March 3, 2011

The Honorable Peter DeFazio
House of Representatives
Washington, D.C. 20515

Dear Mr. DeFazio:

I am writing in response to your letter of March 1, 2011 requesting estimates of the financial effects on Social Security of H.R. 797, the "No Loopholes in Social Security Taxes Act", which was introduced on February 18, 2011. The estimates and analysis provided in this letter reflect clarification of the intent of the Bill based on discussion with Michael Hayes of your staff. A detailed description of our understanding of the intent of the Bill is included below. All estimates are based on the intermediate assumptions of the 2010 Trustees Report. The estimates presented reflect the combined efforts of many in our office, but particularly Alice Wade, Christopher Chaplain, and William Piet.

The Bill would modify the Internal Revenue Code of 1986 to subject a worker's OASDI covered earnings in excess of $250,000 in any calendar year after 2011 to the combined OASDI payroll tax rate of 12.4 percent. This is the same tax rate that is applied under current law to OASDI covered earnings up to the contribution and benefit base ($106,800 for 2010). Under present law, the contribution and benefit base is scheduled to increase in the future based on increases in the average wage in the U.S. economy. However, the threshold of $250,000 would be constant after 2012 until the contribution and benefit base exceeds this level, at which point the threshold would be set equal to the contribution and benefit base for that and all subsequent years. Earnings subject to tax above the threshold would not be included in earnings credited for the purpose of OASDI benefit computation.

Beyond the specification of the Bill, we understand that the intent is to include both wages and self-employment earnings in the consideration of earnings above the threshold. For workers with more than one employer (including self employment) for a given year, total tax liability for the year would be computed as if all earnings had been received from a single employer for the year, but in no case would any employee or employer pay less tax than they would under current law. To the extent adjustments of payroll tax liability are needed for a given year, employees would make such adjustments on their income tax filing forms. Employers would be contacted by SSA regarding any additional tax liability due to multiple jobs for employees during the year.

The balance of this letter provides summary and detailed estimates of the effects of enactment of the Bill.

Summary of Effects on Actuarial Status

Figure 1 below illustrates the expected change in the combined Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Fund assets, expressed as a percentage of annual program cost, with enactment of this Bill. Assuming enactment, the OASDI program would be expected to be solvent for the next 75 years, under the intermediate assumptions of the 2010 Trustees Report. The level of assets for the theoretical combined OASI and DI Trust Funds would remain positive through 2084, permitting full payment of scheduled benefits on a timely basis. However, the combined assets would be declining as a percentage of the annual cost of the program at the end of the period. For this reason, the OASDI program would not meet the requirements of sustainable solvency.

Figure 1. Present Law and Proposal OASDI Trust Fund Assets as Percent of Annual Cost: 2010 TR Intermediate Assumptions
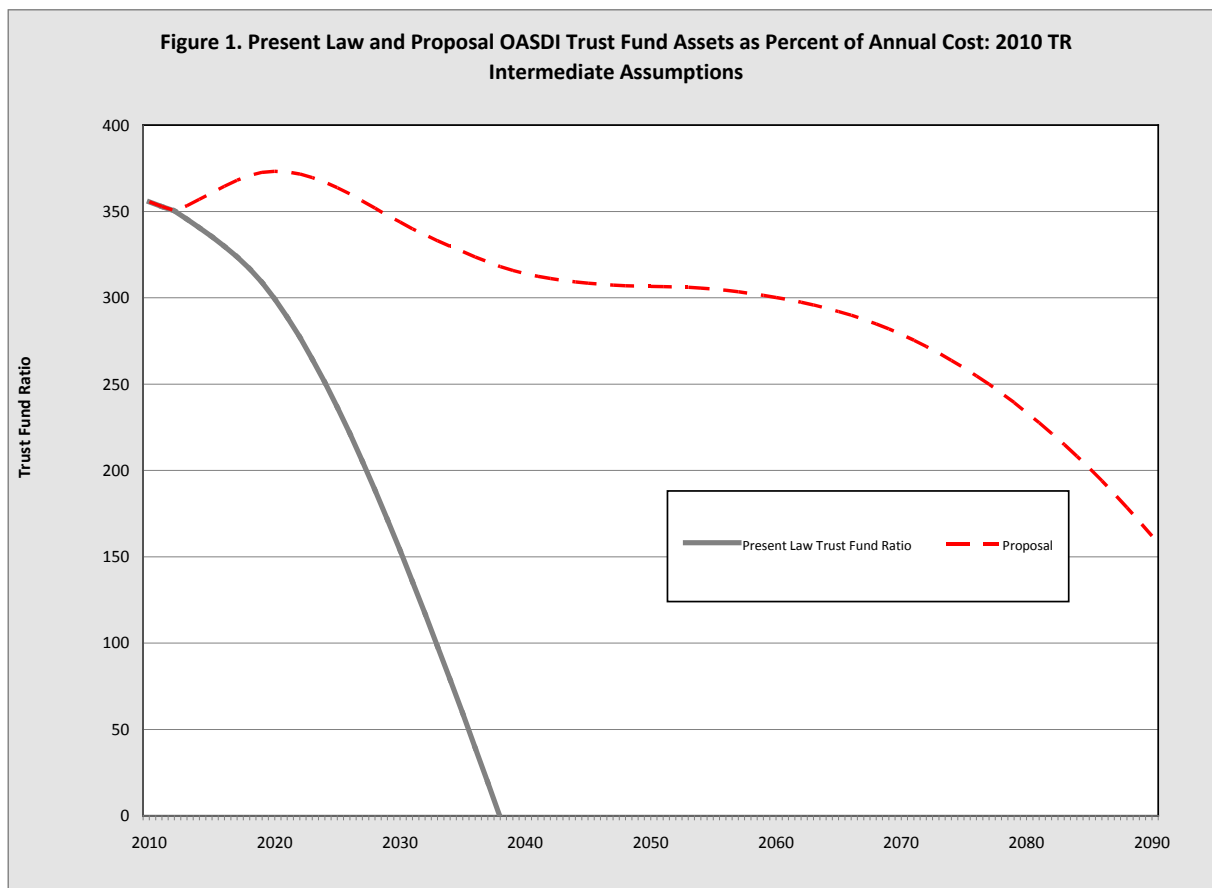
Note: *Trust Fund Ratio* for a given year is the ratio of assets in the combined OASI and DI Trust Fund assets at the beginning of the year to the cost of the program during the year.

Enactment of the Bill would improve the long-range OASDI actuarial balance by 2.07 percent of taxable payroll, replacing the actuarial deficit of 1.92 percent of taxable payroll under current law with a positive actuarial balance of 0.15 percent of payroll. The assets in the combined OASI and DI Trust Funds would be positive throughout the 75-year period, meaning that solvency would be expected throughout the period. However, assets at the end of 2084, while still positive, would be declining as a percent of annual program cost and so the program would not meet the requirements for sustainable solvency.

Figure 2 below illustrates annual projected levels of cost and income as a percentage of present-law taxable payroll. The projected levels of cost are shown for present-law scheduled benefits ("cost") and payable benefits ("expenditures," when payable benefits are less than scheduled benefits) and for benefits under this Bill. Under this Bill, the combined OASI and DI Trust Funds do not exhaust, and thus payable benefits equal scheduled benefits throughout the 75-year projection period.

