

## Raising the Social Security Payroll Tax Cap: How Many Workers Would Pay More?

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On January  $1^{st}$ , the maximum amount of earnings subject to the Social Security tax – a.k.a. the payroll tax cap – increased to \$113,700. Every year, this cap is adjusted to keep up with inflation.

Many Americans are not aware that income above the cap is not taxed by Social Security. A worker who makes twice the cap - \$227,400 per year - pays Social Security tax on only half of his or her earnings, and one who makes over a million dollars per year pays the tax on only about a tenth, or even less. In other words, workers who make \$113,700 or less per year pay a *higher* Social Security payroll tax rate than those who make more.

To help alleviate Social Security's long-term budget shortfall, raising – or even eliminating – the cap has gotten attention from policy makers. In the last session of Congress, Senator Mark Begich and Congressman Ted Deutch introduced bills to eliminate the cap entirely, in order to have all workers pay the same overall Social Security tax rate.

In addition, Senator Bernie Sanders and Congressman Peter DeFazio introduced bills to apply the Social Security payroll tax to earnings above \$250,000 (but not to wages between the current cap and \$250,000). These bills are similar to a proposal by then-Senator Obama on the campaign trail in 2008. In addition to helping secure the solvency of the program, these proposals would avoid an increase in taxes on the middle class.



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In the tables and figures that follow, we examine the Census Bureau data from the most recently available American Community Survey to determine how many workers would be affected by raising or eliminating the cap. We find that about 1 in 20 workers (the top 5.2 percent) would pay more if the Social Security cap were eliminated entirely and only the top 1.3 percent would be affected if the tax were applied to earnings over \$250,000.

When we analyze the working population according to gender, race or ethnicity, age, and state of residence, the share of workers that would pay more varies widely. For example, only 1 in 40 (2.5 percent of) female workers would pay more if the Social Security wage cap were eliminated

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entirely, and half of one percent would be affected if the tax were applied to earnings over \$250,000 per year. Similarly, only about 1 in 50 black and Latino workers would pay more if the cap were lifted entirely, and less than 1 in 200 (0.4 percent) would be affected if earnings above \$250,000 were included in the tax.

TABLE 1					
Workers with Annu	al Earnings over	\$113,700 and \$25	0,000 by Race/E	thnicity	
	\$113	,700	\$250,000		
Race/Ethnicity	Percent	Number	Percent	Number	
All	5.2	7,537,557	1.3	1,897,267	
White	6.4	6,133,375	1.7	1,609,964	
Black	1.9	313,818	0.4	62,327	
Latino	2.0	295,305	0.4	66,710	
Asian	8.2	690,389	1.6	136,853	
Other	1.2	104,670	0.3	21,413	

Source: Authors' analysis of American Community Survey (ACS), 2011.

Notes: In order to focus on workers with significant attachment to work, calculations exclude those who are younger than 16, or who worked fewer than 14 weeks in the preceding 12 months, or usually worked fewer than 10 hours per week. This has the effect of making these estimates conservative; without these exclusions the percentages shown would be smaller.

## TABLE 2

Workers with Annual Earnings over \$113,700 and \$250,000, by Race Ethnicity and Gender

	\$113,700				\$250,000				
	Ν	Iale	Fe	Female		Male		Female	
Race/Ethnicity	Percent	Number	Percent	Number	Percent	Number	Percent	Number	
All	7.6	5,830,566	2.5	1,706,991	2.1	1,582,011	0.5	315,256	
White	9.5	4,846,427	2.9	1,286,948	2.7	1,363,351	0.5	246,613	
Black	2.6	195,953	1.3	117,865	0.6	42,536	0.2	19,791	
Hispanic	2.7	225,729	1.1	69,576	0.6	54,582	0.2	12,128	
Asian	11.0	483,049	5.2	207,340	2.4	103,638	0.8	33,215	
Other	1.6	79,408	0.7	25,262	0.4	17,904	0.1	3,509	
Source and notes: See Table 1.									

