



SOCIAL SECURITY
Office of the Chief Actuary

September 7, 2011

The Honorable Bernard Sanders
United States Senate
Washington, D.C. 20510

Dear Senator Sanders:

I am writing in response to your request for estimates of the financial effects on Social Security of a proposal to apply the Social Security payroll tax to earned income over \$250,000 beginning 2012. The estimates and analysis provided in this letter reflect clarification of the intent of the proposed bill to be named *Keeping Our Social Security Promises Act* based on discussion with Warren Gunnels of your staff. A detailed description of our understanding of the intent of the proposal is included below. All estimates are based on the intermediate assumptions of the 2011 Trustees Report. The estimates presented reflect the combined efforts of many in our office, but particularly Alice Wade, Christopher Chaplain, and William Piet.

The intent of this proposal is identical to the intent of H.R. 797 introduced in the House of Representatives on February 18 of this year by Mr. DeFazio. The estimates we produced for Mr. DeFazio on March 3, 2011, available at <http://www.ssa.gov/OACT/solvency/index.html>, differ somewhat from those provided now because they were produced under different baseline assumptions, the intermediate assumptions of the 2010 Trustees Report.

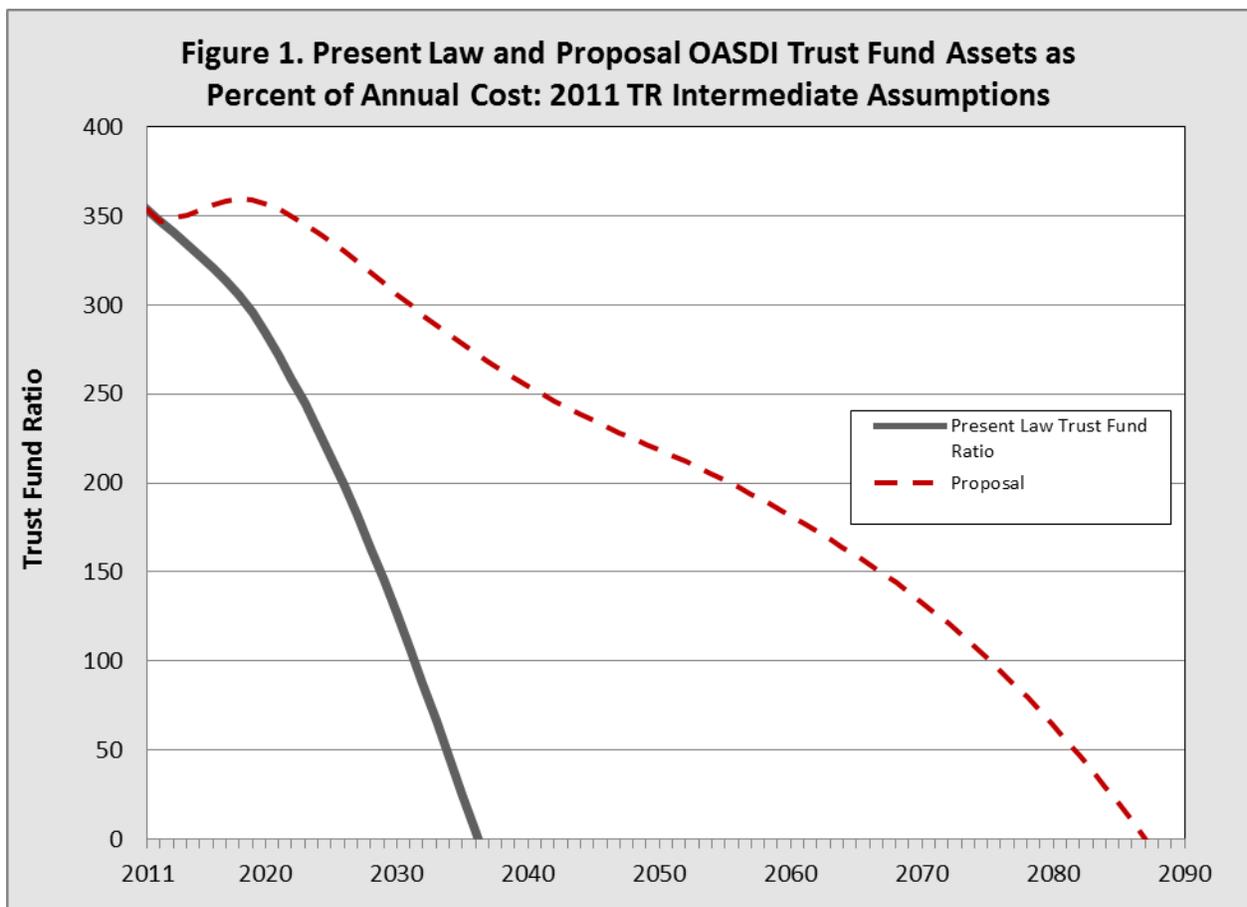
The proposal would modify the Internal Revenue Code of 1986 to subject a worker's OASDI covered earnings in excess of \$250,000 in any calendar year after 2011 to the combined OASDI payroll tax rate of 12.4 percent. This is the same tax rate that is applied, under current law, to OASDI covered earnings up to the contribution and benefit base (\$106,800 for 2011). Under present law, the contribution and benefit base is scheduled to increase in the future based on increases in the average wage in the U.S. economy. However, the threshold of \$250,000 would be constant after 2012 until the contribution and benefit base exceeds this level, at which point the threshold would be set equal to the contribution and benefit base for that and all subsequent years. Earnings subject to tax above the threshold would not be included in earnings credited for the purpose of OASDI benefit computation.