Figure 2. Proposal and Present Law Cost and Tax Income as Percent of Taxable Payroll: 2010 TR Intermediate Assumptions
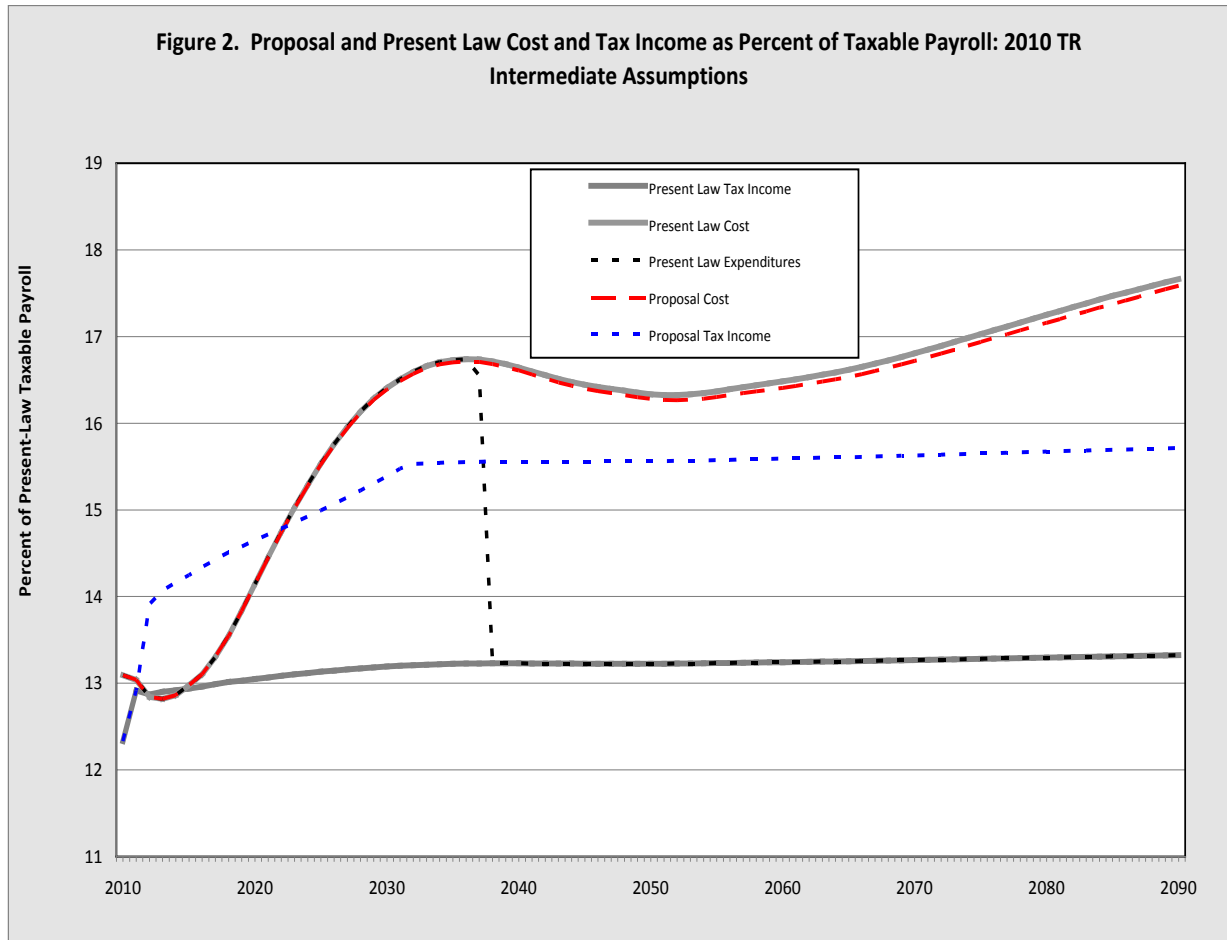
Figure 2 shows that the estimated cost of the OASDI program would be very slightly reduced under this Bill. A slight decrease in benefits is projected to follow from a small decrease in the proportion of employee compensation that would be paid in the form of wages under the current-law contribution and benefit base. This small reduction in wages as a percentage of employee compensation reflects the assumed behavioral response of employees and employers to the additional payroll taxes under the Bill.

It is also useful to consider the projected cost and income for the OASDI program expressed as a percentage of Gross Domestic Product (GDP). The graph below illustrates these levels under both present law and this Bill.

Figure 3. Proposal and Present Law Cost and Tax Income as Percent of GDP: 2010 TR Intermediate Assumptions
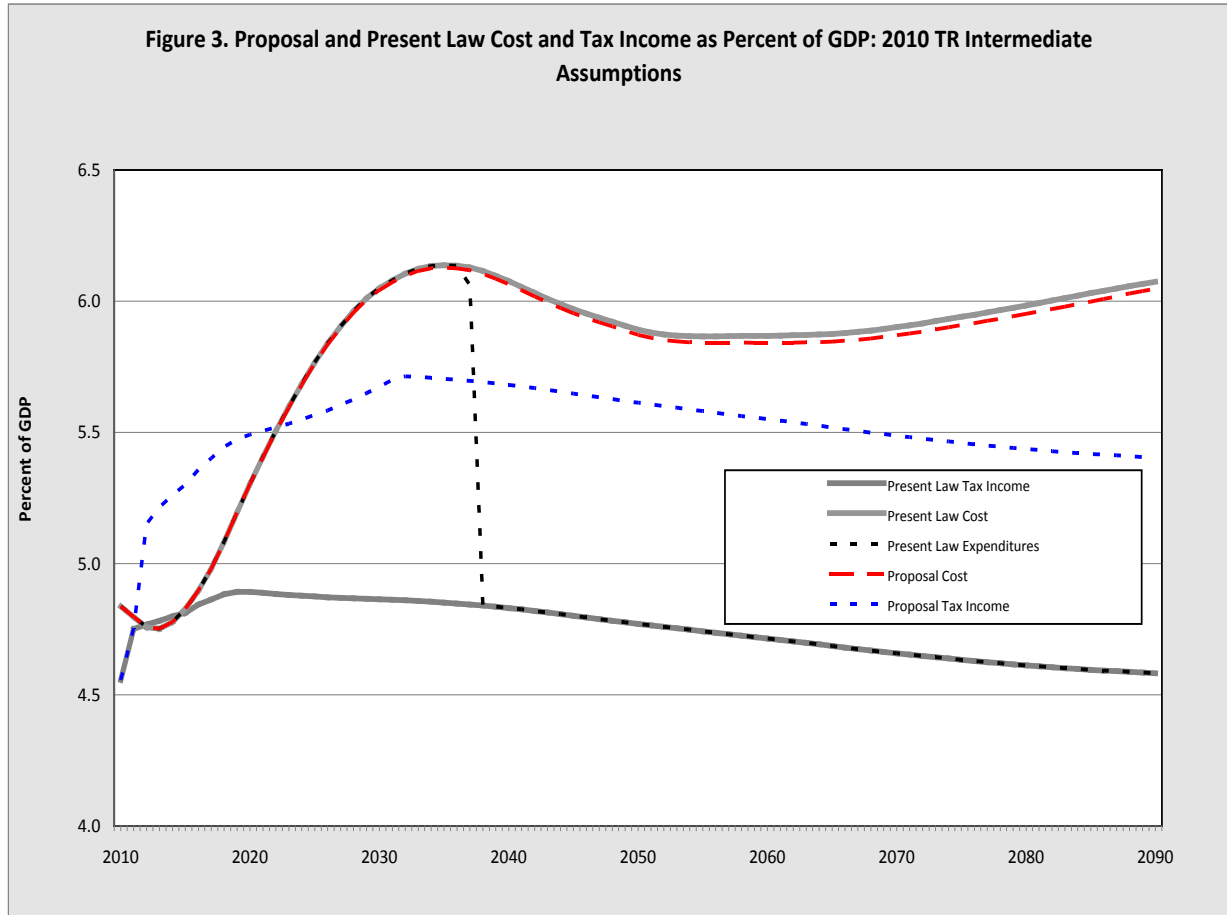
Detailed Financial Results