## TABLE 3

Workers with Annual Earnings over \$113,700 and \$250,000, by Age Group

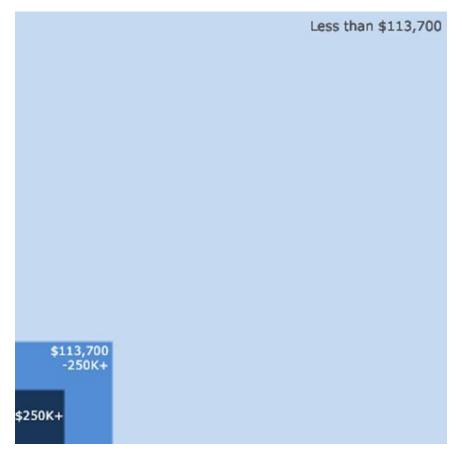
	\$113	,700	\$250	0,000
Age Group	Percent	Number	Percent	Number
All	5.2	7,537,557	1.3	1,897,267
16-24	0.1	17,170	0.0	5,994
25-34	1.9	597,047	0.3	98,298
35-44	6.5	2,053,665	1.5	477,542
45-54	7.9	2,647,328	2.0	682,526
55-64	7.8	1,801,214	2.1	493,270
65+	6.8	421,133	2.2	139,637
Source and notes:	See Table 1.			

		\$113	3,700			\$250,000			
	Ν	/lale	Fe	Female		Male		Female	
Age Group	Percent	Number	Percent	Number	Percent	Number	Percent	Number	
All	7.6389	5,830,566	2.5134	1,706,991	2.1	1,582,011	0.5	315,256	
16-24	0.1	13,100	0.0	4,070	0.1	4,877	0.0	1,117	
25-34	2.5	431,515	1.1	165,532	0.5	79,179	0.1	19,119	
35-44	9.0	1,545,571	3.5	508,094	2.2	385,055	0.6	92,487	
45-54	11.6	2,048,329	3.7	598,999	3.2	568,564	0.7	113,962	
55-64	11.9	1,427,929	3.3	373,285	3.5	418,684	0.7	74,586	
65+	10.4	364,122	2.1	57,011	3.6	125,652	0.5	13,985	
Source and n	otes: See 7	Fable 1.							

TABLE 4	
Workers with Annual Earnings over \$113,700 and \$250,000, by Age Group	and Gender

FIGURE 1

Workers Earning Less than \$113,700, \$113,700-250K, and \$250K+



Source and notes: See Table 1.

	\$113	700	\$250,	000
State -	Percent	Number	Percent	Numbe
A11	5.2	7,537,557	1.3	1,897,26
AL	3.4	69,300	1.4	28,380
AK	5.2	19,718	1.4	5,28
AZ	4.1	114,628	1.3	35,44
AR	2.7	34,321	1.1	14,23
CA	7.2	1,208,356	1.5	255,23
CO	5.7	147,071	1.1	27,53
CT	8.6	153,278	1.9	33,85
DE	4.6	19,702	1.2	5,30
DC	12.8	41,362	2.1	6,93
FL	4.0	335,066	1.3	111,46
GA	4.5	196,385	1.5	62,84
HI	3.1	21,078	1.1	7,69
ID	2.2	15,805	0.1	81:
IL	5.7	343,745	1.3	81,23
IN	3.1	92,709	1.4	43,22
IA	3.1	48,357	1.4	22,52
KS	3.9	56,125	1.1	16,29
KY	3.0	56,111	1.2	22,53
LA	3.7	76,169	1.4	29,16
ME	3.0	19,377	1.1	7,37
MD	8.4	246,929	1.3	38,89
MA	8.1	271,290	1.3	44,85
MI	4.1	174,590	1.2	51,16
MN	4.8	134,090	1.2	33,68
MS	2.7	32,645	0.3	3,51
MO	3.6	102,704	1.1	31,06
MT	2.5	12,250	0.1	49
NE	2.9	28,694	0.9	8,44
NV	4.0	49,082	1.2	14,76
NH	6.2	43,324	1.6	11,02
NJ	9.3	393,524	1.6	68,28
NM	3.9	34,891	0.3	2,87
NY	7.1	647,653	1.6	141,69
NC	4.0	175,306	1.2	50,31
ND	3.4	13,148	1.3	5,00
OH	3.6	192,258	1.1	61,31
OK	3.1	53,435	1.2	20,75
OR	4.0	70,289	1.2	20,24
PA	4.6	278,361	1.4	82,38
RI	4.5	23,204	1.5	7,59
SC	3.0	60,629	1.2	24,58
SD	2.8	12,247	0.4	1,53
TN	3.7	106,699	1.5	43,51
TX	5.1	605,541	1.4	163,08
UT	3.8	48,402	1.2	14,80
VT	3.4	11,331	0.9	2,90
VA	8.3	333,184	1.3	52,84
WA	5.9	191,344	1.1	35,75
WV	2.6	20,031	1.6	12,14
WI	3.3	93,903	1.0	28,30
WY	2.7	7,916	0.7	2,04

