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Staff Data and Materials on
**Financing of the Social Security
Programs**

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

RUSSELL B. LONG, *Chairman*

Data and Materials Prepared by the Staff of the
Committee on Finance for the Use of the

SUBCOMMITTEE ON SOCIAL SECURITY

GAYLORD NELSON, *Chairman*



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FINANCING OF THE SOCIAL SECURITY PROGRAMS

The social security payroll tax generates funds to pay the benefits and administrative costs of three separate programs. These are old age and survivors insurance (OASI), disability insurance (DI), and hospital insurance or part A of medicare (HI). Although the payroll deduction for social security taxes is shown as a single amount on the employee's pay stub, a specific portion of that tax is earmarked for each of these three programs. The revenues generated for each program are maintained in a separate trust fund and can be used only for that program.

Over the past few years, the funding of these social security programs became increasingly inadequate as a result of the economic situation coupled with unanticipated growth in program costs. In the 1977 report of the board of trustees of the OASDI trust funds, the disability insurance fund was projected to be exhausted by the end of 1979 and the combined OASI and DI funds were expected to be exhausted by 1982. On the basis of the assumptions used for the 1977 report of the trustees, it was estimated that the HI trust fund would be exhausted in 1987. Each of these programs also faced continuing deficits on into the future.

As a result of the deteriorating financial situation of the social security cash benefit programs, legislation was enacted in 1977 to address the problems. The legislation revised certain benefit provisions in a manner which resulted in some reduction in outgo, and also provided for additional income by increasing both the social security tax rates and the amount of annual earnings subject to social security taxation.

The tables which follow show the situation which existed prior to the enactment of the 1977 amendments and the changes which resulted from those amendments.

TABLE 1.—TAX RATES FOR THE SOCIAL SECURITY TRUST FUNDS

(in percent)

Calendar year	Prior law					Present law (1977 amendments)				
	OASDI ¹	DI ²	OASDI	HI ³	Total	OASDI ¹	DI ²	OASDI	HI ³	Total
EMPLOYERS AND EMPLOYEES, EACH										
1977	4.375	0.575	4.95	0.90	5.85	4.375	0.575	4.95	0.90	5.85
1978	4.350	.600	4.95	1.10	6.05	4.275	.775	5.05	1.00	6.05
1979-80	4.350	.600	4.95	1.10	6.05	4.330	.750	5.08	1.05	6.13
1981	4.300	.650	4.95	1.35	6.30	4.525	.825	5.35	1.30	6.65
1982-84	4.300	.650	4.95	1.35	6.30	4.575	.825	5.40	1.30	6.70
1985	4.300	.650	4.95	1.35	6.30	4.750	.950	5.70	1.35	7.05
1986-89	4.250	.700	4.95	1.50	6.45	4.750	.950	5.70	1.45	7.15
1990-2010	4.250	.700	4.95	1.50	6.45	5.100	1.100	6.20	1.45	7.65
2011 and later	5.100	.850	5.95	1.50	7.45	5.100	1.100	6.20	1.45	7.65
SELF-EMPLOYED PERSONS										
1977	6.185	0.815	7.0	0.90	7.9	6.1850	0.8150	7.0	0.90	7.9
1978	6.150	.850	7.0	1.10	8.1	6.0100	1.0900	7.1	1.00	8.1
1979-80	6.150	.850	7.0	1.10	8.1	6.0100	1.0400	7.05	1.05	8.1
1981	6.080	.920	7.0	1.35	8.35	6.7625	1.2375	8.00	1.30	9.3
1982-84	6.080	.920	7.0	1.35	8.35	6.8125	1.2375	8.05	1.30	9.35
1985	6.080	.920	7.0	1.35	8.35	7.1250	1.4250	8.55	1.35	9.90
1986-89	6.010	.990	7.0	1.5	8.5	7.1250	1.4250	8.55	1.45	10.00
1990-2010	6.010	.990	7.0	1.5	8.5	7.6500	1.6500	9.30	1.45	10.75
2011 and later	6.000	1.000	7.0	1.5	8.5	7.6500	1.6500	9.30	1.45	10.75

¹ Old-age and survivors insurance.
² Disability insurance.

³ Hospital insurance (part A of medicare).

TABLE 2.—ANNUAL EARNINGS SUBJECT TO
SOCIAL SECURITY TAX

Year	Under prior law	Present law (1977 amendments)
1977	\$16,500	\$16,500
1978	17,700	17,700
1979	18,900	22,900
1980	20,400	25,900
1981	21,900	29,700
1982	23,400	31,800
1983	24,900	33,900
1984	26,400	36,000
1985	27,900	38,100
1986	29,400	40,200
1987	31,200	42,600

¹ Estimated.

TABLE 3. ANNUAL TAX AT SELECTED EARNINGS LEVELS

[Employer/employee each]

Year	Prior law		Present law (1977 amendments)	
	\$10,000	\$15,000	Maximum tax	Maximum tax
1977	\$585	\$878	\$965	\$585
1978	605	908	1,071	605
1979	605	908	1,143	613
1980	605	908	1,234	613
1981	630	945	1,380	665
1982	630	945	1,474	670
				1,005
				920
				998
				1,588
				1,975
				2,131

¹ Estimated.

TABLE 4.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING CALENDAR YEARS 1977-87 UNDER PRESENT AND PRIOR LAW

[Dollar amounts in billions]

	Income		Outgo		Net increase in funds		Funds at end of year		Funds at beginning of year as a percentage of outgo during year	
	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)
Calendar year:										
1977	\$82.1	\$82.1	\$87.6	\$87.6	-\$5.5	-\$5.5	\$35.6	\$35.6	47	47
1978	90.7	92.4	97.6	97.2	-7.0	-4.8	28.6	30.8	36	37
1979 ¹	99.6	106.5	107.4	106.9	-7.8	-4	20.8	30.4	27	29
1980 ¹	108.9	119.1	117.9	117.1	-9.0	2.0	11.8	32.4	18	26
1981 ¹	117.4	137.1	128.9	127.4	-11.5	9.6	.3	42.0	9	25
1982 ¹	125.2	150.2	140.1	138.3	-14.9	11.9	-14.6	53.9	(²)	30
1983 ¹	132.9	161.3	152.0	149.2	-19.2	12.1	-34.8	66.0	(²)	36
1984 ¹	140.7	172.9	165.1	161.2	-24.4	11.7	-58.2	77.7	(²)	41
1985 ¹	148.4	194.2	179.2	174.0	-30.8	20.1	-89.0	97.9	(²)	45
1986 ¹	156.2	209.0	194.4	187.6	-38.1	21.4	-127.2	119.3	(²)	52
1987 ¹	164.4	223.7	210.5	202.0	-46.1	21.7	-173.3	141.0	(²)	59

¹ Because it is estimated that the DI trust fund would have been exhausted in 1979 under prior law, the figures for 1979-87 under prior law are theoretical.