All wages and self-employment earnings in OASDI covered employment during a given year would be reflected in the determination of earnings above the threshold. For workers with more than one employer (including self employment) for a given year, total tax liability for the year would be computed as if all earnings had been received from a single employer for the year, but in no case would any employee or employer pay less tax than they would under current law. To the extent adjustments of payroll tax liability are needed for a given year, employees would make such adjustments on their income tax filing forms. SSA would contact employers regarding any additional tax liability due to multiple jobs for employees during the year.

The balance of this letter provides summary and detailed estimates of the effects of enactment of the proposal.

Summary of Effects on Actuarial Status

Figure 1 below illustrates the expected change in the combined Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Fund assets, expressed as a percentage of annual program cost, with enactment of this proposal. Assuming enactment, the OASDI program would be expected to be solvent for the next 75 years, under the intermediate assumptions of the 2011 Trustees Report. The level of assets for the theoretical combined OASI and DI Trust Funds would remain positive through 2085, permitting full payment of scheduled benefits on a timely basis. However, the combined assets would be declining as a percentage of the annual cost of the program at the end of the period. For this reason, the OASDI program would not meet the requirements of sustainable solvency.



Note: *Trust Fund Ratio* for a given year is the ratio of assets in the combined OASI and DI Trust Fund assets at the beginning of the year to the cost of the program during the year.

Enactment of the proposal would improve the long-range OASDI actuarial balance by 2.09 percent of taxable payroll, reducing the actuarial deficit of 2.22 percent of taxable payroll under current law to an actuarial deficit of 0.13 percent of payroll. The assets in the combined OASI and DI Trust Funds would be positive throughout the 75-year period, meaning that solvency would be expected throughout the period. However, assets at the end of 2085, while still

positive, would be declining as a percent of annual program cost and so the program would not meet the requirements for sustainable solvency.

Figure 2 below illustrates annual projected levels of cost and income as a percentage of present-law taxable payroll. The projected levels of cost are shown for present-law scheduled benefits (“cost”) and payable benefits (“expenditures,” when payable benefits are less than scheduled benefits) and for benefits under this proposal. Under this proposal, the combined OASI and DI Trust Funds do not exhaust, and thus payable benefits equal scheduled benefits throughout the 75-year projection period.