Benefit Illustrations

Benefit illustrations are not provided for the Bill because benefit levels would not be materially changed from the scheduled benefit levels under current law.

Trust Fund Operations

Table 1 shows the annual cost and income rates, annual balances, and trust fund ratios for OASDI assuming enactment of the Bill. This table also shows the change from present law in these cost rates, income rates, and balances. Included at the bottom of this table are summarized rates for the 75-year long-range period and the expected year of trust fund exhaustion under this Bill.

Table 1 indicates that the OASDI program is projected to be solvent throughout the 75-year projection period assuming enactment of the Bill. After 2021, the trust fund ratio is projected to

decline, reaching 208 percent of the next year's annual program cost for 2084, the last year of the 75-year projection period. The actuarial deficit for the OASDI program over the 75-year projection period would be improved by an estimated 2.07 percent of taxable payroll, from an actuarial deficit of 1.92 percent of payroll projected under current law to a positive actuarial balance of 0.15 percent of payroll under the Bill.

Program Transfers and Assets

Column 5 of **table 1a** provides a projection of the asset level for the combined OASI and DI Trust Funds under the Bill, expressed in present value dollars discounted to January 1, 2010. For purpose of comparison, the net OASDI Trust Fund assets, expressed in present value dollars, are also shown for a theoretical Social Security program where borrowing authority is assumed for the Trust Funds. Columns 1 through 3 are all zeros because no General Fund transfers are specified in this Bill. Gross Domestic Product, expressed in present value dollars, is shown in column 6 for comparison with other values in the table.

Effect on the Federal Unified Budget

Table 1b shows the projected effect, in present value discounted dollars, on the Federal unified budget cash flows and balances assuming enactment of the Bill. Table 1b.n provides the estimated nominal dollar effect of enactment of the Bill on the annual unified budget balances for years 2010 through 2019. All values in these tables represent the amount of the *change* that would be expected due to enactment of the Bill, from the level that would be projected under current law.

The effect of the plan on unified budget cash flow (column 3) is expected to be positive for 2012 and throughout the remainder of the long-range period. Column 4 provides the projected effect of implementing the plan on the Federal debt held by the public. Column 5 provides the projected effect on the annual unified budget balances, including both the cash flow effect in column 3 and the additional interest on the accumulated debt indicated in column 4. Under this Bill, Federal debt held by the public would be reduced by nearly $1 trillion in nominal dollars by the end of 2019. However, there would be essentially no change in the total Federal debt subject to ceiling because the OASDI combined Trust Fund assets, which are a part of the total Federal debt, would increase by the same amount. It is important to note that these estimates are based on the intermediate assumptions of the 2010 Trustees Report and thus are not consistent with estimates made by the OMB or the CBO based on their assumptions.

Annual Trust Fund Operations as a Percentage of GDP

Table 1c provides annual cost, annual expenditures (on a payable basis), and annual tax income for the OASDI program expressed as a percentage of GDP. These values are shown for both present law and assuming enactment of the Bill. Showing the annual trust fund flows as a percentage of GDP provides an additional perspective on these trust fund operations in relation to the total value of goods and services produced in the United States.

Effects on Trust Fund Assets and Unfunded Obligations

Table 1d provides estimates of the changes due to the Bill in the level of projected trust fund assets under present law and, for years after trust fund exhaustion, the level of unfunded obligations under present law. All values in the table are expressed in present-value discounted dollars. For the 75-year long-range period as a whole, the present-law unfunded obligation of $5.4 trillion in present value is replaced with a positive trust fund balance of $0.9 trillion in present value through the end of the period. This change is the combination of the following:

- A $6.2 trillion increase in revenue from applying the payroll tax to covered earnings above the present-law contribution and benefit base (column 2), less
- A $0.1 trillion reduction in cost from the behavioral response to additional payroll tax, causing a small decrease in the share of employee compensation that is received in wages, and thus a small decrease in total benefits.

We hope these estimates will be helpful. Please let me know if we may provide further assistance.

Sincerely,

Stephen C. Goss
Chief Actuary

Enclosures

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio
H.R. 797 "No Loopholes in Social Security Taxes Act": Introduced by Representative DeFazio