² Less than 0.5 percent.

³ Funds exhausted.

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

TABLE 5.—ESTIMATED OPERATIONS OF THE OASI TRUST FUND DURING CALENDAR YEARS 1977-87 UNDER PRESENT AND PRIOR LAW
 [Dollar amounts in billions]

Calendar year:	Income		Outgo		Net increase in funds		Funds at end of year		Funds at beginning of year as a percentage of outgo during year	
	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)
1977.....	\$72.5	\$72.5	\$75.6	\$75.6	-\$3.1	-\$3.1	\$32.3	\$32.3	47	47
1978.....	79.8	78.6	84.0	83.6	-4.2	-5.0	28.1	27.3	38	39
1979.....	87.7	90.8	92.0	91.6	-4.3	-.8	23.8	26.5	31	30
1980.....	96.1	101.5	100.6	100.0	-4.4	1.5	19.4	28.0	24	26
1981.....	102.8	116.0	109.4	108.4	-6.7	7.6	12.7	35.6	18	26
1982.....	109.7	127.2	118.4	117.4	-8.7	9.7	4.1	45.3	11	30
1983 ¹	116.7	136.6	127.9	126.3	-11.2	10.3	-7.2	55.6	3	36
1984 ¹	123.9	146.4	138.3	136.0	-14.4	10.5	-21.5	66.1	(?)	41
1985 ¹	131.1	162.0	149.5	146.4	-18.4	15.7	-39.9	81.7	(?)	45
1986 ¹	136.9	174.1	161.4	157.3	-24.5	16.8	-64.4	98.5	(?)	52
1987 ¹	144.4	186.3	174.1	168.9	-29.7	17.4	-94.2	115.9	(?)	58

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¹ Because it is estimated that the OASI trust fund would have been exhausted in 1983 under prior law, the figures for 1983-87 under prior law are theoretical.
² Fund exhausted in 1983.

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

TABLE 6.—ESTIMATED OPERATIONS OF THE DI TRUST FUND DURING CALENDAR YEARS 1977-87 UNDER PRESENT AND PRIOR LAW

[Dollar amounts in billions]

	Income		Outgo		Net increase in funds		Funds at end of year		Funds at beginning of year as a percentage of outgo during year	
	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)
Calendar year:										
1977	\$9.6	\$9.6	\$12.0	\$12.0	-\$2.4	-\$2.4	\$3.3	\$3.3	48	48
1978	10.9	13.8	13.6	13.7	-2.8	.2	.5	3.5	24	24
1979 ¹	11.8	15.7	15.3	15.3	-3.5	.4	-3.0	3.9	3	23
1980 ¹	12.8	17.6	17.4	17.1	-4.6	.5	-7.6	4.4	(²)	23
1981 ¹	14.6	21.1	19.5	19.0	-4.9	2.1	-12.5	6.5	(²)	23
1982 ¹	15.5	23.0	21.7	20.9	-6.2	2.1	-18.7	8.6	(²)	31
1983 ¹	16.2	24.7	24.1	22.9	-8.0	1.8	-26.6	10.4	(²)	38
1984 ¹	16.8	26.5	26.8	25.2	-10.0	1.3	-36.6	11.6	(²)	41
1985 ¹	17.3	32.1	29.8	27.7	-12.4	4.5	-49.1	16.1	(²)	42
1986 ¹	19.3	34.9	33.0	30.3	-13.6	4.6	-62.7	20.8	(²)	53
1987 ¹	20.0	37.4	36.4	33.1	-16.4	4.3	-79.1	25.1	(²)	63

¹ Because it is estimated that the DI trust fund would have been exhausted in 1979 under prior law, the figures for 1979-87 under prior law are theoretical.

² Fund exhausted in 1979.

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

TABLE 7.—ESTIMATED OPERATIONS OF THE HI TRUST FUND, DURING CALENDAR YEARS 1977-87 UNDER PRESENT AND PRIOR LAW
 [Dollar amounts in billions]

	Income		Outgo		Net increase in funds		Funds at end of year		Funds at beginning of year as a percentage of outgo during year	
	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)	Prior law	Present law (1977 amendments)
Calendar year:										
1977.....	\$16.1	\$16.1	\$16.2	\$16.2	-\$0.1	-\$0.1	\$10.5	\$10.5	66	66
1978.....	20.9	19.2	19.0	19.0	1.9	.2	12.4	10.7	55	55
1979.....	23.4	23.1	22.2	22.2	1.2	.9	13.6	11.6	56	48
1980.....	25.6	25.7	25.7	25.7	-.1	(¹)	13.4	11.5	53	45
1981.....	33.2	34.0	29.7	29.7	3.6	4.3	17.0	15.9	45	39
1982.....	36.2	37.1	33.9	33.9	2.3	3.3	19.3	19.1	50	47
1983.....	38.6	39.7	38.5	38.5	.1	1.2	19.4	20.3	50	50
1984.....	41.0	42.3	43.7	43.7	-2.6	-1.4	16.7	19.0	44	47
1985.....	43.3	46.3	49.1	49.1	-5.9	-2.8	10.9	16.1	34	39
1986.....	50.2	52.4	54.9	54.9	-4.7	-2.5	6.2	13.6	20	29
1987.....	53.4	55.8	61.2	61.2	-7.6	-5.4	-1.4	8.2	10	22

¹ Less than \$0.05 billion.

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

TABLE 8.—CALENDAR YEARS 1978-83: ADDITIONAL CONTRIBUTION INCOME RESULTING FROM 1977 AMENDMENTS

(In billions)

Calendar year	Increase in contribution and benefit base	Reallocation of tax rates between OASDI and HI	Increase in tax rates for employees and employers	Increase in OASDI self-employment tax rates to 1½ times employee rate	Total ¹
OASDI:					
1978		\$1.6			\$1.7
1979	\$4.0	1.1	\$1.5		6.6
1980	6.3	1.1	1.8		9.2
1981	8.0	1.2	8.1	\$0.2	17.6
1982	8.8	1.3	10.3	.8	21.3
1983	9.4	1.4	11.1	.9	22.9
HI:					
1978		-1.6			-1.6
1979	.9	-1.1			-.2
1980	1.4	-1.1			.2
1981	2.1	-1.2			.9
1982	2.4	-1.3			1.0
1983	2.5	-1.4			1.1
OASDHI:					
1978					(-)
1979	4.9		1.5		6.4
1980	7.6		1.8		9.4
1981	10.1		8.1	.2	18.4
1982	11.2		10.3	.8	22.4
1983	11.9		11.1	.9	23.9

¹ Includes relatively small amounts of additional taxes payable by employers on employees' income from tips and reduction in taxes due to the provision on totalization agreements.