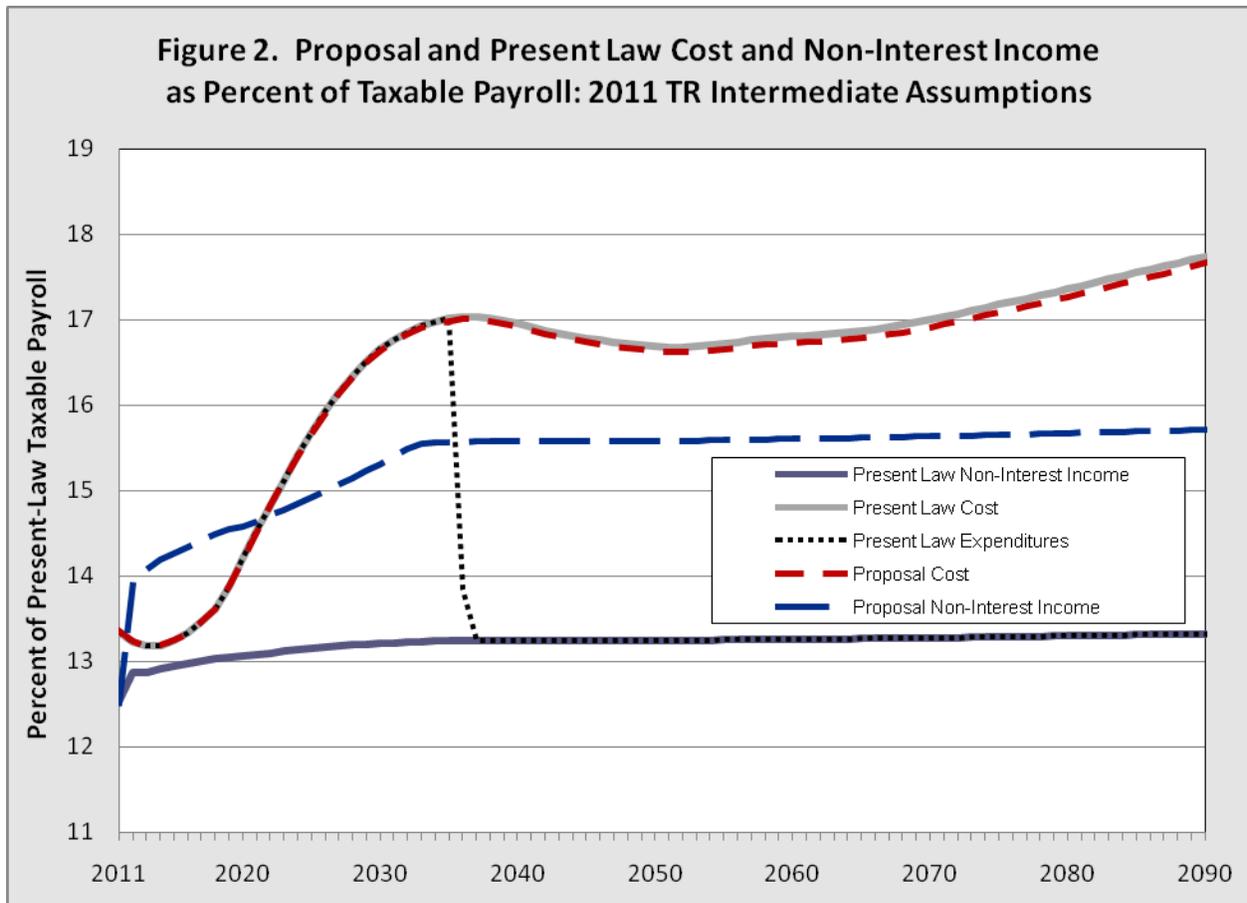
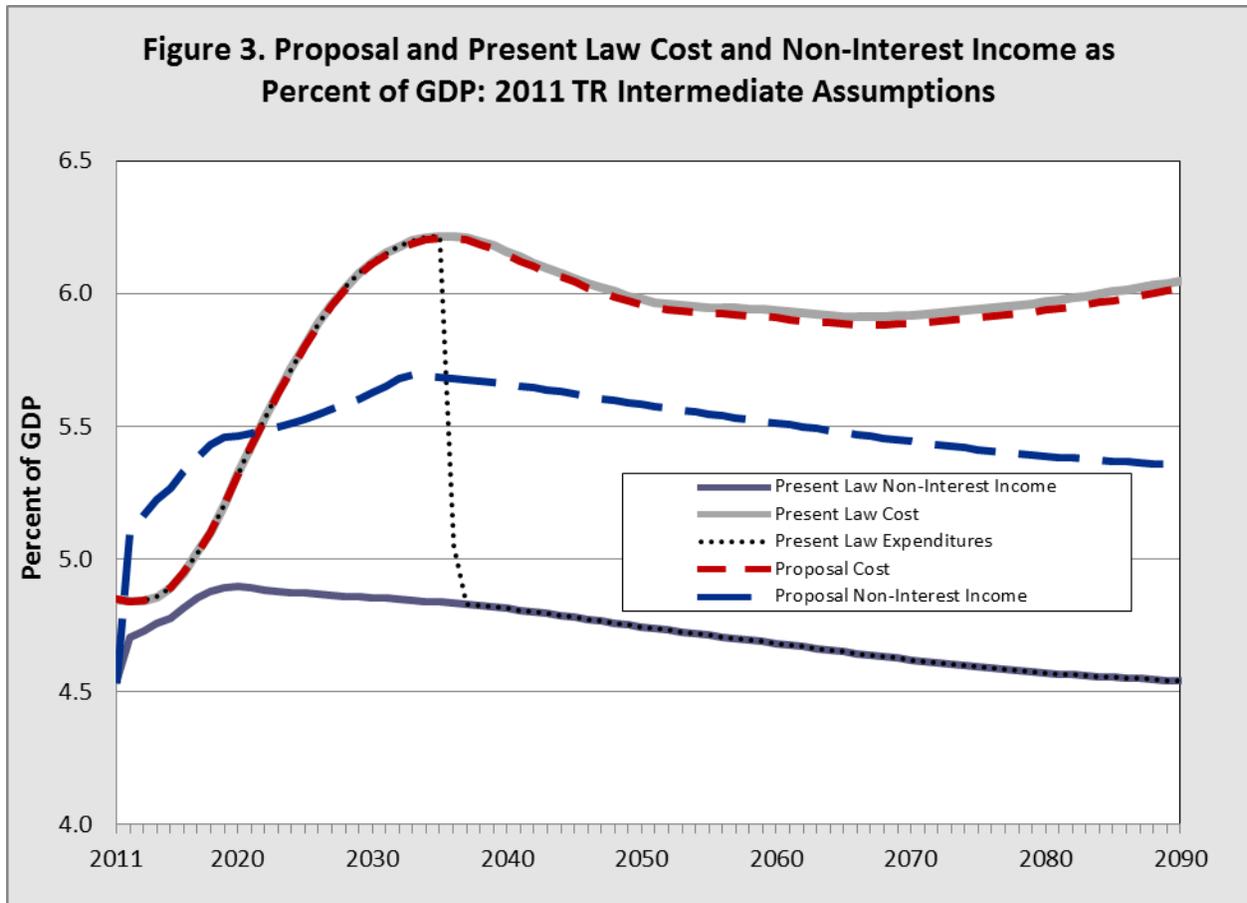


Figure 2 shows that the estimated cost of the OASDI program would be very slightly reduced under this proposal. A slight decrease in benefits is projected to follow from a small decrease in the proportion of employee compensation that would be paid in the form of wages under the current-law contribution and benefit base. This small reduction in wages as a percentage of employee compensation reflects the assumed behavioral response of employees and employers to the additional payroll taxes under the proposal.

It is also useful to consider the projected cost and income for the OASDI program expressed as a percentage of Gross Domestic Product (GDP). The graph below illustrates these levels under both present law and this proposal.



Detailed Financial Results

Benefit Illustrations

Benefit illustrations are not provided for the proposal because benefit levels would not be materially changed from the scheduled benefit levels under current law.

Trust Fund Operations

Table 1 shows the annual cost and income rates, annual balances, and trust fund ratios for OASDI assuming enactment of the proposal. This table also shows the change from present law in these cost rates, income rates, and balances. Included at the bottom of this table are summarized rates for the 75-year long-range period and the expected year of trust fund exhaustion under this proposal.