| | Proposal | | | | | Change in Present Law | | |
| | Expressed as a percentage of present-law taxable payroll | | | Trust Fund | | Expressed as a percentage of present-law taxable payroll | | |
Year	Cost Rate	Income Rate	Annual Balance	Ratio 1-1-year		Cost Rate	Income Rate	Annual Balance
2010	13.09	12.33	-0.76	355		0.00	0.00	0.00
2011	13.04	12.91	-0.12	353		0.00	0.00	0.00
2012	12.84	13.91	1.07	350		0.00	1.04	1.04
2013	12.82	14.07	1.25	353		0.00	1.17	1.17
2014	12.86	14.16	1.30	357		0.00	1.24	1.24
2015	12.98	14.25	1.27	361		0.00	1.31	1.31
2016	13.10	14.34	1.23	365		0.00	1.38	1.38
2017	13.30	14.43	1.12	368		0.00	1.44	1.44
2018	13.54	14.51	0.96	371		0.00	1.49	1.50
2019	13.83	14.58	0.74	373		0.00	1.55	1.55
2020	14.14	14.65	0.50	373		0.00	1.60	1.60
2021	14.45	14.72	0.27	373		-0.01	1.65	1.65
2022	14.74	14.78	0.04	372		-0.01	1.70	1.71
2023	15.02	14.85	-0.17	370		-0.01	1.75	1.76
2024	15.28	14.92	-0.35	367		-0.01	1.80	1.81
2025	15.52	14.99	-0.53	364		-0.01	1.86	1.87
2026	15.74	15.07	-0.68	360		-0.01	1.92	1.93
2027	15.94	15.14	-0.80	356		-0.01	1.98	2.00
2028	16.12	15.22	-0.89	352		-0.02	2.05	2.06
2029	16.27	15.30	-0.96	348		-0.02	2.12	2.14
2030	16.39	15.39	-1.00	344		-0.02	2.19	2.21
2031	16.49	15.47	-1.01	340		-0.02	2.27	2.29
2032	16.57	15.53	-1.04	336		-0.02	2.32	2.34
2033	16.64	15.54	-1.10	333		-0.02	2.32	2.35
2034	16.68	15.54	-1.14	330		-0.02	2.32	2.35
2035	16.70	15.55	-1.15	327		-0.03	2.32	2.35
2036	16.71	15.55	-1.16	324		-0.03	2.33	2.35
2037	16.71	15.55	-1.15	321		-0.03	2.33	2.36
2038	16.68	15.56	-1.13	318		-0.03	2.33	2.36
2039	16.65	15.56	-1.09	316		-0.03	2.33	2.36
2040	16.61	15.56	-1.05	314		-0.04	2.33	2.36
2041	16.56	15.56	-1.00	312		-0.04	2.33	2.37
2042	16.51	15.56	-0.96	311		-0.04	2.33	2.37
2043	16.47	15.56	-0.91	310		-0.04	2.33	2.37
2044	16.43	15.56	-0.87	309		-0.04	2.33	2.37
2045	16.40	15.56	-0.84	308		-0.04	2.33	2.38
2046	16.37	15.56	-0.81	308		-0.05	2.33	2.38
2047	16.35	15.56	-0.79	307		-0.05	2.33	2.38
2048	16.32	15.56	-0.76	307		-0.05	2.34	2.39
2049	16.30	15.56	-0.74	307		-0.05	2.34	2.39
2050	16.28	15.56	-0.72	307		-0.06	2.34	2.39
2051	16.27	15.56	-0.70	307		-0.06	2.34	2.40
2052	16.26	15.57	-0.70	306		-0.06	2.34	2.40
2053	16.27	15.57	-0.70	306		-0.06	2.34	2.40
2054	16.28	15.57	-0.71	306		-0.06	2.34	2.41
2055	16.30	15.57	-0.73	305		-0.07	2.34	2.41
2056	16.32	15.58	-0.75	304		-0.07	2.34	2.41
2057	16.35	15.58	-0.77	303		-0.07	2.34	2.41
2058	16.37	15.58	-0.78	302		-0.07	2.35	2.42
2059	16.39	15.59	-0.80	301		-0.07	2.35	2.42
2060	16.41	15.59	-0.82	300		-0.08	2.35	2.42
2061	16.43	15.59	-0.84	299		-0.08	2.35	2.43
2062	16.45	15.60	-0.86	297		-0.08	2.35	2.43
2063	16.48	15.60	-0.88	296		-0.08	2.35	2.43
2064	16.50	15.60	-0.90	294		-0.08	2.35	2.43
2065	16.53	15.61	-0.93	292		-0.08	2.35	2.44
2066	16.57	15.61	-0.95	290		-0.08	2.36	2.44
2067	16.60	15.62	-0.99	287		-0.08	2.36	2.44
2068	16.64	15.62	-1.02	285		-0.09	2.36	2.44
2069	16.68	15.62	-1.05	282		-0.09	2.36	2.45
2070	16.72	15.63	-1.09	279		-0.09	2.36	2.45
2071	16.76	15.63	-1.13	275		-0.09	2.36	2.45
2072	16.80	15.64	-1.17	272		-0.09	2.36	2.45
2073	16.85	15.64	-1.21	268		-0.09	2.37	2.46
2074	16.89	15.65	-1.25	264		-0.09	2.37	2.46
2075	16.94	15.65	-1.29	259		-0.09	2.37	2.46
2076	16.98	15.65	-1.33	255		-0.09	2.37	2.46
2077	17.02	15.66	-1.37	250		-0.09	2.37	2.46
2078	17.07	15.66	-1.41	245		-0.09	2.37	2.46
2079	17.11	15.67	-1.45	239		-0.09	2.37	2.47
2080	17.16	15.67	-1.49	234		-0.09	2.38	2.47
2081	17.20	15.68	-1.53	228		-0.09	2.38	2.47
2082	17.25	15.68	-1.56	221		-0.09	2.38	2.47
2083	17.29	15.68	-1.60	215		-0.09	2.38	2.47
2084	17.33	15.69	-1.64	208		-0.09	2.38	2.47
2085	17.37	15.69	-1.68	201		-0.09	2.38	2.48

Summarized Rates: OASDI

	Cost Rate	Income Rate	Actuarial Balance	Year of Exhaustion[1]
2010 - 2084	15.89%	16.03%	0.15%	N/A

Summarized Rates: OASDI

	Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
	-0.04%	2.02%	2.07%

Based on Intermediate Assumptions of the 2010 Trustees Report
[1] Under present law the year of exhaustion is 2037

Table 1a - General Fund Transfers, OASDI Trust Fund Assets, and Theoretical OASDI Assets
H.R. 797 "No Loopholes in Social Security Taxes Act": Introduced by Representative DeFazio