² Amount is less than \$50,000,000.

Note: The above estimates are based on the intermediate set of assumptions in the report of the trustees for 1977.

TABLE 9.—FISCAL YEARS 1978-83: ADDITIONAL CONTRIBUTION INCOME RESULTING FROM 1977 AMENDMENTS

[In billions]

Fiscal year	Increase in contribution and benefit base	Reallocation of tax rates between OASDI and HI	Increase in tax rates for employees and employers	Increase in OASDI self-employment tax rates to 1½ times employee rate	Total ¹
OASDI:					
1978.....		\$1.2			\$1.3
1979.....	\$1.7	1.2	\$1.1		4.1
1980.....	5.8	1.1	1.7		8.7
1981.....	7.9	1.2	6.7	\$0.2	16.1
1982.....	10.0	1.4	10.4	.8	22.6
1983.....	10.7	1.5	11.8	.9	24.9
HI:					
1978.....		-1.2			-1.2
1979.....	.4	-1.2			-.8
1980.....	1.3	-1.1			.2
1981.....	1.9	-1.2			.6
1982.....	2.7	-1.4			1.3
1983.....	2.9	-1.5			1.3
OASDHI:					
1978.....					(-)
1979.....	2.1		1.1		3.3
1980.....	7.1		1.7		8.8
1981.....	9.8		6.7	.2	16.7
1982.....	12.6		10.4	.8	23.9
1983.....	13.5		11.8	.9	26.3

¹ Includes relatively small amounts of additional taxes payable by employers on employees' income from tips and reduction in taxes due to the provision on totalization agreements.

² Amount is less than \$50,000,000.

Note: Based on assumptions underlying President's 1979 budget.

TABLE 10.—ESTIMATED AMOUNT OF CHANGES IN OASDI BENEFIT PAYMENTS UNDER 1977 AMENDMENTS, CALENDAR YEARS 1978-83

[In millions]

	Calendar years—					
	1978	1979	1980	1981	1982	1983
Total amount of change in benefit payments.....	-\$440	-\$492	-\$844	-\$1,446	-\$1,696	-\$2,577
Benefit structure—net total.....		-70	-351	-803	-1,473	-2,377
Decoupling and wage-indexing formula (net).....		-94	-423	-895	-1,563	-2,466
5-year transition guarantee.....		24	79	118	150	180
Frozen minimum benefit.....			-7	-26	-60	-106
3-percent delayed retirement credit.....						15
Changes in retirement test—net total.....	54	266	359	404	895	981
Increases in exempt amount ¹	267	491	585	640	709	762
Reduction in exempt age from 72 to 70 in 1982.....					403	441
Elimination of monthly measure.....	-213	-225	-226	-236	-217	-222

Establish the retirement test exempt amount for beneficiaries aged 65 and over as a measure of substantial gainful activity for blind disabled workers		1	1	1	2	2
Elimination of retroactive payments of actuarially reduced benefits	-339	-536	-550	-559	-565	-569
Limitation on increases in actuarially reduced benefits	-90	-280	-500	-751	-948	-1,157
Increase in benefits of surviving spouses, resulting from deceased workers' delayed retirement credits	3	4	5	7	10	13
Delayed retirement credits for workers with actuarially reduced benefits		14	22	24	26	30
Reduction in benefits of spouses receiving public retirement pensions	-68	-106	-108	-110	-112	-116
Eliminate reduction in widowed spouses benefits due to remarriage after age 60		130	155	166	178	189
Reduction in duration of marriage required for divorced spouses benefits from 20 years to 10 years		67	80	86	92	98
Increase in special minimum benefits		12	14	14	15	16
Changes in annual wage reporting provisions	(¹)	1	4	9	18	26
Authorization to enter into totalization agreements ²	(¹)	5	4	4	5	6
Higher benefits resulting from increases in wages subject to tax		(¹)	21	62	161	281

¹ Exempt amount increased for beneficiaries aged 65 and over to \$4,000 in 1978; \$4,500 in 1979; \$5,000 in 1980; \$5,500 in 1981; and \$6,000 in 1982.

² The estimates represent additional OASDI benefit payments that would result from implementation of totalization agreements already signed with Italy and West Germany. No agreement can become effective if either House

of Congress disapproves the agreement within 90 days after it is submitted to Congress.

³ Less than \$500,000.

Note: A positive figure represents additional benefit payments, and a negative figure represents a reduction in benefit payments.

TABLE 11.—CHANGES IN THE ACTUARIAL BALANCE OF THE OASDI SYSTEM OVER THE LONG-RANGE PERIOD (1977-2051) UNDER THE SOCIAL SECURITY ACT AS AMENDED THROUGH PUBLIC LAW 95-216

[As percent of taxable payroll]

Item	OASI	DI	OASDI
Under the act prior to amendments in Public Law 95-216:			
Long-range expenditures	15.51	3.68	19.19
Long-range tax rate	9.45	1.55	10.99
Long-range actuarial balance	-6.06	-2.14	-8.20
Effects of 1977 amendments:			
Decoupling	9.63	2.32	11.95
New (wage-indexed) benefit formula	-5.91	-1.24	-7.16
Frozen minimum at the December 1978 level .....	.07	.02	.03
Changes in the special minimum	0	0	0
Reduction in spouses benefits for Government pensions .....	.04	0	.04
Changes in the retirement test	-.11	0	-.11
3-percent delayed retirement credit	-.04		-.04
Delayed retirement credit for widows	-.01		-.01
Remarriage after age 60 of widowed-spouse beneficiaries	-.01	0	-.01
Elimination of retroactive payments of actuarially reduced benefits .....	.01	0	.01
Change in the method of increasing actuarially reduced benefits .....	.24	0	.24
Changes in SGA for the blind	0	0	0
Employer tax liability on tips deemed to be wages	0	0	0
Correction of coverage regarding limited partnerships	0	0	0
Tax relief for related corporations	0	0	0
10-year marriage requirement for divorced beneficiaries	0	0	0
Annual reporting of earnings	-.01	0	-.01
Changes in the earnings base .....	.45	.08	.54
Change in self-employed tax rate to 150 percent of employee tax rate .....	.08	.02	.10
Change in employee-employer tax schedule .....	.57	.57	1.14
Total effect of Public Law 95-216	4.98	1.75	6.74
Under the act as amended through Public Law 95-216:			
Long-range actuarial balance	-1.08	-.38	-1.46
Long-range tax rate	10.01	2.11	12.12
Long-range expenditures	11.09	2.49	13.58