Table 1 indicates that the OASDI program is projected to be solvent throughout the 75-year projection period assuming enactment of the proposal. After 2018, the trust fund ratio is projected to decline, reaching 10 percent of the next year’s annual program cost at the end of the

75-year projection period. The actuarial deficit for the OASDI program over the 75-year projection period would be improved by an estimated 2.09 percent of taxable payroll, from an actuarial deficit of 2.22 percent of payroll projected under current law to an actuarial deficit of 0.13 percent of payroll under the proposal.

Program Transfers and Assets

Column 5 of **table 1a** provides a projection of the asset level for the combined OASI and DI Trust Funds under the proposal, expressed in present value dollars discounted to January 1, 2011. For purpose of comparison, the net OASDI Trust Fund assets, expressed in present value dollars, are also shown for a theoretical Social Security program where borrowing authority is assumed for the Trust Funds. Columns 1 through 3 are all zeros because no General Fund transfers are specified in this proposal. Gross Domestic Product, expressed in present value dollars, is shown in column 6 for comparison with other values in the table.

Effect on the Federal Budget

Table 1b shows the projected effect, in present value discounted dollars, on the Federal unified budget and on-budget cash flows and balances assuming enactment of the proposal. Table 1b.n provides the estimated nominal dollar effect of enactment of the proposal on the annual budget balances for years 2011 through 2020. All values in these tables represent the amount of the *change* that would be expected due to enactment of the proposal, from the level that would be projected under current law.

The effect of the plan on unified budget cash flow (column 3) is expected to be positive for 2012 and throughout the remainder of the long-range period. Column 4 provides the projected effect of implementing the plan on the Federal debt held by the public. Column 5 provides the projected effect on the annual unified budget balances, including both the cash flow effect in column 3 and the change in interest on the accumulated debt indicated in column 4. Under this proposal, Federal debt held by the public would be reduced by about \$1.1 trillion in nominal dollars by the end of 2020.

Enactment of this proposal would have no direct effect on the on-budget cash flow or on the total Federal debt subject to limit. There would be essentially no change in the total Federal debt subject to limit because the OASDI combined Trust Fund assets, which are a part of the total Federal debt, would increase by the same amount as the amount of the reduction in publicly-held debt.

It is important to note that these estimates are based on the intermediate assumptions of the 2011 Trustees Report and thus are not consistent with estimates made by the OMB or the CBO based on their assumptions. In addition, estimates in these two tables reflect budget scoring conventions, which presume OASDI benefits would continue to be paid in full after Trust Fund assets become exhausted with borrowing from the General Fund of the Treasury, even though this would not be possible under current law.

Annual Trust Fund Operations as a Percentage of GDP

Table 1c provides annual cost, annual expenditures (on a payable basis), and annual tax income for the OASDI program expressed as a percentage of GDP. These values are shown for both present law and assuming enactment of the proposal. Showing the annual trust fund flows as a percentage of GDP provides an additional perspective on these trust fund operations in relation to the total value of goods and services produced in the United States.

Effects on Trust Fund Assets and Unfunded Obligations

Table 1d provides estimates of the changes due to the proposal in the level of projected trust fund assets under present law and, for years after trust fund exhaustion, the level of unfunded obligations under present law. All values in the table are expressed in present-value discounted dollars. For the 75-year long-range period as a whole, the present-law unfunded obligation of \$6.5 trillion in present value is replaced with a positive trust fund balance of \$0.04 trillion in present value through the end of the period. This change is the combination of the following:

- A \$6.5 trillion increase in revenue from applying the payroll tax to covered earnings above the present-law contribution and benefit base (column 2), less
- A \$0.1 trillion reduction in cost from the behavioral response to additional payroll tax, causing a small decrease in the share of employee compensation that is received in wages, and thus a small decrease in total benefits (column 3).

We hope these estimates will be helpful. Please let me know if we may provide further assistance.

Sincerely,



Stephen C. Goss
Chief Actuary

Enclosures

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio

Sanders Proposal: Starting 2012, Apply the FICA/SECA Payroll Tax to Annual Earnings in Excess of the Higher of \$250,000 or Present Law Contribution and Benefit Base, with No Additional Credit for Individual Benefit Levels