	Proposal General Fund Transfers			Present Value in Billions as of 1-1-2010			
						Theoretical Social Security[1] with Borrowing Authority	
		Present Value in Billions as of 1-1- 2010		Proposal Total OASDI Trust Fund		Net OASDI Trust Fund Assets at End of Year	
Calendar Year	Percentage of Payroll	Annual Amounts	Accumulated as of End of Year	Assets at End of Year	Gross Domestic Product	Without General Fund Transfers	With Plan General Fund Transfers
	(1)	(2)	(3)	(5)	(6)	(7)	(8)
2010	0.0	0.0	0.0	2,500.1	14,440.7	2,500.1	2,500.1
2011	0.0	0.0	0.0	2,493.9	14,447.1	2,493.9	2,493.9
2012	0.0	0.0	0.0	2,552.2	14,629.9	2,495.8	2,495.8
2013	0.0	0.0	0.0	2,621.5	14,850.2	2,500.7	2,500.7
2014	0.0	0.0	0.0	2,694.6	15,008.0	2,504.4	2,504.4
2015	0.0	0.0	0.0	2,766.5	15,093.9	2,502.6	2,502.6
2016	0.0	0.0	0.0	2,836.9	15,113.0	2,495.2	2,495.2
2017	0.0	0.0	0.0	2,901.0	15,084.7	2,478.0	2,478.0
2018	0.0	0.0	0.0	2,956.1	14,993.3	2,448.8	2,448.8
2019	0.0	0.0	0.0	2,998.4	14,866.6	2,404.4	2,404.4
2020	0.0	0.0	0.0	3,027.0	14,744.5	2,344.3	2,344.3
2021	0.0	0.0	0.0	3,042.5	14,612.8	2,269.2	2,269.2
2022	0.0	0.0	0.0	3,045.7	14,470.7	2,180.2	2,180.2
2023	0.0	0.0	0.0	3,037.8	14,322.0	2,078.2	2,078.2
2024	0.0	0.0	0.0	3,020.0	14,168.7	1,964.7	1,964.7
2025	0.0	0.0	0.0	2,993.3	14,006.1	1,840.6	1,840.6
2026	0.0	0.0	0.0	2,959.5	13,848.9	1,707.4	1,707.4
2027	0.0	0.0	0.0	2,919.9	13,695.6	1,566.5	1,566.5
2028	0.0	0.0	0.0	2,876.1	13,543.6	1,419.1	1,419.1
2029	0.0	0.0	0.0	2,829.3	13,388.7	1,266.6	1,266.6
2030	0.0	0.0	0.0	2,781.4	13,238.7	1,110.6	1,110.6
2031	0.0	0.0	0.0	2,733.5	13,096.4	951.9	951.9
2032	0.0	0.0	0.0	2,684.8	12,955.3	791.4	791.4
2033	0.0	0.0	0.0	2,634.0	12,814.6	629.9	629.9
2034	0.0	0.0	0.0	2,582.1	12,675.9	468.5	468.5
2035	0.0	0.0	0.0	2,529.9	12,539.7	308.0	308.0
2036	0.0	0.0	0.0	2,478.1	12,408.4	149.0	149.0
2037	0.0	0.0	0.0	2,427.1	12,278.7	-7.9	-7.9
2038	0.0	0.0	0.0	2,377.9	12,153.7	-162.2	-162.2
2039	0.0	0.0	0.0	2,330.8	12,027.7	-313.2	-313.2
2040	0.0	0.0	0.0	2,286.0	11,899.8	-460.7	-460.7
2041	0.0	0.0	0.0	2,243.8	11,774.2	-604.7	-604.7
2042	0.0	0.0	0.0	2,204.0	11,649.7	-745.2	-745.2
2043	0.0	0.0	0.0	2,166.5	11,526.1	-882.3	-882.3
2044	0.0	0.0	0.0	2,131.1	11,403.5	-1,016.3	-1,016.3
2045	0.0	0.0	0.0	2,097.4	11,281.3	-1,147.4	-1,147.4
2046	0.0	0.0	0.0	2,065.4	11,159.4	-1,275.9	-1,275.9
2047	0.0	0.0	0.0	2,034.6	11,036.6	-1,402.0	-1,402.0
2048	0.0	0.0	0.0	2,005.3	10,914.9	-1,525.6	-1,525.6
2049	0.0	0.0	0.0	1,977.2	10,794.6	-1,646.9	-1,646.9
2050	0.0	0.0	0.0	1,950.4	10,674.1	-1,766.0	-1,766.0
2051	0.0	0.0	0.0	1,924.4	10,553.6	-1,883.2	-1,883.2
2052	0.0	0.0	0.0	1,898.9	10,434.0	-1,998.8	-1,998.8
2053	0.0	0.0	0.0	1,873.6	10,314.8	-2,113.3	-2,113.3
2054	0.0	0.0	0.0	1,848.3	10,196.3	-2,226.7	-2,226.7
2055	0.0	0.0	0.0	1,822.8	10,078.9	-2,339.4	-2,339.4
2056	0.0	0.0	0.0	1,796.8	9,963.1	-2,451.4	-2,451.4
2057	0.0	0.0	0.0	1,770.6	9,849.3	-2,562.8	-2,562.8
2058	0.0	0.0	0.0	1,744.0	9,737.3	-2,673.5	-2,673.5
2059	0.0	0.0	0.0	1,717.3	9,627.1	-2,783.4	-2,783.4
2060	0.0	0.0	0.0	1,690.3	9,517.7	-2,892.6	-2,892.6
2061	0.0	0.0	0.0	1,662.9	9,409.2	-3,001.2	-3,001.2
2062	0.0	0.0	0.0	1,635.3	9,301.9	-3,109.2	-3,109.2
2063	0.0	0.0	0.0	1,607.3	9,196.0	-3,216.6	-3,216.6
2064	0.0	0.0	0.0	1,578.9	9,091.8	-3,323.4	-3,323.4
2065	0.0	0.0	0.0	1,550.2	8,988.7	-3,429.7	-3,429.7
2066	0.0	0.0	0.0	1,520.8	8,886.5	-3,535.7	-3,535.7
2067	0.0	0.0	0.0	1,490.9	8,785.3	-3,641.3	-3,641.3
2068	0.0	0.0	0.0	1,460.4	8,685.0	-3,746.7	-3,746.7
2069	0.0	0.0	0.0	1,429.1	8,585.5	-3,851.9	-3,851.9
2070	0.0	0.0	0.0	1,397.2	8,487.0	-3,956.9	-3,956.9
2071	0.0	0.0	0.0	1,364.6	8,388.8	-4,061.7	-4,061.7
2072	0.0	0.0	0.0	1,331.3	8,292.1	-4,166.3	-4,166.3
2073	0.0	0.0	0.0	1,297.3	8,196.2	-4,270.8	-4,270.8
2074	0.0	0.0	0.0	1,262.6	8,101.5	-4,375.1	-4,375.1
2075	0.0	0.0	0.0	1,227.2	8,007.1	-4,479.3	-4,479.3
2076	0.0	0.0	0.0	1,191.2	7,913.4	-4,583.2	-4,583.2
2077	0.0	0.0	0.0	1,154.6	7,820.3	-4,687.0	-4,687.0
2078	0.0	0.0	0.0	1,117.4	7,727.4	-4,790.5	-4,790.5
2079	0.0	0.0	0.0	1,079.6	7,635.8	-4,893.8	-4,893.8
2080	0.0	0.0	0.0	1,041.2	7,545.2	-4,996.8	-4,996.8
2081	0.0	0.0	0.0	1,002.3	7,455.5	-5,099.6	-5,099.6
2082	0.0	0.0	0.0	962.9	7,366.6	-5,202.1	-5,202.1
2083	0.0	0.0	0.0	923.0	7,278.4	-5,304.4	-5,304.4
2084	0.0	0.0	0.0	882.7	7,191.1	-5,406.3	-5,406.3

Total 2010-2084   0.0

[1] Theoretical Social Security is the current Social Security program with the assumption that the law is modified to permit borrowing from the General Fund of the Treasury.

Table 1b - OASDI Changes & Unified Budget Implications of Specified Plan Provision Effects on OASDI[1] (Present Value Dollars)
H.R. 797 "No Loopholes in Social Security Taxes Act": Introduced by Representative DeFazio