Note: Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5½ percent in average wages in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contributions rates on self-employed income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

TABLE 12.--COMPARISON OF THE ESTIMATED EXPENDITURES WITH THE SCHEDULED TAX RATES FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS AMENDED THROUGH PUBLIC LAW 95-216, CALENDAR YEARS 1977-2055

[In percent of taxable payroll]

Calendar year	Estimated expenditures			Tax rate	Difference
	Old-age and survivors insurance	Disability insurance	Total		
1977	9.39	1.50	10.89	9.90	-0.99
1978	9.33	1.53	10.86	10.10	-.76
1979	8.80	1.47	10.28	10.16	-.12
1980	8.63	1.48	10.11	10.16	.05
1981	8.51	1.49	10.00	10.70	.70
1982	8.59	1.53	10.11	10.80	.69
1983	8.65	1.57	10.22	10.80	.58
1984	8.71	1.62	10.33	10.80	.47
1985	8.79	1.66	10.45	11.40	.95
1986	8.85	1.70	10.56	11.40	.84
1987	8.91	1.74	10.65	11.40	.75
1988	8.81	1.78	10.60	11.40	.80
1989	8.76	1.83	10.59	11.40	.81
1990	8.71	1.87	10.58	12.40	1.82
1991	8.70	1.91	10.61	12.40	1.79
1992	8.69	1.95	10.64	12.40	1.76
1993	8.68	1.99	10.67	12.40	1.73
1994	8.68	2.03	10.71	12.40	1.69
1995	8.68	2.07	10.75	12.40	1.65
1996	8.66	2.12	10.78	12.40	1.62
1997	8.64	2.18	10.82	12.40	1.58
1998	8.63	2.23	10.86	12.40	1.54
1999	8.63	2.28	10.91	12.40	1.49
2000	8.63	2.34	10.96	12.40	1.44
2001	8.64	2.40	11.04	12.40	1.36
2005	8.71	2.64	11.35	12.40	1.05
2010	9.30	2.88	12.17	12.40	.23
2015	10.45	2.99	13.44	12.40	-1.04
2020	11.97	3.02	14.99	12.40	-2.59
2025	13.49	2.91	16.40	12.40	-4.00
2030	14.35	2.78	17.13	12.40	-4.73
2035	14.45	2.70	17.15	12.40	-4.75
2040	13.97	2.72	16.69	12.40	-4.29
2045	13.50	2.79	16.29	12.40	-3.89
2050	13.35	2.82	16.18	12.40	-3.78
2055	13.41	2.83	16.24	12.40	-3.84
25-year averages:					
1977-2001	8.75	1.85	10.60	11.57	.97
2002-2026	10.59	2.86	13.46	12.40	-1.06
2027-2051	13.93	2.77	16.69	12.40	-4.29
75-year average:					
1977-2051	11.09	2.49	13.58	12.12	-1.46

Note: Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5.4 percent in average wages in covered employment and 4 percent in Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple employer "excess wages" as compared with the combined employer-employee rate.

Most of the tables in this document present estimates of the cost of the social security program (or of proposals to modify the financing of that program). These estimates are based on a set of economic and demographic assumptions made by the actuaries who calculate the estimates. In the annual actuarial evaluation of the social security program by the trustees of the social security trust fund, three sets of assumptions are adopted, representing a range of possible developments which could be characterized as optimistic, intermediate, and pessimistic. The intermediate assumptions are generally referred to and, in fact, underlie most of the tables in this document. Table 13, below, however, shows the range of estimates resulting from the three sets of assumptions used by the trustees in developing their 1977 reports.

TABLE 13. -LONG-RANGE ESTIMATES OF THE OASDI PROGRAM UNDER 3 SETS OF ACTUARIAL ASSUMPTIONS

[In percent of taxable payroll]

Assumptions	1977-2001			1977-2051		
	Expenditures	Tax rate	Surplus or deficit	Expenditures	Tax rate	Surplus or deficit
Alternative I	10.30	11.57	+1.27	12.66	12.12	-0.54
Alternative II	10.60	11.57	+.97	13.58	12.12	-1.46
Alternative III	10.95	11.57	+.62	15.38	12.12	-3.26

ALTERNATIVE FINANCING PROPOSALS

As shown in table 4, the 1977 Social Security Amendments reversed the short-range deficit situation of the program under which the combined cash benefit trust funds had been projected to be exhausted by the end of 1982. Instead, under the new law, the cash benefits fund reserves reach a low of 25 percent of 1 year's outgo at the beginning of 1984 and then build up to 59 percent of a year's outgo by the start of 1987. As shown in the table, this result arises partly from a reduction in benefit costs under the new amendments but more substantially as a result of increased payroll tax revenues. (Over the next 10 years, program costs decline by a total of \$32 billion while income grows by \$282 billion.)

The substantial increases in the level of payroll taxes required by the 1977 legislation have been a cause of concern leading to a number of proposals designed to lessen the impact of those taxes. In general there appear to be three approaches which could be used to achieve that result: (1) Reducing the cost of the social security program; (2) providing some other source of funding; and (3) reducing income taxes to offset the impact of the increased social security taxes.

As of the date this document was prepared, a number of proposals designed to lessen the impact of social security taxes have been put forward. Some of these proposals deal with the social security payroll tax incidence in a general way while others are targeted at specific elements such as the tax on employers or the tax that arises from increases in rates as compared with prior law or as compared with 1977. Some of the elements comprising the social security tax for the next 3 years (1978-80) are shown in table 14 below.

TABLE 14.—SOCIAL SECURITY TAX LIABILITY UNDER PRESENT LAW COMPARED WITH PRIOR LAW AND WITH 1977 TAX LEVELS

(In billions of dollars)

Calendar year	Prior law tax rates and—			1977 tax rates and—		
	Present law	Present law base	Prior law base	Present law base	Prior law base	1977 base
1978, total.....	107.1	107.1	107.0	103.5	103.5	101.2
Employees	51.0	51.0	51.0	49.3	49.3	48.2
Employers	51.6	51.6	51.5	49.8	49.8	48.8
Self-employed	4.5	4.5	4.5	4.4	4.4	4.3
1979, total.....	126.2	124.6	118.3	120.6	114.4	109.2
Employees	60.2	59.4	56.4	57.5	54.5	51.9
Employers	60.7	59.9	57.0	57.9	55.1	52.7
Self-employed	5.3	5.3	4.9	5.2	4.8	4.5
1980, total.....	142.4	140.6	132.0	136.0	127.6	118.1
Employees	68.0	67.1	62.9	64.9	60.9	56.1
Employers	68.5	67.6	63.7	65.3	61.5	57.2
Self-employed.....	5.9	5.9	5.4	5.8	5.2	4.7

Note: The above estimates are based on the economic assumptions that underlie the President's 1979 budget.

