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 2012 Trustees Report.

Category H: Taxation of Benefits (2012 Trustees Report intermediate assumptions)		Change from present law		Results with this provision	
Description of proposed provisions		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
	Present Law, Alternative II.			-2.67	-4.50
H1	Starting in 2013, tax Social Security benefits in a manner similar to private pension income. Phase out the lower-income thresholds during 2013-2022.	0.26	0.17	-2.40	-4.34
H2	Starting in 2013, tax Social Security benefits in a manner similar to private pension income. Phase out the lower-income thresholds during 2013-2032.	0.24	0.17	-2.43	-4.34
H3	Tax Reform for Individuals: Starting in 2014, 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 a non-refundable credit of 7.5 percent. Base revenue to OASDHI on the net marginal rates of 7.5 and 19.5 percent, with 40 percent of revenue dedicated to HI.	-0.03	-0.06	-2.69	-4.56