SOCIAL SECURITY
Office of the Chief Actuary

June 16, 2015

The Honorable Vern Buchanan
House of Representatives
Washington, D.C. 20515

Dear Mr. Buchanan:

I am writing in response to your request for estimates of the financial effects on Social Security of H.R. 2774, introduced yesterday. Section 1 of the Bill would prohibit recovery of overpayments to children under age 18 from tax refunds. Under current law, overpayments to children made (debt incurred) under age 18 that are not ascertained or "established" by the Social Security Administration until after the age of 18 are generally referred to the Department of the Treasury for recovery of this debt from any Federal income tax refunds that may be due to them. It would not prohibit recovery of overpayments by other means. Section 2 of the Bill would prohibit earnings test reductions based on earnings by child beneficiaries. Changes in this Bill would apply for tax years ending after December 31, 2015.

The estimates and analysis provided in this letter reflect our careful analysis of this Bill, with assistance from Chris Netram of your staff as well as Amy Shuart and Ted McCann. Many in the Office of the Chief Actuary contributed to the development of these estimates, most particularly Karen Glenn and Chris Chaplain.

We estimate that enactment of this Bill would increase Old Age, Survivors, and Disability Insurance (OASDI) program cost by $37 million in total for years 2015 through 2024, assuming enactment of the Bill on July 1, 2015. Estimates of cost effects on an annual basis for this period are provided in the enclosed table for the Bill as a whole and for each section separately. For the long-range actuarial status of the overall OASDI program, we estimate that enactment of the Bill would increase the actuarial deficit by a negligible amount (less than 0.005 percent of taxable payroll) for each section and for the Bill as a whole. All estimates are based on the intermediate assumptions of the 2014 Trustees Report.

Over the past year, referral of some Social Security benefit overpayment debt for collection from federal income tax returns has been temporarily suspended pending clarification of policy. Under enactment of this Bill, we are assuming that all policy on child beneficiary overpayments would be clarified and that the referrals that have been suspended would be referred shortly after July 1, 2015, making them eligible for collections in 2016 from income tax refunds for tax years ending on December 31, 2015 or earlier.

For the prohibition from applying the retirement earnings test based on earnings by child beneficiaries, we assume this would apply for earnings paid after December 31, 2015.

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

Sincerely,

Stephen C. Goss
Chief Actuary

Enclosure

Estimated Change in OASDI Program Cost for (1) Prohibiting the Use of Tax Refund Offsets
for Tax Years Ending After December 31, 2015 to Recover Overpayments to Beneficiaries
Who Were Under Age 18 at the Time of Payment, and (2) Prohibiting the Use of the Earnings Test
Based on Earnings of Child Beneficiaries in Tax Years Ending after December 31, 2015

Calendar Year	Section 1 Prohibit Tax Refund Offsets	Section 2 Prohibit Earnings Test Reductions	Total for the Bill
2015	$0	$0	$0
2016	$0	$1	$1
2017	$2	$2	$4
2018	$2	$2	$4
2019	$2	$3	$4
2020	$2	$3	$4
2021	$2	$3	$5
2022	$2	$3	$5
2023	$2	$3	$5
2024	$2	$3	$5
2015-24	$15	$23	$37

Based on Intermediate Assumptions of the 2014 Trustees Report
Office of the Chief Actuary, SSA
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