Administration tax package.—The President has proposed a package involving numerous changes in the tax laws (particularly the income tax laws) which would result in net reductions in revenue amounting to some \$25 billion. In submitting this package to Congress, the President indicated that one of its objectives was to offset the impact of the social security tax increases. Tables 15 to 18 below are reprinted from the materials prepared by the administration in connection with its tax proposals to show the combined impact of social security and income taxes in 1978 and 1979. The amounts shown as social security taxes (FICA) under "present law" in these tables are actually 1977 taxes and do not reflect the increases in the tax rate and tax base in 1978 and 1979 under either present law or the law as it was in effect prior to the 1977 amendments. (The increase in social security taxes which went into effect January 1, 1978 is the result of the law in effect prior to the 1977 amendments while additional increases are provided under the 1977 legislation starting January 1, 1979.)

TABLE 15.—1978 COMBINED INCOME TAX AND SOCIAL SECURITY (FICA) TAX BURDENS: 4 PERSON, 1-EARNER FAMILIES

[In dollars]

Wage income	Present law tax			1978 proposed tax			Change in tax		
	Income tax ¹	FICA tax ²	Total tax	Income tax ¹	FICA tax ²	Total tax	Income tax	FICA tax	Total tax
\$5,000.....	-300	292	-8	-300	303	3	0	11	11
\$10,000.....	446	585	1,031	192	605	797	-254	20	-234
\$15,000.....	1,330	877	2,207	1,166	908	2,074	-164	31	-133
\$20,000.....	2,180	965	3,145	2,042	1,071	3,113	-138	106	-32
\$25,000.....	3,150	965	4,115	3,025	1,071	4,096	-125	106	-19
\$30,000.....	4,232	965	5,197	4,150	1,071	5,221	-82	106	24
\$40,000.....	6,848	965	7,813	6,748	1,071	7,819	-100	106	6
\$50,000.....	9,950	965	10,915	9,855	1,071	10,926	-95	106	11
\$100,000...	28,880	965	29,845	28,640	1,071	29,711	-240	106	-134

¹ Assumes deductible expenses equal to 23 percent of income.

² Calculated under prior law rate for 1977 (5.85 percent) and prior law base for 1977 (\$16,500), employees' share only.

³ Calculated under present law rate and base for 1978 (6.05 percent and \$17,700), employees' share only.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

TABLE 16.—1979 COMBINED INCOME TAX AND SOCIAL SECURITY (FICA) TAX BURDENS: 4 PERSON, 1-EARNER FAMILIES

[In dollars]

Wage income	Present law tax			1979 proposed tax			Change in tax		
	Income tax ¹	FICA tax ²	Total tax	Income tax ¹	FICA tax ²	Total tax	Income tax	FICA tax	Total tax
\$5,000.....	-300	292	-8	-300	306	6	0	14	14
\$10,000.....	446	585	1,031	134	613	747	-312	28	-284
\$15,000.....	1,330	877	2,207	1,072	919	1,991	-258	42	-216
\$20,000.....	2,180	965	3,145	1,910	1,226	3,136	-270	261	-9
\$25,000.....	3,150	965	4,115	2,830	1,404	4,234	-320	439	119
\$30,000.....	4,232	965	5,197	3,910	1,404	5,314	-322	439	117
\$40,000.....	6,848	965	7,813	6,630	1,404	8,034	-218	439	221
\$50,000.....	9,950	965	10,915	9,870	1,404	11,274	-80	439	359
\$100,000...	28,880	965	29,845	29,470	1,404	30,874	590	439	1,029

¹ Assumes deductible expenses equal to 23 percent of income under present law.

² Calculated under prior law rate for 1977 (5.85 percent) and prior law base for 1977 (\$16,500), employees' share only.

³ Assumes deductible expenses equal to 20 percent of income under proposal.

⁴ Calculated under present law rate and base for 1979 (6.13 percent and \$22,900), employees' share only.

TABLE 17.—1978 COMBINED INCOME TAX AND SOCIAL SECURITY (FICA) TAX BURDENS: 4 PERSON, 2-EARNER FAMILIES¹

(In dollars)

Wage Income	Present law tax			1978 proposed tax			Change in tax		
	Income tax ²	FICA tax ³	Total tax	Income tax ²	FICA tax ³	Total tax	Income tax	FICA tax	Total tax
\$5,000	-300	292	-8	-300	303	3	0	11	11
\$10,000	446	585	1,031	192	605	797	-254	20	-234
\$15,000	1,330	877	2,207	1,166	908	2,074	-164	31	-133
\$20,000	2,180	1,170	3,350	2,042	1,210	3,252	-138	40	-98
\$25,000	3,150	1,463	4,613	3,025	1,513	4,538	-125	50	-75
\$30,000	4,232	1,755	5,987	4,150	1,815	5,965	-82	60	-22
\$40,000	6,848	1,931	8,779	6,748	2,142	8,890	-100	211	111
\$50,000	9,950	1,931	11,881	9,855	2,142	11,997	-95	211	116
\$100,000	28,880	1,931	30,811	28,640	2,142	30,782	-240	211	-29

¹ Assumes that each spouse earns 50 percent of total family income.

² Assumes deductible expenses equal to 23 percent of income.

³ Calculated under prior law rate for 1977 (5.85 percent) and prior law base for 1977 (\$16,500), employees' share only.

⁴ Calculated under present law rate and base for 1978 (6.05 percent and \$17,700), employees' share only.

TABLE 18.—1979 COMBINED INCOME TAX AND SOCIAL SECURITY (FICA) TAX BURDENS: 4-PERSON, 2-EARNER FAMILIES¹

(In dollars)

Wage Income	Present law tax			1979 proposed tax			Change in tax		
	Income tax ²	FICA tax ³	Total tax	Income tax ²	FICA tax ³	Total tax	Income tax	FICA tax	Total tax
\$5,000	-300	292	-8	-300	305	6	0	14	14
\$10,000	446	535	1,031	134	613	747	-312	28	-284
\$15,000	1,330	877	2,207	1,072	919	1,991	-258	42	-216
\$20,000	2,180	1,170	3,350	1,910	1,226	3,136	-270	55	-214
\$25,000	3,150	1,463	4,613	2,330	1,533	4,363	-320	70	-250
\$30,000	4,232	1,755	5,987	3,910	1,839	5,749	-322	84	-238
\$40,000	6,848	1,931	8,779	6,630	2,452	9,082	-218	521	303
\$50,000	9,950	1,931	11,881	9,870	2,803	12,678	-80	877	797
\$100,000	28,880	1,931	30,811	29,470	2,803	32,273	590	877	1,467

¹ Assumes that each spouse earns 50 percent of total family income.

