

# FACT SHEET: The Social Security 2100 Act

Authored by Congressman John B. Larson (CT-01)



***Social Security is not an entitlement*** – it is insurance Americans have paid for to fund retirement, disability, and survivor benefits earned through a lifetime of work. Social Security helped build the middle class, it is the most dependable leg of the retirement stool, and it is our most effective anti-poverty program.

***The Social Security 2100 Act builds on what makes Social Security great by improving upon the modest benefits Americans receive.*** This proposal will ensure that the system is able to pay 100% of the benefits you have earned into the next century.

- **Cuts taxes for seniors**
- **Strengthens the benefits received by all beneficiaries.**
- **Ensures the system remains solvent beyond the next 75 years<sup>1</sup>.**
- **Addresses the projected shortfall of the Disability Insurance program**

## Strengthen Benefits

- **Cut taxes for beneficiaries** – Over 11 million Social Security recipients would see a tax cut. Presently, your Social Security benefits are taxed if you have non-Social Security income exceeding \$25,000 for an individual or \$32,000 for couples. This would raise that threshold to \$50,000 and \$100,000 respectively.
- **Benefit bump for current and new beneficiaries** – Provides a modest increase for all beneficiaries starting in 2016 that is the equivalent of 2% of the average benefit.
- **Protection against inflation** – Improve the annual cost of living adjustment (COLA) formula to better reflect the costs incurred by seniors through adopting a CPI-E formula. This provision will help seniors who spend a greater portion of their income on health care and other necessities. Improved inflation protection will especially help older retirees and widows who are more likely to rely on Social Security benefits as they age.
- **Protect low income workers** – No one who paid into the system over a lifetime should retire into poverty. The new minimum benefit will be set at 25% above the poverty line rather than below it. It would be indexed to wages to ensure that the minimum benefit does not fall behind.

<sup>1</sup> Based on an estimate by the Social Security Administration's Chief Actuary.

## Strengthen the Trust Fund

- **50 cents per week to keep the system solvent.** Gradually phase in an increase in the contribution rate beginning in 2018 so that workers and employers would pay an additional 1.2% by 2041. For the average worker this would mean paying an additional 50 cents per week every year to keep the system solvent. From 2080-2084, the contribution rate would rise an additional 0.25% to ensure solvency beyond the next 75 years. Americans support a gradual increase in the contribution rate 83% to 17%.
- **Have millionaires and billionaires pay the same rate as everyone else.** Presently, payroll taxes are not collected on wages over \$117,000. This legislation would apply the payroll tax to wages above \$400,000. This provision would only affect the top 0.4% of wage earners. This idea is supported by Americans 80% to 20%.
- **Addresses the Disability Insurance trust fund.** The Disability Insurance (DI) program is a vital part of the Social Security system. However, the DI fund is projected to become depleted in 2016 and this bill would include a payroll tax reallocation to ensure the solvency of the DI program. While DI technically has its own trust fund, the combined Old-Age and Survivors Insurance fund and the Disability Insurance fund are what are commonly referred to as the Social Security Trust Fund. Congress has never let either the OASI or the DI trust funds become depleted and has taken similar reallocation measures 11 times in the past. This has always been a noncontroversial, technical fix and would not affect the projected solvency of the Social Security Trust Fund.

***“In recognition of a looming retirement income crisis, an increasing squeeze on middle class families, and rising income inequality, Representative Larson has introduced The Social Security 2100 Act, which is an important step in addressing all three. Among other important improvements, it increases benefits for all current and future beneficiaries and switches to the more accurate CPI-E to better protect benefits from eroding over time. He pays for the improvements in responsible, balanced ways, including by requiring the wealthiest to pay more of their fair share.... We applaud Representative Larson for sponsoring such important, visionary legislation.”***

-Nancy Altman and Eric Kingston, Founding Co-directors, Social Security Works