022. Do not provide benefit credit for additional earnings taxed.	0.19	0.23	7%	5%
E3.12	Beginning in 2022, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$400,000 in 2017, with the threshold wage-indexed after 2022. 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	0.10	4%	2%

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

Description of proposed provisions		Change from present law		Shortfall eliminated	
		Long-range actuarial	Annual balance in	Long-range actuarial	Annual balance in
E3.13	Beginning in 2022, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$400,000 in 2017, with the threshold wage-indexed after 2022. Do not provide benefit credit for additional earnings taxed.	0.16	0.19	5%	4%
E3.14	Eliminate the taxable maximum for the employer payroll tax (6.2 percent) beginning in 2015. For the employee payroll tax (6.2 percent) and for benefit credit purposes, beginning in 2015, increase the taxable maximum by an additional 2 percent per year until taxable earnings equal 90 percent of covered earnings.	1.43	1.38	50%	28%
E3.15	Increase the taxable maximum such that 90 percent of earnings are subject to the payroll tax (phased in 2015-2024). In addition, apply a tax rate of 6.2 percent for earnings above the revised taxable maximum (phased in from 2015-2024). Provide benefit credit for earnings taxed up to the revised taxable maximum.	1.40	1.34	48%	27%
E3.16	Beginning in 2016, apply 4 percent payroll tax rate on earnings above the wage-indexed equivalent of \$400,000 in 2015, with the threshold wage-indexed after 2016. 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; and (2) a formula factor of 2 percent on this newly computed "AIME+".	0.32	0.35	11%	7%