² Assumes deductible expenses equal to 23 percent of income under present law.

³ Calculated under prior law rate for 1977 (5.85 percent) and prior law base for 1977 (\$16,500), employees' share only.

⁴ Assumes deductible expenses equal to 20 percent of income under proposal.

⁵ Calculated under present law rate and base for 1979 (6.13 percent and \$17,900), employees' share only.

S. 2459 (Senator Eagleton).—S. 2459 is one of a number of proposals which have been introduced to offset the impact of social security taxes by a reduction in income taxes which is directly based on social security tax liability. The bill would allow as a credit against income taxes an amount equal to 15 percent of the amount paid by an employee or self-employed person after September 30, 1978 in social security or railroad retirement taxes. The credit would not be refundable but would be limited to the amount of the individual's income tax liability. The credit would not apply to the employer portion of the social security tax. The 1979 revenue reduction resulting from this bill would be approximately \$8 to \$9 billion.

S. 2501 (Senator Hathaway and others). S. 2501 would modify the financing of the social security program so that the cost of the program would be paid one-third by employees, one-third by their employers and one-third from the general revenues of the United States. In order to provide general revenue funding, the bill would make a permanent appropriation to the social security trust funds equal to 150 percent (rather than the 100 percent provided under present law) of the social security taxes collected from employees, their employers and the self-employed.

The new financing provisions would become effective January 1, 1979. The revised schedule of taxes is shown in table 19.

In addition, the bill would increase the social security tax base to \$100,000 in 1979 with automatic increases thereafter. The estimated increases in the tax base for years after 1979 are shown in table 20.

Estimates of the reduction in social security payroll taxes which would result from the enactment of S. 2501, along with the payments from general revenues that would be appropriated, are shown in table 21.

TABLE 19.—SOCIAL SECURITY TAX RATES UNDER PRESENT LAW AND UNDER S. 2501, EMPLOYEE AND EMPLOYER, EACH

	Current law					S. 2501				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
Calendar year:										
1978	4.275	0.775	5.050	1.000	6.050	4.275	0.775	5.050	1.000	6.050
1979-80	4.330	.750	5.080	1.050	6.130	2.700	.500	3.200	.700	3.900
1981	4.525	.825	5.350	1.300	6.650	2.770	.480	3.250	.750	4.000
1982	4.575	.825	5.400	1.300	6.700	2.770	.480	3.250	.750	4.000
1983-84	4.575	.825	5.400	1.300	6.700	2.745	.505	3.250	.750	4.000
1985	4.750	.950	5.700	1.350	7.050	2.960	.590	3.550	.900	4.450
1986-89	4.750	.950	5.700	1.450	7.150	2.960	.590	3.550	.900	4.450
1990-2009	5.100	1.100	6.200	1.450	7.650	3.100	.900	4.000	.900	4.900
2010	5.100	1.100	6.200	1.450	7.650	3.900	.900	4.800	.900	5.700
2011 and later	5.100	1.100	6.200	1.450	7.650	3.900	.900	4.800	.900	5.700

TABLE 20.—SOCIAL SECURITY TAX BASE UNDER PRESENT LAW AND UNDER S. 2501

Calendar year	Present law	S. 2501
1977.....	\$16,500	\$16,500
1978.....	17,700	17,700
1979.....	22,900	100,000
1980.....	25,900	108,000
1981.....	29,700	116,400
1982.....	31,800	124,500
1983.....	33,900	132,600
1984.....	36,000	140,400
1985.....	38,100	148,500
1986.....	40,200	156,900
1987.....	42,600	165,900

¹ Estimated—Base increases automatically as wage levels rise.

TABLE 21.—REDUCTION IN OASDI AND HI TAX CONTRIBUTION INCOME AND AMOUNT OF GENERAL FUND CONTRIBUTIONS UNDER S. 2501, CALENDAR YEARS 1979-87 AND FISCAL YEARS 1979-83

[In billions]

	Reduction in tax contribution income			Amount of general fund contributions ²		
	OASDI	HI	Total	OASDI	HI	Total
Calendar year: ¹						
1979.....	\$29.7	\$5.3	\$35.0	\$33.3	\$7.2	\$40.5
1980.....	34.9	6.2	41.2	40.8	8.8	49.5
1981.....	44.5	11.7	56.2	44.8	10.1	54.9
1982.....	50.3	13.0	63.3	48.1	10.9	58.9
1983.....	54.1	13.9	68.1	51.4	11.6	63.0
1984.....	57.9	14.9	72.9	54.8	12.4	67.2
1985.....	61.3	12.6	73.9	63.3	15.6	79.0
1986.....	65.1	16.3	81.4	68.1	16.9	85.1
1987.....	69.5	17.7	87.2	72.6	18.0	90.7
Fiscal year: ²						
1979.....	24.7	4.5	29.2	24.1	5.2	29.4
1980.....	33.5	6.0	39.5	40.1	8.6	48.7
1981.....	42.8	10.5	53.3	45.2	10.1	55.3
1982.....	51.5	13.4	64.9	50.3	11.4	61.7
1983.....	56.8	14.6	71.4	54.9	12.4	67.3

¹ Base on the intermediate assumptions in the 1977 trustees report.

² S. 2501 provides for general fund contributions amounting to 50 percent of payroll tax contributions for each trust fund.

³ Base on the 1979 budget assumptions.

S. 2503 (Senator Nelson and others).—S. 2503 would modify the financing of the social security programs so that the disability insurance program and part A of the hospital insurance program would be financed from general revenues. Under the provisions of the bill, the Congress would pass legislation each year authorizing the amount of money that could be appropriated for the two programs and these authorizations would then go through the regular appropriation process. The bill states that the authorization for each program would be for "such sums as may be determined . . . to be necessary to provide for the prompt payment of the benefits . . . and administrative expenses . . . and to provide an adequate contingency reserve".

These changes would be effective for fiscal years which end after the date of enactment. (If enactment occurred prior to September 30, 1978, authorization and appropriations would be needed for fiscal year 1979.)

In addition, the bill would revise the schedule of social security taxes as shown in table 22.

Estimates of income, outgo, and assets under present law and under S. 2503 for calendar years 1979-80 are shown in table 23. Table 24 shows the reduction in taxes for calendar years 1979-87 that would result from enactment of the bill. The table also shows the estimated additional general revenue income that would be needed to maintain the DI and HI trust funds at their 1979 ratios of assets to expenditures (25 percent for HI and 56 percent for DI).