Billions of Present Value Dollars as of 1-1-2010

Year	Specified General Fund Transfers (1)	Basic Changes in OASDI Cash Flow (2)	Change in Annual Unified Budget Cash Flow (3) = (1)+(2)	Change in Debt Held by Public at End of Year (4)	Change in Annual Unified Budget Balance (5)
2010	0.0	0.0	0.0	0.0	0.0
2011	0.0	0.0	0.0	0.0	0.0
2012	0.0	56.4	56.4	-56.4	56.4
2013	0.0	64.4	64.4	-120.8	67.0
2014	0.0	69.4	69.4	-190.2	75.0
2015	0.0	73.7	73.7	-263.9	82.8
2016	0.0	77.8	77.8	-341.7	90.7
2017	0.0	81.3	81.3	-423.0	98.4
2018	0.0	84.3	84.3	-507.3	105.8
2019	0.0	86.7	86.7	-594.0	112.9
2020	0.0	88.7	88.7	-682.7	119.7
2021	0.0	90.5	90.5	-773.2	126.6
2022	0.0	92.3	92.3	-865.5	133.6
2023	0.0	94.0	94.0	-959.5	140.8
2024	0.0	95.7	95.7	-1,055.3	148.2
2025	0.0	97.5	97.5	-1,152.7	155.1
2026	0.0	99.3	99.3	-1,252.0	162.3
2027	0.0	101.4	101.4	-1,353.5	169.8
2028	0.0	103.5	103.5	-1,456.9	177.5
2029	0.0	105.8	105.8	-1,562.7	185.4
2030	0.0	108.1	108.1	-1,670.8	193.6
2031	0.0	110.8	110.8	-1,781.6	202.1
2032	0.0	111.8	111.8	-1,893.4	209.2
2033	0.0	110.7	110.7	-2,004.1	214.2
2034	0.0	109.5	109.5	-2,113.6	219.0
2035	0.0	108.3	108.3	-2,221.9	223.8
2036	0.0	107.2	107.2	-2,329.0	228.6
2037	0.0	106.1	106.1	-2,435.1	233.3
2038	0.0	105.0	105.0	-2,540.1	238.1
2039	0.0	103.9	103.9	-2,644.0	242.7
2040	0.0	102.8	102.8	-2,746.8	247.3
2041	0.0	101.7	101.7	-2,848.5	251.9
2042	0.0	100.7	100.7	-2,949.2	256.3
2043	0.0	99.6	99.6	-3,048.8	260.8
2044	0.0	98.5	98.5	-3,147.3	265.2
2045	0.0	97.5	97.5	-3,244.8	269.5
2046	0.0	96.4	96.4	-3,341.2	273.8
2047	0.0	95.4	95.4	-3,436.6	278.0
2048	0.0	94.3	94.3	-3,530.9	282.1
2049	0.0	93.3	93.3	-3,624.2	286.2
2050	0.0	92.2	92.2	-3,716.4	290.3
2051	0.0	91.2	91.2	-3,807.6	294.3
2052	0.0	90.2	90.2	-3,897.8	298.3
2053	0.0	89.1	89.1	-3,986.9	302.2
2054	0.0	88.1	88.1	-4,075.1	306.0
2055	0.0	87.1	87.1	-4,162.2	309.8
2056	0.0	86.1	86.1	-4,248.3	313.6
2057	0.0	85.1	85.1	-4,333.4	317.3
2058	0.0	84.1	84.1	-4,417.5	321.0
2059	0.0	83.2	83.2	-4,500.7	324.6
2060	0.0	82.2	82.2	-4,582.9	328.2
2061	0.0	81.3	81.3	-4,664.2	331.7
2062	0.0	80.3	80.3	-4,744.5	335.2
2063	0.0	79.4	79.4	-4,823.9	338.7
2064	0.0	78.5	78.5	-4,902.3	342.1
2065	0.0	77.5	77.5	-4,979.9	345.5
2066	0.0	76.6	76.6	-5,056.5	348.8
2067	0.0	75.7	75.7	-5,132.2	352.1
2068	0.0	74.8	74.8	-5,207.1	355.3
2069	0.0	73.9	73.9	-5,281.0	358.5
2070	0.0	73.1	73.1	-5,354.1	361.7
2071	0.0	72.2	72.2	-5,426.3	364.8
2072	0.0	71.3	71.3	-5,497.6	367.9
2073	0.0	70.5	70.5	-5,568.1	370.9
2074	0.0	69.6	69.6	-5,637.7	373.9
2075	0.0	68.8	68.8	-5,706.5	376.9
2076	0.0	68.0	68.0	-5,774.5	379.8
2077	0.0	67.1	67.1	-5,841.6	382.7
2078	0.0	66.3	66.3	-5,907.9	385.6
2079	0.0	65.5	65.5	-5,973.4	388.4
2080	0.0	64.7	64.7	-6,038.1	391.1
2081	0.0	63.9	63.9	-6,101.9	393.9
2082	0.0	63.1	63.1	-6,165.1	396.6
2083	0.0	62.3	62.3	-6,227.4	399.3
2084	0.0	<u>61.6</u>	<u>61.6</u>	-6,288.9	401.9
Total 2010-84	0.0	6,288.9	6,288.9		

Based on Intermediate Assumptions of the 2010 Trustees Report.
Ultimate Real Trust Fund Yield of 2.9%

[1] Effects of tax provisions on the On-Budget are not reflected in this table.

Table 1b.n - OASDI Changes & Unified Budget Implications of Specified Plan Porvision Effects on OASDI[1] (Nominal Dollars)
H.R. 797 "No Loopholes in Social Security Taxes Act": Introduced by Representative DeFazio

			Billions of Nominal Dollars		
Year	Specified General Fund Transfers	Basic Changes in OASDI Cash Flow	Change in Annual Unified Budget Cash Flow	Change in Debt Held by Public at End of Year	Change in Annual Unified Budget Balance
	(1)	(2)	(3) = (1)+(2)	(4)	(5)
2010	0.0	0.0	0.0	0.0	0.0
2011	0.0	0.0	0.0	0.0	0.0
2012	0.0	63.1	63.1	-64.5	64.5
2013	0.0	75.4	75.4	-144.7	80.2
2014	0.0	85.2	85.2	-238.9	94.2
2015	0.0	95.0	95.0	-347.9	109.0
2016	0.0	105.3	105.3	-473.3	125.4
2017	0.0	115.8	115.8	-616.4	143.1
2018	0.0	126.4	126.4	-778.5	162.0
2019	0.0	137.1	137.1	-960.9	182.5

Based on Intermediate Assumptions of the 2010 Trustees Report.

Office of the Chief Actuary
Social Security Administration
March 2, 2011

[1] Effects of tax provisions on the On-Budget are not reflected in this table.

Table 1c - Present Law and Proposal Cost, Expenditures, and Income: As Percent of Gross Domestic Product
H.R. 797 "No Loopholes in Social Security Taxes Act": Introduced by Representative DeFazio

