



SOCIAL SECURITY

Office of the Chief Actuary

December 16, 2011

The Honorable Dave Camp
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We have reviewed the language in the “Middle Class Tax Relief and Job Creation Act of 2011” (H.R. 3630), which you introduced on December 9, 2011. We estimate that the enactment of this bill would reduce (improve) the long-range actuarial deficit of the Old Age and Survivors Insurance and Disability Insurance (OASDI) program by a negligible amount (less than 0.005 percent of taxable payroll). All estimates are based on the intermediate assumptions of the 2011 Trustees Report. Sections 2001 and 5101 would have direct effects on the OASDI program, as described below.

Section 2001 of the bill, “Extension of Temporary Employee Payroll Tax Reduction through End of 2012” would extend through 2012 the provisions of subsection (c) of section 601 of the “Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.” Enactment of section 2001 would have a negligible effect on the financial status of the program in both the near term and the long term. We estimate that the projected level of the OASI and DI Trust Funds would be unaffected by enactment of this provision.

Specifically, this provision would make the following changes for payroll tax rates and OASDI financing in 2012: (1) for wages and salaries paid in calendar year 2012 and self-employment earnings in calendar year 2012, reduce the OASDI payroll tax rate by 2.0 percentage points, (2) transfer revenue from the General Fund of the Treasury to the OASI and DI Trust Funds so that total revenue for the trust funds would be unaffected by this provision, and (3) credit earnings to the records of workers for the purpose of determining future benefits payable from the trust funds so that such benefits would be unaffected by this provision. For wage and salary earnings, the 2.0-percent rate reduction would apply to the employee share of the payroll tax rate. For self-employment earnings, the personal income tax deduction for the OASDI payroll tax would be 59.6 percent of the portion of such taxes attributable to self-employment earnings for 2012.

Section 5101 of the bill, “Information for Administration of Social Security Provisions Related to Noncovered Employment,” would require that forms submitted to the Secretary of the Treasury regarding distributions from any employer deferred compensation plan made after December 31, 2012 indicate whether the plan and distribution reflect earnings from employment of any State or political subdivision of a State. This required reporting by plan administrators (form 1099) would refine the data available to the Social Security Administration that can be utilized in determinations of the application of the windfall elimination provision and the government pension offset provision for OASDI benefits. Enactment of section 5101 of the bill

would reduce (improve) the long-range OASDI actuarial deficit. Based on reasonable expectation of available administrative resources, we estimate that the improvement in the OASDI actuarial deficit would be negligible (i.e., less than 0.005 percent of taxable payroll). However, if enactment of this Section 5101 was accompanied with sufficient administrative resources to make full use of the available data for making determinations of the applicability of the windfall elimination provision and the government pension offset provision for OASDI benefits, then we estimate that the net effect on the estimated long-range OASDI actuarial deficit would be a reduction (improvement) in the deficit of about 0.01 percent of payroll.

We estimate that other sections of the bill would have no direct effects on the OASDI program. Please let me know if we may be of any further assistance.

Sincerely,

A handwritten signature in black ink that reads "Stephen C. Goss". The signature is written in a cursive style with a large initial 'S' and a long, sweeping underline.

Stephen C. Goss
Chief Actuary