Year	Proposal			Trust Fund Ratio 1-1-year	Change in Present Law		
	Expressed as a percentage of present-law taxable payroll				Expressed as a percentage of present-law taxable payroll		
	Cost Rate	Income Rate	Annual Balance		Cost Rate	Income Rate	Annual Balance
2011	13.35	12.52	-0.82	353	0.00	0.00	0.00
2012	13.23	13.94	0.71	347	0.00	1.07	1.07
2013	13.18	14.07	0.89	349	0.00	1.20	1.20
2014	13.18	14.18	1.00	351	0.00	1.27	1.27
2015	13.24	14.26	1.02	353	0.00	1.32	1.32
2016	13.32	14.34	1.02	356	0.00	1.37	1.37
2017	13.46	14.42	0.96	358	0.00	1.42	1.42
2018	13.61	14.49	0.88	360	0.00	1.47	1.47
2019	13.88	14.55	0.67	359	0.00	1.51	1.51
2020	14.19	14.57	0.38	357	0.00	1.51	1.52
2021	14.51	14.64	0.13	354	0.00	1.56	1.57
2022	14.82	14.71	-0.11	350	-0.01	1.61	1.62
2023	15.12	14.78	-0.34	345	-0.01	1.66	1.67
2024	15.40	14.85	-0.55	341	-0.01	1.72	1.72
2025	15.66	14.92	-0.74	335	-0.01	1.77	1.78
2026	15.91	14.99	-0.92	330	-0.01	1.83	1.84
2027	16.13	15.07	-1.06	324	-0.01	1.89	1.91
2028	16.33	15.15	-1.18	318	-0.01	1.96	1.97
2029	16.50	15.23	-1.27	312	-0.02	2.03	2.05
2030	16.64	15.32	-1.32	306	-0.02	2.10	2.12
2031	16.74	15.40	-1.34	300	-0.02	2.18	2.20
2032	16.83	15.49	-1.34	294	-0.02	2.26	2.28
2033	16.91	15.55	-1.35	289	-0.02	2.32	2.34
2034	16.96	15.56	-1.40	283	-0.02	2.32	2.35
2035	16.99	15.57	-1.42	278	-0.03	2.32	2.35
2036	17.01	15.57	-1.44	273	-0.03	2.32	2.35
2037	17.01	15.57	-1.44	268	-0.03	2.32	2.35
2038	16.99	15.57	-1.42	263	-0.03	2.32	2.36
2039	16.96	15.57	-1.38	258	-0.03	2.33	2.36
2040	16.92	15.57	-1.35	254	-0.03	2.33	2.36
2041	16.88	15.57	-1.30	250	-0.04	2.33	2.36
2042	16.83	15.57	-1.26	246	-0.04	2.33	2.37
2043	16.80	15.57	-1.22	242	-0.04	2.33	2.37
2044	16.77	15.58	-1.20	238	-0.04	2.33	2.37
2045	16.74	15.58	-1.17	235	-0.04	2.33	2.38
2046	16.71	15.58	-1.14	231	-0.05	2.33	2.38
2047	16.69	15.58	-1.11	228	-0.05	2.33	2.38
2048	16.67	15.58	-1.09	225	-0.05	2.33	2.38
2049	16.65	15.58	-1.07	222	-0.05	2.33	2.39
2050	16.63	15.58	-1.05	218	-0.06	2.34	2.39
2051	16.62	15.58	-1.04	215	-0.06	2.34	2.39
2052	16.62	15.58	-1.04	212	-0.06	2.34	2.40
2053	16.63	15.59	-1.04	209	-0.06	2.34	2.40
2054	16.64	15.59	-1.05	205	-0.06	2.34	2.40
2055	16.65	15.59	-1.06	201	-0.07	2.34	2.41
2056	16.67	15.59	-1.08	198	-0.07	2.34	2.41
2057	16.69	15.60	-1.10	194	-0.07	2.34	2.41
2058	16.71	15.60	-1.11	190	-0.07	2.34	2.42
2059	16.72	15.60	-1.12	186	-0.07	2.35	2.42
2060	16.73	15.61	-1.12	181	-0.08	2.35	2.42
2061	16.74	15.61	-1.13	177	-0.08	2.35	2.43
2062	16.75	15.61	-1.14	173	-0.08	2.35	2.43
2063	16.76	15.61	-1.14	168	-0.08	2.35	2.43
2064	16.77	15.62	-1.15	164	-0.08	2.35	2.43
2065	16.79	15.62	-1.17	159	-0.08	2.35	2.44
2066	16.81	15.62	-1.18	154	-0.08	2.35	2.44
2067	16.83	15.62	-1.20	149	-0.08	2.36	2.44
2068	16.85	15.63	-1.23	144	-0.09	2.36	2.44
2069	16.88	15.63	-1.25	139	-0.09	2.36	2.45
2070	16.91	15.63	-1.28	133	-0.09	2.36	2.45
2071	16.95	15.64	-1.31	127	-0.09	2.36	2.45
2072	16.98	15.64	-1.34	121	-0.09	2.36	2.45
2073	17.01	15.65	-1.37	115	-0.09	2.36	2.45
2074	17.05	15.65	-1.40	108	-0.09	2.37	2.46
2075	17.09	15.65	-1.43	101	-0.09	2.37	2.46
2076	17.12	15.66	-1.46	94	-0.09	2.37	2.46
2077	17.16	15.66	-1.50	87	-0.09	2.37	2.46
2078	17.19	15.66	-1.53	80	-0.09	2.37	2.46
2079	17.23	15.67	-1.56	72	-0.09	2.37	2.47
2080	17.27	15.67	-1.60	64	-0.09	2.37	2.47
2081	17.31	15.68	-1.63	55	-0.09	2.37	2.47
2082	17.34	15.68	-1.66	47	-0.09	2.38	2.47
2083	17.38	15.68	-1.70	38	-0.09	2.38	2.47
2084	17.42	15.69	-1.74	29	-0.09	2.38	2.47
2085	17.46	15.69	-1.77	20	-0.09	2.38	2.47
2086	17.50	15.69	-1.80	10	-0.09	2.38	2.47

Summarized Rates: OASDI				
	Cost Rate	Income Rate	Actuarial Balance	Year of Exhaustion ¹
2011 - 2085	16.21%	16.07%	-0.13%	N/A

Summarized Rates: OASDI		
Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
-0.04%	2.05%	2.09%

Based on Intermediate Assumptions of the 2011 Trustees Report
¹ Under present law the year of exhaustion is 2036

Table 1a - General Fund Transfers, OASDI Trust Fund Assets, and Theoretical OASDI Assets

