H.R. 1984 "Fair Adjustment and Income Revenue (FAIR) for Social Security Act"

Introduced April 23, 2015 by **Rep. Peter DeFazio** (D-OR)

Provisions and their individual impact on the Trust Fund:

- Eliminate the taxable maximum (tax max) starting in 2016 so that the 12.4% payroll tax would apply to all earnings. No additional benefits would be provided based on additional earnings subject to payroll tax.
  - Decreases long-range actuarial deficit by 2.31% of taxable payroll. Decreases annual deficit for 75th projection year (2088) by 2.47% of payroll.
- Reallocate payroll tax revenues between the OASI and DI Trust Funds to better equalize their actuarial status, with the intent for the OASI and DI Trust Funds to reach depletion in the same year (2057). The DI Trust Fund would receive all additional revenue from the first provision in 2016 and during 2016, OASI revenues would be unchanged from current law. During years 2033-2049, a reallocation of 0.2% (0.1 for employers and employees each) would apply from the DI scheduled rate to the OASI scheduled rate. In all other years the OASDI payroll tax rate would be allocated as in present law.
  - DI Trust Fund would not deplete in 2016 as currently projected and DI Trust Fund ratio would improve to over 100% of annual cost for 2018. DI Trust Fund would remain solvent during 75-year projection period. OASI Trust Fund reserves would deplete in 2055, thus the reason for reallocation from 2033-2049, resulting in both Trust Fund reserves depleting in 2057. Expected to change long-range OASDI actuarial deficit and annual deficit in 2088 by a negligible amount (less than 0.005% of payroll).
- Use CPI-E to calculate COLA beginning in December, 2017 (estimated COLA increase of 0.2% per year).
  - Increases actuarial deficit by 0.37% of taxable payroll and increases annual deficit in 2088 by 0.54% of payroll.

Overall Fiscal Impact: The entire proposal results in all the Trust Fund reserves having a projected depletion date of 2057, 24 years later than under current law. At that point, 88% of benefits would be payable declining to 83% in 2088. This proposal reduces the long-range actuarial deficit by 1.94% of taxable payroll from 2.88% to 0.94%. For the DI Trust Fund, reserves would deplete in 2057, 41 years later than under current law, then 97% of benefits would be payable declining to 94% in 2088. This reduces the long-range deficit from 0.33% of payroll to 0.05% of payroll. For OASI, reserve depletion would occur 23 years later in 2057 and then 87% of benefits would be payable decreasing to 82% in 2088. The long-range actuarial deficit would decrease by 1.67% of taxable payroll from 2.55% to 0.89%.