



SOCIAL SECURITY

Office of the Chief Actuary

February 17, 2012

The Honorable Xavier Becerra
Ranking Member, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Becerra:

We have reviewed the language in Section 1001, "Extension of Payroll Tax Reduction", of the conference report on H.R. 3630 (H.Rep. 112-399). We estimate that the enactment of this provision would have a negligible effect on the financial status of the Old Age and Survivors Insurance and Disability Insurance (OASDI) program in both the near term and the long term. We estimate that the projected level of the OASI and DI Trust Funds would be unaffected by enactment of this provision. Future benefit levels would be unaffected because the reduced payroll tax rate would not affect the amount of covered earnings that is credited for benefit purposes.

Section 1001 of the bill makes the following changes for payroll tax rates and OASDI benefits: (1) extends the payroll tax rate reduction of 2 percentage points for wages and salaries paid through the end of calendar year 2012 and for self-employment earnings through the end of calendar year 2012; (2) transfers revenue from the General Fund of the Treasury to the OASI and DI Trust Funds so that total revenue for the trust funds and the timing of receipt of such revenue would be unaffected by the reduction in the payroll tax rate; (3) eliminates the special section of current law related to payroll tax for individuals with earnings in excess of one-sixth of the 2012 OASDI contribution and benefit base (\$110,100) that was enacted for a payroll tax rate reduction for January and February of 2012; and (4) credits earnings to the records of workers for the purpose of determining future benefits payable from the trust funds so that such benefits would be unaffected by the reduction in payroll tax for 2012.

For wage and salary earnings, the 2-percent rate reduction applies to the employee share of the payroll tax rate. For self-employment earnings, the personal income tax deduction for the OASDI payroll tax would be 59.6 percent of the portion of such taxes attributable to self-employment earnings for 2012. Other sections of the bill would have no direct effects on the OASDI program.

Sincerely,

Stephen C. Goss
Chief Actuary

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515

February 17, 2012

Mr. Stephen C. Goss
Chief Actuary
Social Security Administration
Altmeyer Building Room 700
6401 Security Blvd.
Baltimore, MD 21235

Dear Mr. Goss:

I am writing to request your expert analysis of Section 1001 of the conference report on H.R. 3630 (H. Rep. 112-399), which would extend the current payroll tax cut through the end of 2012. In particular, I would like to know what impact, if any, it would have on Social Security. Will extending the temporary payroll tax cut affect the Social Security Trust Fund? Will it affect current or future Social Security benefit levels?

Thank you very much for your assistance in this matter.

Sincerely,



Xavier Becerra

Ranking Member

Subcommittee on Social Security