Sanders Proposal: Starting 2012, Apply the FICA/SECA Payroll Tax to Annual Earnings in Excess of the Higher of \$250,000 or Present Law Contribution and Benefit Base, with No Additional Credit for Individual Benefit Levels

Calendar Year	Proposal General Fund Transfers			Present Value in Billions as of 1-1-2011			
	Percentage of Payroll (1)	Present Value in Billions as of 1-1- 2011		Proposal Total OASDI Trust Fund Assets at End of Year (5)	Gross Domestic Product (6)	Theoretical Social Security ¹ with Borrowing Authority	
		Annual Amounts (2)	Accumulated as of End of Year (3)			Net OASDI Trust Fund Assets at End of Year	
						Without General Fund Transfers (7)	With Plan General Fund Transfers (8)
2011	0.0	0.0	0.0	2,564.6	14,904.1	2,564.6	2,564.6
2012	0.0	0.0	0.0	2,603.8	14,951.5	2,545.0	2,545.0
2013	0.0	0.0	0.0	2,653.5	15,099.9	2,527.9	2,527.9
2014	0.0	0.0	0.0	2,710.1	15,251.0	2,513.4	2,513.4
2015	0.0	0.0	0.0	2,768.4	15,351.9	2,496.7	2,496.7
2016	0.0	0.0	0.0	2,827.2	15,378.4	2,476.9	2,476.9
2017	0.0	0.0	0.0	2,882.9	15,366.5	2,451.1	2,451.1
2018	0.0	0.0	0.0	2,934.2	15,366.9	2,417.9	2,417.9
2019	0.0	0.0	0.0	2,973.7	15,345.6	2,370.3	2,370.3
2020	0.0	0.0	0.0	2,996.4	15,301.1	2,305.9	2,305.9
2021	0.0	0.0	0.0	3,004.4	15,242.3	2,224.7	2,224.7
2022	0.0	0.0	0.0	2,999.0	15,159.1	2,127.6	2,127.6
2023	0.0	0.0	0.0	2,980.9	15,052.7	2,015.9	2,015.9
2024	0.0	0.0	0.0	2,951.5	14,924.4	1,890.9	1,890.9
2025	0.0	0.0	0.0	2,911.9	14,765.8	1,753.6	1,753.6
2026	0.0	0.0	0.0	2,863.3	14,596.0	1,605.5	1,605.5
2027	0.0	0.0	0.0	2,807.7	14,436.0	1,448.1	1,448.1
2028	0.0	0.0	0.0	2,746.5	14,276.4	1,282.9	1,282.9
2029	0.0	0.0	0.0	2,681.6	14,114.5	1,111.6	1,111.6
2030	0.0	0.0	0.0	2,614.7	13,958.1	935.7	935.7
2031	0.0	0.0	0.0	2,547.7	13,813.5	757.0	757.0
2032	0.0	0.0	0.0	2,481.3	13,670.9	576.1	576.1
2033	0.0	0.0	0.0	2,415.2	13,528.0	393.8	393.8
2034	0.0	0.0	0.0	2,347.8	13,387.2	211.4	211.4
2035	0.0	0.0	0.0	2,280.0	13,245.5	29.8	29.8
2036	0.0	0.0	0.0	2,212.2	13,107.1	-150.6	-150.6
2037	0.0	0.0	0.0	2,145.1	12,971.3	-329.1	-329.1
2038	0.0	0.0	0.0	2,079.9	12,843.4	-504.7	-504.7
2039	0.0	0.0	0.0	2,016.9	12,714.4	-676.9	-676.9
2040	0.0	0.0	0.0	1,956.3	12,582.3	-845.5	-845.5
2041	0.0	0.0	0.0	1,898.4	12,453.7	-1,010.4	-1,010.4
2042	0.0	0.0	0.0	1,843.0	12,326.2	-1,171.6	-1,171.6
2043	0.0	0.0	0.0	1,789.9	12,197.5	-1,329.5	-1,329.5
2044	0.0	0.0	0.0	1,738.6	12,069.4	-1,484.4	-1,484.4
2045	0.0	0.0	0.0	1,689.2	11,941.2	-1,636.3	-1,636.3
2046	0.0	0.0	0.0	1,641.7	11,813.2	-1,785.2	-1,785.2
2047	0.0	0.0	0.0	1,595.7	11,684.0	-1,931.5	-1,931.5
2048	0.0	0.0	0.0	1,551.3	11,555.8	-2,075.1	-2,075.1
2049	0.0	0.0	0.0	1,508.3	11,428.4	-2,216.1	-2,216.1
2050	0.0	0.0	0.0	1,466.5	11,301.9	-2,354.8	-2,354.8
2051	0.0	0.0	0.0	1,425.7	11,175.5	-2,491.4	-2,491.4
2052	0.0	0.0	0.0	1,385.5	11,049.7	-2,626.4	-2,626.4
2053	0.0	0.0	0.0	1,345.7	10,924.7	-2,759.9	-2,759.9
2054	0.0	0.0	0.0	1,306.1	10,800.1	-2,892.1	-2,892.1
2055	0.0	0.0	0.0	1,266.5	10,677.6	-3,023.3	-3,023.3
2056	0.0	0.0	0.0	1,226.8	10,555.1	-3,153.5	-3,153.5
2057	0.0	0.0	0.0	1,187.0	10,434.5	-3,282.7	-3,282.7
2058	0.0	0.0	0.0	1,147.3	10,315.5	-3,410.8	-3,410.8
2059	0.0	0.0	0.0	1,107.7	10,198.7	-3,537.8	-3,537.8
2060	0.0	0.0	0.0	1,068.4	10,084.5	-3,663.4	-3,663.4
2061	0.0	0.0	0.0	1,029.5	9,971.5	-3,787.8	-3,787.8
2062	0.0	0.0	0.0	990.7	9,860.0	-3,911.0	-3,911.0
2063	0.0	0.0	0.0	952.2	9,750.1	-4,032.9	-4,032.9
2064	0.0	0.0	0.0	913.8	9,640.9	-4,153.8	-4,153.8
2065	0.0	0.0	0.0	875.5	9,532.4	-4,273.6	-4,273.6
2066	0.0	0.0	0.0	837.1	9,425.1	-4,392.6	-4,392.6
2067	0.0	0.0	0.0	798.5	9,319.2	-4,510.8	-4,510.8
2068	0.0	0.0	0.0	759.7	9,214.2	-4,628.3	-4,628.3
2069	0.0	0.0	0.0	720.6	9,109.6	-4,745.1	-4,745.1
2070	0.0	0.0	0.0	681.1	9,005.9	-4,861.5	-4,861.5
2071	0.0	0.0	0.0	641.2	8,903.0	-4,977.2	-4,977.2
2072	0.0	0.0	0.0	601.0	8,801.0	-5,092.4	-5,092.4
2073	0.0	0.0	0.0	560.4	8,699.7	-5,207.2	-5,207.2
2074	0.0	0.0	0.0	519.2	8,599.7	-5,321.6	-5,321.6
2075	0.0	0.0	0.0	477.7	8,500.5	-5,435.5	-5,435.5
2076	0.0	0.0	0.0	435.7	8,402.2	-5,548.9	-5,548.9
2077	0.0	0.0	0.0	393.4	8,304.6	-5,661.8	-5,661.8
2078	0.0	0.0	0.0	350.8	8,207.6	-5,774.2	-5,774.2
2079	0.0	0.0	0.0	307.7	8,111.3	-5,886.2	-5,886.2
2080	0.0	0.0	0.0	264.3	8,015.9	-5,997.7	-5,997.7
2081	0.0	0.0	0.0	220.5	7,921.4	-6,108.7	-6,108.7
2082	0.0	0.0	0.0	176.4	7,827.9	-6,219.3	-6,219.3
2083	0.0	0.0	0.0	131.8	7,734.9	-6,329.5	-6,329.5
2084	0.0	0.0	0.0	86.9	7,642.9	-6,439.2	-6,439.2
2085	0.0	0.0	0.0	41.7	7,552.1	-6,548.4	-6,548.4
Total 2011-2085	0.0						