Calendar Year	Present Law OASDI			Proposal OASDI		
	Cost (1)	Expenditures (Payable) (2)	Tax Income (3)	Cost (4)	Expenditures (Payable) (5)	Tax Income (6)
2010	4.84	4.84	4.56	4.84	4.84	4.56
2011	4.80	4.80	4.75	4.80	4.80	4.75
2012	4.76	4.76	4.77	4.76	4.76	5.15
2013	4.75	4.75	4.78	4.75	4.75	5.22
2014	4.78	4.78	4.80	4.78	4.78	5.26
2015	4.83	4.83	4.81	4.83	4.83	5.30
2016	4.90	4.90	4.84	4.90	4.90	5.36
2017	4.98	4.98	4.86	4.98	4.98	5.40
2018	5.08	5.08	4.88	5.08	5.08	5.44
2019	5.20	5.20	4.89	5.19	5.19	5.47
2020	5.30	5.30	4.89	5.30	5.30	5.49
2021	5.41	5.41	4.89	5.41	5.41	5.51
2022	5.51	5.51	4.88	5.50	5.50	5.52
2023	5.60	5.60	4.88	5.60	5.60	5.53
2024	5.68	5.68	4.88	5.68	5.68	5.55
2025	5.77	5.77	4.87	5.76	5.76	5.57
2026	5.84	5.84	4.87	5.83	5.83	5.58
2027	5.90	5.90	4.87	5.90	5.90	5.60
2028	5.96	5.96	4.87	5.96	5.96	5.63
2029	6.01	6.01	4.87	6.00	6.00	5.65
2030	6.05	6.05	4.86	6.04	6.04	5.67
2031	6.08	6.08	4.86	6.07	6.07	5.70
2032	6.10	6.10	4.86	6.10	6.10	5.71
2033	6.12	6.12	4.86	6.12	6.12	5.71
2034	6.13	6.13	4.85	6.12	6.12	5.71
2035	6.14	6.14	4.85	6.13	6.13	5.70
2036	6.14	6.14	4.85	6.12	6.12	5.70
2037	6.13	6.06	4.84	6.12	6.12	5.70
2038	6.11	4.84	4.84	6.10	6.10	5.69
2039	6.10	4.84	4.84	6.08	6.08	5.69
2040	6.08	4.83	4.83	6.06	6.06	5.68
2041	6.05	4.83	4.83	6.04	6.04	5.67
2042	6.03	4.82	4.82	6.02	6.02	5.67
2043	6.01	4.81	4.81	5.99	5.99	5.66
2044	5.99	4.81	4.81	5.97	5.97	5.66
2045	5.97	4.80	4.80	5.95	5.95	5.65
2046	5.95	4.79	4.79	5.94	5.94	5.64
2047	5.94	4.79	4.79	5.92	5.92	5.63
2048	5.92	4.78	4.78	5.90	5.90	5.63
2049	5.91	4.78	4.78	5.89	5.89	5.62
2050	5.89	4.77	4.77	5.87	5.87	5.61
2051	5.88	4.76	4.76	5.86	5.86	5.61
2052	5.87	4.76	4.76	5.85	5.85	5.60
2053	5.87	4.75	4.75	5.85	5.85	5.59
2054	5.87	4.75	4.75	5.84	5.84	5.59
2055	5.87	4.74	4.74	5.84	5.84	5.58
2056	5.87	4.74	4.74	5.84	5.84	5.57
2057	5.87	4.73	4.73	5.84	5.84	5.57
2058	5.87	4.73	4.73	5.84	5.84	5.56
2059	5.87	4.72	4.72	5.84	5.84	5.56
2060	5.87	4.71	4.71	5.84	5.84	5.55
2061	5.87	4.71	4.71	5.84	5.84	5.54
2062	5.87	4.70	4.70	5.84	5.84	5.54
2063	5.87	4.70	4.70	5.84	5.84	5.53
2064	5.87	4.69	4.69	5.84	5.84	5.53
2065	5.88	4.69	4.69	5.85	5.85	5.52
2066	5.88	4.68	4.68	5.85	5.85	5.51
2067	5.88	4.67	4.67	5.85	5.85	5.51
2068	5.89	4.67	4.67	5.86	5.86	5.50
2069	5.89	4.66	4.66	5.86	5.86	5.49
2070	5.90	4.66	4.66	5.87	5.87	5.49
2071	5.91	4.65	4.65	5.88	5.88	5.48
2072	5.92	4.65	4.65	5.88	5.88	5.48
2073	5.92	4.64	4.64	5.89	5.89	5.47
2074	5.93	4.64	4.64	5.90	5.90	5.47
2075	5.94	4.63	4.63	5.91	5.91	5.46
2076	5.95	4.63	4.63	5.92	5.92	5.45
2077	5.96	4.62	4.62	5.92	5.92	5.45
2078	5.97	4.62	4.62	5.93	5.93	5.44
2079	5.97	4.62	4.62	5.94	5.94	5.44
2080	5.98	4.61	4.61	5.95	5.95	5.44
2081	5.99	4.61	4.61	5.96	5.96	5.43
2082	6.00	4.61	4.61	5.97	5.97	5.43
2083	6.01	4.60	4.60	5.98	5.98	5.42
2084	6.02	4.60	4.60	5.99	5.99	5.42

Based on Intermediate Assumptions of the 2010 Trustees Report.

Table 1d - Change in Long-Range Trust Fund Assets / Unfunded Obligation
H.R. 797 "No Loopholes in Social Security Taxes Act": Introduced by Representative DeFazio

(Billions of Dollars, Present Value on 1-1-2010)

