

I address these two comments to the Individual Tax Working Group. Both concern the link between income tax and Social Security.

1)

Social Security benefits become subject to tax on 50% or 85% of their amount when they reach certain thresholds.

When this taxation was established, no provision was made to index the thresholds for inflation.

Therefore, the threshold that triggers tax on 50% of benefits has not changed in 32 years, and the threshold for tax on 85% of benefits has not changed in 22 years.

The result is that more and more people have had their retirement benefits subject to taxation simply because inflation was ignored both times the law was revised.

Whether the motivation is tax reduction or fairness, raising the thresholds and making them subject to indexation in the future should be of bipartisan interest.

2)

There are many ideas for making Social Security permanently viable, but at least one has to my knowledge not been examined.

Wage earners pay income tax on the 6.2% of their income they never see because it is contributed to Social Security. That tax revenue goes into the general fund.

What if that tax money went to the Social Security funds instead? If we assume the average tax bracket in the country is 15%, then 6.2% of 15%, or 0.93% of the entire national wages would be added to Social Security. Put another way, this would change the *effective* wage-earner's contribution from 6.2% to 7.1% – without a new tax.

That, plus removing the ceiling on contributions, would go most of the way toward making Social Security permanently viable.

This is not a radical new idea, but rather a quite old concept. By law, the income tax people pay on Social Security benefits already goes straight to the Social Security funds, not to the general fund. The same principle would just be applied to taxation of the wages used for the FICA contributions.

While not strictly related to taxation, it is worth suggesting here that were the ceiling on Social Security contributions to be raised, that ought to be accompanied by a new bend point in benefits. The current final bend point is 15%. The new one could be, say, 5%. That would give much more bang for the buck in removing the contribution ceiling while at the same time preserving the principle that everybody who contributes to Social Security, including those with high incomes, is eligible for benefits in return.

Eric Fenster, Ohio [REDACTED]