TABLE 22.—SOCIAL SECURITY TAX RATES UNDER CURRENT LAW AND UNDER S. 2503

EMPLOYEE AND EMPLOYER, EACH

[In percent]

Calendar year	Current law					S. 2503, OASI ¹
	OASI	DI	OASDI	HI	Total	
1979 and 1980	4.330	0.750	5.08	1.05	6.13	4.33
1981	4.525	.825	5.35	1.30	6.65	4.40
1982-84	4.575	.825	5.40	1.30	6.70	4.40
1985	4.750	.950	5.70	1.35	7.05	4.40
1986-89	4.750	.950	5.70	1.45	7.15	4.40
1990-2001	5.100	1.100	6.20	1.45	7.65	4.40
2002-10	5.100	1.100	6.20	1.45	7.65	4.60
2011-20	5.100	1.100	6.20	1.45	7.65	5.40
2021 and later	5.100	1.100	6.20	1.45	7.65	6.80

SELF-EMPLOYMENT TAX

Year	Current law					S. 2503 OASI ¹
	OASI	DI	OASDI	HI	Total	
1979-80	6.0100	1.0400	7.05	1.05	8.10	6.495
1981	6.7625	1.2375	8.00	1.30	9.30	6.6
1982-84	6.8125	1.2375	8.05	1.30	9.35	6.6
1985	7.1250	1.4250	8.55	1.35	9.90	6.6
1986-89	7.1250	1.4250	8.55	1.45	10.00	6.6
1990-2001	7.6500	1.6500	9.30	1.45	10.75	6.6
2002-10	7.6500	1.6500	9.30	1.45	10.75	6.9
2011-20	7.6500	1.6500	9.30	1.45	10.75	8.1
2021 and later	7.6500	1.6500	9.30	1.45	10.75	10.2

¹ This would be the only payroll tax under S. 2503.

TABLE 23.—ESTIMATED OPERATIONS OF THE OASI TRUST FUND UNDER PRESENT LAW AND UNDER THE PROGRAM AS MODIFIED BY S. 2503, CALENDAR YEARS 1977-87

(Amounts in billions)

Calendar year	Income		Outgo		Net increase in fund	
	Present law	S. 2503	Present law	S. 2503	Present law	S. 2503
1977	\$72.5	\$72.5	\$75.6	\$75.6	-\$3.1	-\$3.1
1978	78.6	78.6	83.6	83.6	-5.0	-5.0
1979	90.8	90.8	91.6	91.6	-.8	-.8
1980	101.5	101.9	100.0	100.0	1.5	1.9
1981	116.0	113.4	108.4	108.4	7.6	4.9
1982	127.2	122.2	117.4	117.4	9.7	4.8
1983	136.6	130.9	126.3	126.4	10.3	4.5
1984	146.4	140.0	136.0	136.0	10.5	3.9
1985	162.0	149.3	146.4	146.4	15.7	2.8
1986	174.1	159.1	157.3	157.4	16.8	1.7
1987	186.3	169.4	168.9	169.1	17.4	.4

Calendar year	Assets at end of year		Assets at beginning of year as a percentage of outgo during year	
	Present law	S. 2503	Present law	S. 2503
1977	\$32.3	\$32.3	47	47
1978	27.3	27.3	39	39
1979	26.5	26.6	30	30
1980	28.0	28.5	26	27
1981	35.6	33.4	26	26
1982	45.3	38.2	30	28
1983	55.6	42.7	36	30
1984	66.1	46.6	41	31
1985	81.7	49.5	45	32
1986	98.5	51.1	52	31
1987	115.9	51.5	58	30

Note: The above estimates are based on the intermediate assumptions in the 1977 trustees report.

TABLE 24.—REDUCTION IN OASDI AND HI TAX CONTRIBUTION INCOME AND AMOUNT OF GENERAL FUND CONTRIBUTIONS UNDER S. 2503, CALENDAR YEARS 1979-87 AND FISCAL YEARS 1979-83

[In billions]

	Reduction in tax contribution income					Amount of general fund contributions ¹		
	OASI	DI	OASDI	HI	Total	DI	HI	Total
Calendar year: ²								
1979	(\$0.1)	\$14.2	\$14.1	\$19.8	\$34.0	\$14.1	\$20.9	\$35.0
1980	(.4)	17.2	16.8	23.8	40.6	17.2	25.9	43.1
1981	2.5	20.6	23.2	31.8	55.0	19.0	29.9	49.0
1982	4.6	22.4	27.0	34.7	61.7	20.9	34.1	55.1
1983	5.0	24.0	29.0	37.2	66.1	23.0	38.9	61.9
1984	5.3	25.6	31.0	39.7	70.7	25.3	44.1	69.4
1985	11.0	31.1	42.1	43.9	86.0	27.7	49.6	77.4
1986	12.3	33.6	45.9	50.2	96.0	30.3	55.3	85.7
1987	13.1	35.8	48.9	53.8	102.7	33.2	61.7	94.9
Fiscal year: ³								
1979	(.1)	10.7	10.6	14.9	25.5	10.6	14.9	25.5
1980	(.3)	16.8	16.5	23.2	39.7	16.9	24.5	41.5
1981	2.0	20.3	22.2	30.7	52.9	18.8	28.5	47.3
1982	4.5	23.3	27.8	36.2	64.0	20.7	32.8	53.4
1983	5.4	25.4	30.8	39.5	70.3	22.8	37.3	60.1

¹ Amount required to maintain a constant level of trust fund assets at end of year as a percentage of outgo during year. At the end of 1978, these percentages are 25 percent for the DI trust fund and 56 percent for the HI trust fund, for the intermediate assumptions in the 1977 trustees report.

² Based on the intermediate assumptions in the 1977 trustees report.

³ Amount shown in parentheses represents an increase rather than a reduction.

⁴ Based on the 1979 budget assumptions.

Alternative proposal (Senator Nelson).—In testimony before the Senate Budget Committee, Senator Nelson described a proposal under which there would be a 3-year moratorium on the social security financing provisions enacted last year.

Under this proposal, the total OASDHI tax rate and base would be returned to the levels provided under the law in effect prior to the enactment of the Social Security Amendments of 1977 (Public Law 95-216) but the distribution of the taxes between the three programs (old-age and survivors insurance, disability insurance, and hospital insurance) would be changed so that the payroll tax would provide sufficient funds to support the cash-benefits programs (old-age, survivors and disability insurance). In effect, hospital insurance payroll taxes would be reduced and the difference would be made up by payments from general revenues as follows:

Year:	Payments from general revenues	Billions
1979	\$6.4
1980	9.4
1981	18.3
Total	34.0

The tax rates under prior law, present law and the proposal are shown in table 25, and the maximum amounts of earnings taxable under present law and the proposal (which is the law in effect prior to the enactment of the 1977 amendments-) are shown in table 26. The effect these changes would have on the social security trust funds is shown in tables 27 and 28.