Year	Present Law OASDI Trust Fund Assets / Unfunded Obligation Through End of Year (1)	Changes in OASDI Income (2)	Changes in OASDI Cost (3)	Basic Changes in OASDI Cash Flow (4) = (2)-(3)	Total Change Through End of Year (5) = cumulative sum(4)	Proposal OASDI Trust Fund Assets / Unfunded Obligation Through End of Year (6) = (1)+(5)
2010	2,500.1	0.0	0.0	0.0	0.0	2,500.1
2011	2,493.9	0.0	0.0	0.0	0.0	2,493.9
2012	2,495.8	56.4	0.0	56.4	56.4	2,552.2
2013	2,500.7	64.4	0.0	64.4	120.8	2,621.5
2014	2,504.4	69.4	0.0	69.4	190.2	2,694.6
2015	2,502.6	73.7	0.0	73.7	263.9	2,766.5
2016	2,495.2	77.8	0.0	77.8	341.7	2,836.9
2017	2,478.0	81.3	-0.1	81.3	423.0	2,901.0
2018	2,448.8	84.2	-0.1	84.3	507.3	2,956.1
2019	2,404.4	86.6	-0.1	86.7	594.0	2,998.4
2020	2,344.3	88.5	-0.2	88.7	682.7	3,027.0
2021	2,269.2	90.2	-0.3	90.5	773.2	3,042.5
2022	2,180.2	91.9	-0.4	92.3	865.5	3,045.7
2023	2,078.2	93.5	-0.5	94.0	959.5	3,037.8
2024	1,964.7	95.2	-0.5	95.7	1,055.3	3,020.0
2025	1,840.6	96.9	-0.6	97.5	1,152.7	2,993.3
2026	1,707.4	98.7	-0.6	99.3	1,252.0	2,959.5
2027	1,566.5	100.7	-0.7	101.4	1,353.5	2,919.9
2028	1,419.1	102.7	-0.8	103.5	1,456.9	2,876.1
2029	1,266.6	104.9	-0.8	105.8	1,562.7	2,829.3
2030	1,110.6	107.3	-0.9	108.1	1,670.8	2,781.4
2031	951.9	109.9	-1.0	110.8	1,781.6	2,733.5
2032	791.4	110.8	-1.0	111.8	1,893.4	2,684.8
2033	629.9	109.6	-1.1	110.7	2,004.1	2,634.0
2034	468.5	108.3	-1.1	109.5	2,113.6	2,582.1
2035	308.0	107.1	-1.2	108.3	2,221.9	2,529.9
2036	149.0	105.9	-1.3	107.2	2,329.0	2,478.1
2037	-7.9	104.7	-1.3	106.1	2,435.1	2,427.1
2038	-162.2	103.6	-1.4	105.0	2,540.1	2,377.9
2039	-313.2	102.4	-1.5	103.9	2,644.0	2,330.8
2040	-460.7	101.3	-1.5	102.8	2,746.8	2,286.0
2041	-604.7	100.2	-1.6	101.7	2,848.5	2,243.8
2042	-745.2	99.0	-1.6	100.7	2,949.2	2,204.0
2043	-882.3	97.9	-1.7	99.6	3,048.8	2,166.5
2044	-1,016.3	96.8	-1.8	98.5	3,147.3	2,131.1
2045	-1,147.4	95.6	-1.8	97.5	3,244.8	2,097.4
2046	-1,275.9	94.5	-1.9	96.4	3,341.2	2,065.4
2047	-1,402.0	93.4	-2.0	95.4	3,436.6	2,034.6
2048	-1,525.6	92.3	-2.0	94.3	3,530.9	2,005.3
2049	-1,646.9	91.2	-2.1	93.3	3,624.2	1,977.2
2050	-1,766.0	90.1	-2.1	92.2	3,716.4	1,950.4
2051	-1,883.2	89.0	-2.2	91.2	3,807.6	1,924.4
2052	-1,998.8	87.9	-2.2	90.2	3,897.8	1,898.9
2053	-2,113.3	86.9	-2.3	89.1	3,986.9	1,873.6
2054	-2,226.7	85.8	-2.3	88.1	4,075.1	1,848.3
2055	-2,339.4	84.7	-2.4	87.1	4,162.2	1,822.8
2056	-2,451.4	83.7	-2.4	86.1	4,248.3	1,796.8
2057	-2,562.8	82.6	-2.5	85.1	4,333.4	1,770.6
2058	-2,673.5	81.6	-2.5	84.1	4,417.5	1,744.0
2059	-2,783.4	80.7	-2.5	83.2	4,500.7	1,717.3
2060	-2,892.6	79.7	-2.5	82.2	4,582.9	1,690.3
2061	-3,001.2	78.7	-2.6	81.3	4,664.2	1,662.9
2062	-3,109.2	77.7	-2.6	80.3	4,744.5	1,635.3
2063	-3,216.6	76.8	-2.6	79.4	4,823.9	1,607.3
2064	-3,323.4	75.9	-2.6	78.5	4,902.3	1,578.9
2065	-3,429.7	74.9	-2.6	77.5	4,979.9	1,550.2
2066	-3,535.7	74.0	-2.6	76.6	5,056.5	1,520.8
2067	-3,641.3	73.1	-2.6	75.7	5,132.2	1,490.9
2068	-3,746.7	72.2	-2.6	74.8	5,207.1	1,460.4
2069	-3,851.9	71.3	-2.6	73.9	5,281.0	1,429.1
2070	-3,956.9	70.5	-2.6	73.1	5,354.1	1,397.2
2071	-4,061.7	69.6	-2.6	72.2	5,426.3	1,364.6
2072	-4,166.3	68.7	-2.6	71.3	5,497.6	1,331.3
2073	-4,270.8	67.9	-2.6	70.5	5,568.1	1,297.3
2074	-4,375.1	67.1	-2.6	69.6	5,637.7	1,262.6
2075	-4,479.3	66.2	-2.5	68.8	5,706.5	1,227.2
2076	-4,583.2	65.4	-2.5	68.0	5,774.5	1,191.2
2077	-4,687.0	64.6	-2.5	67.1	5,841.6	1,154.6
2078	-4,790.5	63.8	-2.5	66.3	5,907.9	1,117.4
2079	-4,893.8	63.0	-2.5	65.5	5,973.4	1,079.6
2080	-4,996.8	62.2	-2.4	64.7	6,038.1	1,041.2
2081	-5,099.6	61.5	-2.4	63.9	6,101.9	1,002.3
2082	-5,202.1	60.7	-2.4	63.1	6,165.1	962.9
2083	-5,304.4	60.0	-2.4	62.3	6,227.4	923.0
2084	-5,406.3	<u>59.2</u>	<u>-2.3</u>	<u>61.6</u>	6,288.9	882.7
Total 2010-2084		6166.6	-122.4	6288.9		

Based on Intermediate Assumptions of the 2010 Trustees Report.

Ultimate Real Trust Fund Yield of 2.9%.

Office of the Chief Actuary
Social Security Administration
March 2, 2011

PETER A. DeFAZIO
4TH DISTRICT, OREGON

**TRANSPORTATION AND
INFRASTRUCTURE**
SUBCOMMITTEES:
HIGHWAYS AND TRANSIT
RANKING MEMBER

AVIATION

RAILROADS

NATURAL RESOURCES
SUBCOMMITTEES:
NATIONAL PARKS, FORESTS, AND PUBLIC LANDS
ENERGY AND MINERAL RESOURCES

Congress of the United States
House of Representatives

March 1, 2011

PLEASE RESPOND TO:

☐ 2134 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–3704
(202) 225–6416

☐ 405 EAST 8TH AVENUE, #2030
EUGENE, OR 97401
(541) 465–6732
1–800–944–9603

☐ 125 CENTRAL AVENUE, #350
COOS BAY, OR 97420
(541) 269–2609

☐ 612 SE JACKSON STREET, #9
ROSEBURG, OR 97470
(541) 440–3523

☐ defazio.house.gov

Stephen C. Goss, Chief Actuary
Office of the Chief Actuary
Social Security Administration
6401 Security Boulevard
700 Altmeyer
Baltimore, MD 21235

Dear Mr. Goss,

I have recently introduced H.R. 797, the No Loopholes in Social Security Taxes Act. This legislation's principal intention is to achieve 75 year solvency for Social Security. It aims to do so by applying Social Security FICA tax to all income, including self-employment income, above $250,000 in addition to income under the current cap. The cap would remain indexed to the AWI while the $250,000 would be set in place. This allows the cap to, over the years, approach $250,000 thus closing the non-taxable donut hole and exposing all income to Social Security FICA tax. For benefit purposes, the cap indexed to the AWI would remain in place no matter the amount of income being taxed. At no time would all levels of income be considered for benefit purposes. I would appreciate the assistance of the Office of the Chief Actuary in assembling a report that analyzes the effect on Social Security solvency that the bill, as specifically described in this letter, would have.

Please contact Michael Hayes on my staff if you have any questions or need any clarifications. Thank you in advance for your assistance.

Sincerely,

Peter DeFazio
Member of Congress

HR 797 IH

112th CONGRESS

1st Session

H. R. 797

To amend the Internal Revenue Code of 1986 to apply payroll taxes to remuneration up to the contribution and benefit base and to remuneration in excess of $250,000.

IN THE HOUSE OF REPRESENTATIVES

February 18, 2011

Mr. DEFAZIO introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to apply payroll taxes to remuneration up to the contribution and benefit base and to remuneration in excess of $250,000.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `No Loopholes in Social Security Taxes Act'.

SEC. 2. PAYROLL TAX ON REMUNERATION UP TO CONTRIBUTION AND BENEFIT BASE AND MORE THAN $250,000.

(a) In General- Paragraph (1) of section 3121(a) of the Internal Revenue Code of 1986 is amended by inserting after `such calendar year.' the following: `The preceding sentence shall apply only to calendar years for which the contribution and benefit base (as so determined) is less than $250,000, and, for such calendar years, only to so much of the remuneration paid to such employee by such employer with respect to employment as does not exceed $250,000.'.

(b) Conforming Amendment- Paragraph (1) of section 3121 of such Code is amended by striking `Act) to' and inserting `Act), or in excess of $250,000, to'.

(c) Effective Date- The amendments made by this section shall apply to remuneration paid after December 31, 2011.

END