H Provisions Affecting Taxation of Benefits

These provisions revise the current rules for subjecting Social Security benefits to personal income tax. 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 2021 Trustees Report.

Category H: Taxation of Benefits (2021 Trustees Report intermediate assumptions)					
Current law shortfall *in long-range actuarial balance is* ***3.54*** *percent of payroll and in annual balance for the 75th year is* ***4.34*** *percent of payroll.*					
Description of proposed provisions		**Change from current law (percent of payroll)**		**Shortfall eliminated**	
		Long-range actuarial balance	**Annual balance in 75th year**	**Long-range actuarial balance**	**Annual balance in 75th year**
H2	Starting in 2022, tax Social Security benefits in a manner similar to private pension income. Phase out the lower-income thresholds during 2022-2041.	0.21	0.17	6%	4%
H3	Starting in 2023, modify personal income tax by: (a) establishing two-brackets with marginal rates of 15 and 27 percent separated at $51,000 (CPI indexed); (b) creating a non-refundable credit for low-income tax filers age 65 and older; and (c) treating capital gains as regular income. Tax all Social Security benefits at the applicable marginal rate (15 or 27 percent) less 7.5 percent, with 60 percent of this revenue going to OASDI and 40 percent going to HI.	-0.04	-0.09	-1%	-2%
H4	Increase the threshold for taxation of OASDI benefits to $50,000 for single filers and $100,000 for joint filers starting in 2023. Taxation of benefits revenues transferred to the Hospital Insurance (HI) Trust Fund would be the same as if the current-law computation applied.	-0.11	-0.01	-3%	-0%
H5	Beginning in 2028, for single/head-of-household/married-filing-separate taxpayers with MAGI of $250,000 or more and joint filers with MAGI of $500,000 or more, include up to the remaining 15 percent of Social Security benefits in taxable income (increased from up to 85 percent of benefits taxable under current law). In subsequent years, update these thresholds for growth in wages (AWI). Revenue from this provision would be credited to the Social Security trust funds. Current law taxation of up to 85 percent of Social Security benefits would remain unchanged.	0.01	0.01	0%	0%
H6	Eliminate federal income taxation of OASDI benefits that is credited to the OASI and DI Trust Funds for 2054 and later. Phase out OASDI taxation of benefits by increasing relevant income thresholds from 2045 through 2053 as follows, for single/joint tax filers: (a) 2045 = $32,500/$65,000; (b) 2046 = $40,000/$80,000; (c) 2047 = $47,500/$95,000; (d) 2048 = $55,000/$110,000; (e) 2049 = $62,500/$125,000; (f) 2050 = $70,000/$140,000; (g) 2051 = $77,500/$155,000; (h) 2052 = $85,000/$170,000; and (i) 2053 = $92,500/$185,000. Taxation of benefits revenues for the Hospital Insurance (HI) Trust Fund would be maintained at the same level as if the current-law computation applied.	-0.53	-0.98	-15%	-23%
H7	Replace the current-law thresholds for federal income taxation of OASDI benefits with a single set of thresholds at $50,000 for single filers and $100,000 for joint filers for taxation of up to 85 percent of OASDI benefits, effective for tax year 2023. These thresholds would be fixed and not indexed to price inflation or average wage increase. Reallocate a portion of revenue from taxation of OASDI benefits to the HI Trust Fund such that the HI Trust Fund would be in the same position as if the current-law computation (in the absence of this provision) applied. The net amount of revenue from taxing OASDI benefits, after the allocation to HI, would be allocated to the combined Social Security Trust Fund.	-0.17	-0.01	-5%	-0%