## TABLE 5

		\$110	),100			\$250,0	000	
	Ν	Iale	Fei	male	М	ale	Fen	nale
State	Percent	Number	Percent	Number	Percent	Number	Percent	Numbe
All	7.6	5,830,566	2.5	1,706,991	2.1	1,582,011	0.5	315,25
AL	5.4	58,245	1.1	11,055	2.3	24,510	0.4	3,87
AK	8.0	16,778	1.7	2,940	2.2	4,651	0.1	63
AZ	6.1	90,063	1.9	24,565	2.0	29,759	0.4	5,68
AR	4.2	28,658	1.0	5,663	1.8	12,221	0.3	2,01
CA	9.7	892,491	4.1	315,865	2.3	209,875	0.6	45,35
CO	8.3	116,388	2.6	30,683	1.7	23,410	0.3	4,12
CT	12.8	118,787	4.0	34,491	3.1	28,782	0.6	5,07
DE	7.1	15,892	1.9	3,810	2.1	4,595	0.3	70
DC	16.7	26,364	9.1	14,998	3.5	5,571	0.8	1,36
FL	6.2	267,406	1.7	67,660	2.2	94,126	0.4	17,34
GA	6.8	155,071	2.0	41,314	2.3	52,430	0.5	10,41
HI	4.5	16,370	1.5	4,708	1.5	5,482	0.7	2,21
ID	3.5	13,448	0.7	2,357	0.2	710	0.0	10
IL	8.3	264,014	2.8	79,731	2.1	67,833	0.5	13,40
IN	4.8	76,152	1.2	16,557	2.1	34,214	0.6	9,00
IA	4.7	38,685	1.2	9,672	2.4	19,856	0.4	2,67
KS	6.1	46,750	1.4	9,375	2.0	15,305	0.1	2,07
KY	4.6	46,035	1.1	10,076	2.0	19,802	0.2	2,73
LA	6.1	65,322	1.1	10,847	2.4	25,469	0.4	3,70
ME	4.6	15,521	1.1	3,856	1.8	6,040	0.4	1,33
MD	11.6	173,876	5.0	73,053	2.1	31,586	0.5	7,31
MA	12.1	206,503	4.0	64,787	2.1	36,450	0.5	8,40
MIA	6.1	135,882	1.9	38,708	1.9	41,828	0.4	9,33
MN	7.0	101,351	2.5	32,739	2.0	28,850	0.4	4,83
MS	4.5	28,290	0.7	4,355	0.5	3,040	0.4	47
MO	5.4	79,948	1.7	22,756	1.6	24,120	0.1	6,94
MT	3.7	9,817	1.7	2,433	0.2	495	0.0	0,74
NE	4.5	23,108	1.0	5,586	1.5	7,710	0.0	73
NV	5.9	39,247	1.2	9,835	1.5	11,749	0.2	3,01
NH	9.2	33,222	3.0	10,102	2.7	9,769	0.5	1,25
NJ	13.8	306,759	4.4	86,765	2.7	57,274	0.4	11,00
NM	5.9	27,966	1.6	6,925	0.5	2,414	0.0	46
NY	9.8	464,794	4.2	182,859	2.4	114,017	0.1	27,67
NC	5.9	136,194	1.9	39,112	1.8	41,249	0.0	9,06
ND	5.5	11,530	0.9	1,618	1.8	3,973	0.4	1,03
OH	5.5	152,364	1.6	39,894	1.9	49,816	0.0	11,50
OK	4.8	44,582	1.0	8,853	2.0	18,499	0.4	2,25
OR	5.8	54,073	2.0	16,216	1.8	16,814	0.3	3,43
PA	7.1	220,910	2.0	57,451	2.2	67,990	0.5	14,39
RI	6.9	18,327	1.9	4,877	2.2	6,354	0.5	14,39
SC	4.7	50,238	1.9	10,391	1.9	20,914	0.3	3,67
SD	4.7	9,314	1.1	2,933	0.6	1,257	0.4	27
TN	5.8	87,470	1.4	19,229	2.4	36,736	0.1	6,77
TX	7.5		2.2		2.4	139,035		24,04
UT	5.9	486,066 42,851	1.0	119,475 5,551	1.9	139,033	0.5	1,06
VT	4.9	,		2,886		2,594		31
VI VA	4.9	8,445 253,173	1.8	2,880	1.5 2.0	42,763	0.2	10,08
WA WV	8.7 4.2	152,660	2.6	38,684	1.7	29,478	0.4	6,27
		16,971	0.8	3,060	2.6	10,494	0.4	1,65
WI WY	5.3 4.0	79,734 6,461	1.0	14,169 1,455	1.7	24,885 1,480	0.2	3,41 56

TABLE 6
Workers with Annual Earnings over \$113,700 and \$250,000, by State and Gender