

## REALLOCATION OF SOCIAL SECURITY TAXES BETWEEN OASI AND DI TRUST FUNDS

SEPTEMBER 16 (legislative day, JUNE 12), 1980.—Ordered to be printed

Mr. LONG, from the Committee on Finance,  
submitted the following

### REPORT

[To accompany H.R. 7670]

The Committee on Finance, to which was referred the bill (H.R. 7670) to amend title II of the Social Security Act to make necessary adjustments in the allocation of social security tax receipts between the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

The optimum level of reserve in the social security trust funds has generally been considered to be an amount equal to approximately 1 year's benefit payments.

#### I. BACKGROUND INFORMATION AND GENERAL EXPLANATION OF THE BILL

The Social Security Act provides for the creation of three separate trust funds into which payroll tax receipts are automatically appropriated. These are the Old Age and Survivors Insurance (OASI) Trust Fund, the Disability Insurance (DI) Trust Fund, and the Hospital Insurance (HI) Trust Fund.

Under present law, tax allocation rates, which were established by the Social Security Amendments of 1977, reserves in the OASI fund are expected to be insufficient to meet benefit payments before the end of calendar year 1981. This is the result of sharp changes in economic conditions as compared to the economic assumptions that were made in 1977. Much higher increases in living costs have been experienced and are predicted for the next few years.

Reserves in the DI fund, however, are expected to increase steadily in the future under both the intermediate and pessimistic assumptions of the 1980 Trustees report. The more favorable condition of the DI trust fund is the result of the recent enactment of Public Law 96-265, the Disability Amendments of 1980, and the current experience of the DI program which has been more favorable than predicted at the time of the 1977 Amendments.

Reallocation has been the traditional way of redistributing the OASDI tax rates because of changes in benefit provisions and in the experience of the program. The Committee bill would provide for such a reallocation between the OASI and DI funds for two years only, 1980 and 1981. This is expected to maintain sufficient reserves in the OASI fund to pay benefits through the end of 1981, giving Congress time to take further remedial action next year.

The bill would not change the total social security tax rates for any year.

A comparison of the allocation rates for the OASI and DI Trust Funds, expressed in terms of the rates applicable to taxes paid by employers, employees and self-employed individuals, under present law and under H.R. 7670 is contained in table 1.

Table 2 indicates the estimated reserve ratios in the OASI and DI trust funds, separately and combined, under present law and under H.R. 7670, according to the economic assumptions used for the July 1980 midsession budget review.

TABLE 1.—REALLOCATION OF TAX RATE SCHEDULE BETWEEN OASI AND DI UNDER H.R. 7670

[Percent of taxable earnings]

Calendar years	Total for OASDI <sup>1</sup>	Allocated rates under present law		Reallocated rates under H.R. 7670	
		OASI	DI	OASI	DI
Employees and employers, each:					
1980 .....	5.08	4.330	0.750	4.520	0.560
1981 .....	5.35	4.525	.825	4.700	.650
Self-employed persons:					
1980 .....	7.05	6.0100	1.0400	6.2725	.7775
1981 .....	8.00	6.7625	1.2375	7.0250	.9750

<sup>1</sup> The total OASDI tax rate under H.R. 7670 between OASI and DI is the same as under present law.

TABLE 2.—END-OF-YEAR CASH BENEFIT FUND BALANCES

[As a percent of following year outgo]

Year	Present law			H.R. 7670		
	OASI	DI	Combined funds	OASI	DI	Combined funds
1980 .....	14	43	17	17	19	17
1981 .....	4	58	10	10	11	10

## II. BUDGETARY AND REGULATORY IMPACT

The bill relates solely to the allocation among accounts maintained in the Treasury for social security taxes which will be collected under existing law. It does not modify the tax laws or the substantive provisions of the social security program in any manner. H.R. 7670 is

therefore not expected to have any budgetary or regulatory impact of the type required to be discussed under the Standing Rules of the Senate or the Congressional Budget Act.

### III. VOTE OF THE COMMITTEE TO REPORT THE BILL

In compliance with paragraph 3 of rule XXVI of the Standing Rules of the Senate, the following statement is made relative to the vote of the Committee to report the bill: The bill was ordered reported by a voice vote.

### IV. CHANGES IN EXISTING LAW MADE BY THE BILL

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic type, existing law in which no change is proposed is printed in roman type):

#### SECTION 201 OF THE SOCIAL SECURITY ACT

#### TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

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#### FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND

##### SECTION 201.(a) \* \* \*

(b) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Disability Insurance Trust Fund". The Federal Disability Insurance Trust Fund shall consist of such gifts and bequests as may be made as provided in subsection (i)(1), and of such amounts as may be appropriated to, deposited in, such fund as provided in this section. There is hereby appropriated to the Federal Disability Insurance Trust Fund for the fiscal year ending June 30, 1957, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1)(A)  $\frac{1}{2}$  of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1956, and before January 1, 1966, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, (B) 0.70 of 1 per centum of the wages (as so defined) paid after December 31, 1965, and before January 1, 1968, and so reported, and (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and before January 1, 1970, and so reported, (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and before January 1, 1973, and so reported, (E) 1.1 per centum of the wages (as so defined) paid after December 31, 1972, and before January 1, 1974, and so reported, (F) 1.15 per centum of the wages (as so defined) paid after December 31, 1973, and before

January 1, 1978, and so reported, (G) 1.55 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.50 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.65 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1985, and so reported, (J) 1.90 per centum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, and (K) 2.20 per centum of the wages (as so defined) paid after December 31, 1989, and so reported. (H) 1.50 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1980, and so reported, (I) 1.12 per centum of the wages (as so defined) paid after December 31, 1979, and before January 1, 1981, and so reported, (J) 1.30 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1982, and so reported, (K) 1.65 per centum of the wages (as so defined) paid after December 31, 1981, and before January 1, 1985, and so reported, (L) 1.90 per centum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, and (M) 2.20 per centum of the wages (as so defined) paid after December 31, 1989, and so reported,

(2)(A)  $\frac{3}{8}$  of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, and before January 1, 1966, (B) and 0.525 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1965, and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967, and before January 1, 1970, (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969, and before January 1, 1973, (E) 0.795 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1972, and before January 1, 1974, (F) 0.815 of 1 per centum of the amount of self-employment income (as so defined) as reported for any taxable year beginning after December 31, 1973, and before January 1, 1978, (G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.0400 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1981, (I) 1.2375 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985; (J) 1.4250 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.650 per centum of the amount of self-employment income (as so defined)

so reported for any taxable year beginning after December 31, 1989, (H) 1.0400 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1980, (I) 0.7775 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1979, and before January 1, 1981, (J) 0.9750 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1982, (K) 1.2375 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1981, and before January 1, 1985, (L) 1.4250 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (M) 1.6500 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1989,

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