TABLE 25.—SOCIAL SECURITY TAX RATES UNDER PRESENT AND PRIOR LAW AND NELSON ALTERNATIVE

[In percent]

Calendar year	Prior law			Present law			Nelson alternative		
	OASDI	HI	Total	OASDI	HI	Total	OASDI	HI	Total
Employers and employees, each:									
1977	4.95	.90	5.85	4.95	0.90	5.85	4.95	0.90	5.85
1978	4.95	1.10	6.05	5.05	1.00	6.05	5.05	1.00	6.05
1979	4.95	1.10	6.05	5.08	1.05	6.13	5.30	.75	6.05
1980	4.95	1.10	6.05	5.08	1.05	6.13	5.40	.65	6.05
1981	4.95	1.35	6.30	5.35	1.30	6.65	5.75	.55	6.30
1982	4.95	1.35	6.30	5.40	1.30	6.70	5.40	1.30	6.70
Self-employed persons:									
1977	7.00	.90	7.90	7.00	.90	7.90	7.00	.90	7.90
1978	7.00	1.10	8.10	7.10	1.00	8.10	7.10	1.00	8.10
1979	7.00	1.10	8.10	7.05	1.05	8.10	7.35	.75	8.10
1980	7.00	1.10	8.10	7.05	1.05	8.10	7.45	.65	8.10
1981	7.00	1.35	8.35	8.00	1.30	9.30	8.65	.55	9.20
1982	7.00	1.35	8.35	8.05	1.30	9.35	8.05	1.30	9.35

TABLE 26.—SOCIAL SECURITY TAX BASE UNDER PRESENT AND PRIOR LAW AND NELSON ALTERNATIVE

Calendar year	Prior law	Present law	Nelson alternative
1977	\$16,500	\$16,500	\$16,500
1978	17,700	17,700	17,700
1979	¹ 18,900	22,900	¹ 18,900
1980	¹ 20,400	25,900	¹ 20,400
1981	¹ 21,900	29,700	¹ 21,900
1982	¹ 24,400	¹ 31,800	¹ 31,800

¹ Estimated.

TABLE 27.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, UNDER PRESENT LAW AND UNDER THE PROGRAMS AS MODIFIED BY NELSON ALTERNATIVE PROPOSAL, CALENDAR YEARS 1977-81

[In billions]

Calendar years	Income		Outgo		Net increase in funds		Assets at end of year	
	Present law	Proposal	Present law	Proposal	Present law	Proposal	Present law	Proposal
1977	\$82.1	\$82.1	\$87.6	\$87.6	-\$5.5	-\$5.5	\$35.6	\$35.6
1978	92.4	92.4	97.2	97.2	-4.8	-4.8	30.8	30.8
1979	106.5	106.4	106.9	106.9	-.4	-.4	30.4	30.3
1980	119.1	119.5	117.1	117.0	2.0	2.4	32.4	32.8
1981	137.1	137.8	127.4	127.3	9.6	10.5	42.0	43.3

TABLE 28.—ESTIMATED OPERATIONS OF THE HI TRUST FUND UNDER PRESENT LAW AND UNDER THE PROGRAM AS MODIFIED BY A NELSON ALTERNATIVE PROPOSAL, CALENDAR YEARS 1977-81

[In billions]

Calendar years	Income ¹		Outgo		Net increase in fund		Assets at end of year ¹		General fund contributions under proposal
	Present law	Proposal	Present law	Proposal	Present law	Proposal	Present law	Proposal	
1977	\$16.1	\$16.1	\$16.2	\$16.2	-\$0.1	-\$0.1	\$10.5	\$10.5	....
1978	19.2	19.2	19.0	19.0	.2	.2	10.7	10.7	..
1979	23.1	23.2	22.2	22.2	.9	1.0	11.6	11.6	\$6.4
1980	25.7	25.3	25.7	25.7	.0	-.5	11.5	11.2	9.4
1981	34.0	33.1	29.7	29.7	4.3	3.4	15.9	14.6	18.3

¹ Includes general fund contributions.
Less than \$0.05 billion.

S. 2607 (Senator Haskell). S. 2607 would provide for a tax credit equal to 10 percent of the social security and railroad retirement tax liabilities of employers and self-employed individuals. The credit would be refundable and, in the case of nonprofit organizations and State and local governments, a payment in lieu of the tax credit would be made. The bill does not provide any credit against the employee share of social security taxes. The bill would be effective for taxable years after 1977. The calendar 1979 revenue reduction under this bill would be approximately \$6 billion.

S. 2741 (Senator Domenici). S. 2741 would provide for a refundable tax credit to employers, employees, and self-employed persons. The amount of the credit would be equal to the increase in social security tax liability over the amount of liability which would have existed if the social security tax rates (but not the tax base) had been frozen at the 1977 levels (5.85 percent for employers and employees, each, and 7.9 percent for self-employed persons). For calendar year 1979, this bill would result in a revenue reduction of approximately \$6 billion.

S. 2746 (Senator Hatfield of Montana).—The bill S. 2746 would roll back the present 6.05 percent social security tax rate to the 5.85 level which was in effect in 1977. That 5.85 percent rate would remain in effect permanently thereafter. The revenues generated by the 5.85 percent tax would, however, be augmented by General Treasury funds so as to provide the same total income to the trust funds as they would receive under present law. (The bill also would roll back the self-employment tax rate to the 7.9 percent level in effect in 1977 and make up the difference by general transfers to the trust funds.) The bill does not modify the tax base provisions of present law. Under S. 2746, which is effective for years after 1977 the following amounts of general revenues would be substituted for payroll tax revenues:

[In billions]

Calendar year:	Amount	Calendar year:	Con.	Amount
1978	83.3	1983		824.9
1979	5.5	1984		26.6
1980	6.3	1985		39.0
1981	19.0	1986		45.8
1982	23.1	1987		49.2

(The fiscal year 1979 general revenue fund transfer would be \$5.0 billion.)

S. 2808 (Senator Dole).—S. 2808 would provide a refundable income tax credit equal to 20 percent of employee and self-employed (but not employer) social security and railroad retirement taxes effective for taxable years after 1977. The bill would result in an estimated revenue reduction of approximately \$12 billion in calendar 1979.

S. 2812 (Senator Danforth).—S. 2812 is generally similar to S. 2808 except that it provides for a 10-percent rather than a 20-percent credit and would be effective for years after 1978. The credit would be refundable and would apply to employee and self-employed (but not employer) social security and railroad retirement taxes.