T08-0125
Options to Adjust Social Security Earnings Cap
Static Impact on Individual Income and Payroll Tax Liability and Revenue, 2009-18 [1]

	Year											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-13	2009-18
Fiscal Year Revenue [2]												
Eliminate Earnings Cap ($ billions)	90.7	126.6	131.8	138.1	143.5	148.9	154.2	159.7	165.5	171.2	630.7	1,430.3
Create "Donut Hole" up to $250,000 ($ billions) [3]	39.8	55.5	57.9	60.6	63.1	65.5	67.9	70.4	73.0	75.5	276.9	629.3
Eliminate Earnings Cap (% of GDP)	0.6	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Create "Donut Hole" up to $250,000 (% of GDP)	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Calendar Year Liability												
Eliminate Earnings Cap	121.0	128.5	132.9	139.8	144.8	150.3	155.5	161.1	166.9	172.6	666.9	1,473.5
Create "Donut Hole" up to $250,000	53.1	56.3	58.4	61.3	63.7	66.2	68.5	71.1	73.6	76.2	292.8	648.4
Eliminate Earnings Cap (% of GDP)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Create "Donut Hole" up to $250,000 (% of GDP)	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-5).

(1) Proposals are effective 01/01/09. Baseline is current law. Estimates are static and do not account for any potential microeconomic behavioral response. Official estimates from the Joint Committee on Taxation would likely show a somewhat different effect on revenue.

(2) Fiscal-year revenue numbers assume a 75-25 split. The actual effect on receipts could differ.

(3) Social security tax would apply to earnings up to the current taxable maximum (projected to be $106,800 in 2009) plus earnings above $250,000. Thus earnings between the current taxable maximum and $250,000 would continue to be exempt from Social Security tax. The $250,000 figure would be indexed annually in the same manner as the current taxable maximum, as set out in Section 230 of the Social Security Act.