Based on the Intermediate Assumptions of the 2011 Trustees Report
Ultimate Real Trust Fund Yield of 2.9%

Office of the Chief Actuary
Social Security Administration
September 7, 2011

¹ Theoretical Social Security is the current Social Security program with the assumption that the law is modified to permit borrowing from the General Fund of the Treasury.

Table 1b - OASDI Changes & Implications for Federal Budget and Debt of Specified Plan Provision Effects on OASDI¹ (Present Value Dollars)
Sanders Proposal: Starting 2012, Apply the FICA/SECA Payroll Tax to Annual Earnings in Excess of the Higher of \$250,000 or Present Law
Contribution and Benefit Base, with No Additional Credit for Individual Benefit Levels

Billions of Present Value Dollars as of 1-1-2011

Year	Specified General Fund Transfers	Basic Changes in OASDI Cash Flow	Change in Annual Unified Budget Cash Flow	Change in Debt Held by Public at End of Year	Change in Annual Unified Budget Balance	Change in Total Federal Debt End Of Year	Change in Annual On Budget Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2011	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2012	0.0	58.8	58.8	-58.8	58.8	0.0	0.0
2013	0.0	66.7	66.7	-125.5	69.2	0.0	0.0
2014	0.0	71.2	71.2	-196.7	76.5	0.0	0.0
2015	0.0	75.1	75.1	-271.8	83.5	0.0	0.0
2016	0.0	78.5	78.5	-350.3	90.3	0.0	0.0
2017	0.0	81.5	81.5	-431.8	96.8	0.0	0.0
2018	0.0	84.6	84.6	-516.4	104.0	0.0	0.0
2019	0.0	87.0	87.0	-603.4	110.8	0.0	0.0
2020	0.0	87.1	87.1	-690.4	115.4	0.0	0.0
2021	0.0	89.3	89.3	-779.8	122.8	0.0	0.0
2022	0.0	91.6	91.6	-871.3	130.5	0.0	0.0
2023	0.0	93.6	93.6	-965.0	138.5	0.0	0.0
2024	0.0	95.7	95.7	-1,060.7	146.9	0.0	0.0
2025	0.0	97.6	97.6	-1,158.3	155.6	0.0	0.0
2026	0.0	99.6	99.6	-1,257.9	162.9	0.0	0.0
2027	0.0	101.8	101.8	-1,359.6	170.5	0.0	0.0
2028	0.0	104.0	104.0	-1,463.6	178.3	0.0	0.0
2029	0.0	106.4	106.4	-1,570.0	186.4	0.0	0.0
2030	0.0	108.9	108.9	-1,679.0	194.8	0.0	0.0
2031	0.0	111.7	111.7	-1,790.7	203.5	0.0	0.0
2032	0.0	114.6	114.6	-1,905.2	212.4	0.0	0.0
2033	0.0	116.1	116.1	-2,021.3	220.2	0.0	0.0
2034	0.0	115.0	115.0	-2,136.4	225.5	0.0	0.0
2035	0.0	113.8	113.8	-2,250.2	230.6	0.0	0.0
2036	0.0	112.6	112.6	-2,362.8	235.6	0.0	0.0
2037	0.0	111.4	111.4	-2,474.2	240.6	0.0	0.0
2038	0.0	110.3	110.3	-2,584.6	245.5	0.0	0.0
2039	0.0	109.2	109.2	-2,693.8	250.5	0.0	0.0
2040	0.0	108.1	108.1	-2,801.8	255.3	0.0	0.0
2041	0.0	107.0	107.0	-2,908.8	260.1	0.0	0.0
2042	0.0	105.9	105.9	-3,014.7	264.8	0.0	0.0
2043	0.0	104.7	104.7	-3,119.4	269.5	0.0	0.0
2044	0.0	103.6	103.6	-3,223.0	274.1	0.0	0.0
2045	0.0	102.5	102.5	-3,325.5	278.6	0.0	0.0
2046	0.0	101.4	101.4	-3,426.9	283.1	0.0	0.0
2047	0.0	100.3	100.3	-3,527.2	287.5	0.0	0.0
2048	0.0	99.1	99.1	-3,626.3	291.9	0.0	0.0
2049	0.0	98.0	98.0	-3,724.4	296.2	0.0	0.0
2050	0.0	96.9	96.9	-3,821.3	300.5	0.0	0.0
2051	0.0	95.9	95.9	-3,917.2	304.7	0.0	0.0
2052	0.0	94.8	94.8	-4,011.9	308.9	0.0	0.0
2053	0.0	93.7	93.7	-4,105.6	313.0	0.0	0.0
2054	0.0	92.6	92.6	-4,198.2	317.0	0.0	0.0
2055	0.0	91.6	91.6	-4,289.8	321.0	0.0	0.0
2056	0.0	90.5	90.5	-4,380.3	324.9	0.0	0.0
2057	0.0	89.4	89.4	-4,469.7	328.8	0.0	0.0
2058	0.0	88.4	88.4	-4,558.1	332.7	0.0	0.0
2059	0.0	87.4	87.4	-4,645.5	336.5	0.0	0.0
2060	0.0	86.4	86.4	-4,731.9	340.3	0.0	0.0
2061	0.0	85.4	85.4	-4,817.3	344.0	0.0	0.0
2062	0.0	84.4	84.4	-4,901.7	347.7	0.0	0.0
2063	0.0	83.4	83.4	-4,985.1	351.3	0.0	0.0
2064	0.0	82.5	82.5	-5,067.6	354.9	0.0	0.0
2065	0.0	81.5	81.5	-5,149.1	358.5	0.0	0.0
2066	0.0	80.6	80.6	-5,229.7	362.0	0.0	0.0
2067	0.0	79.6	79.6	-5,309.3	365.4	0.0	0.0
2068	0.0	78.7	78.7	-5,387.9	368.8	0.0	0.0
2069	0.0	77.7	77.7	-5,465.7	372.2	0.0	0.0
2070	0.0	76.8	76.8	-5,542.5	375.5	0.0	0.0
2071	0.0	75.9	75.9	-5,618.4	378.8	0.0	0.0
2072	0.0	75.0	75.0	-5,693.5	382.1	0.0	0.0
2073	0.0	74.1	74.1	-5,767.6	385.3	0.0	0.0
2074	0.0	73.2	73.2	-5,840.8	388.4	0.0	0.0
2075	0.0	72.4	72.4	-5,913.2	391.6	0.0	0.0
2076	0.0	71.5	71.5	-5,984.6	394.6	0.0	0.0
2077	0.0	70.6	70.6	-6,055.3	397.7	0.0	0.0
2078	0.0	69.8	69.8	-6,125.0	400.7	0.0	0.0
2079	0.0	68.9	68.9	-6,193.9	403.7	0.0	0.0
2080	0.0	68.1	68.1	-6,262.0	406.6	0.0	0.0
2081	0.0	67.2	67.2	-6,329.3	409.5	0.0	0.0
2082	0.0	66.4	66.4	-6,395.7	412.3	0.0	0.0
2083	0.0	65.6	65.6	-6,461.3	415.2	0.0	0.0
2084	0.0	64.8	64.8	-6,526.1	417.9	0.0	0.0
2085	0.0	64.0	64.0	-6,590.1	420.7	0.0	0.0
Total 2011-85	0.0	6,590.1	6,590.1				

Based on Intermediate Assumptions of the 2011 Trustees Report.
 Ultimate Real Trust Fund Yield of 2.9%

Office of the Chief Actuary
 Social Security Administration
 September 7, 2011

¹ Effects of tax provisions on the On-Budget are not reflected in this table.

Table 1b.n - OASDI Changes & Implications for Federal Budget and Debt of Specified Plan Provision Effects on OASDI¹ (Nominal Dollars)
Sanders Proposal: Starting 2012, Apply the FICA/SECA Payroll Tax to Annual Earnings in Excess of the Higher of \$250,000 or Present Law Contribution and Benefit Base, with No Additional Credit for Individual Benefit Levels

Billions of Nominal Dollars

<u>Year</u>	Specified General Fund Transfers (1)	Basic Changes in OASDI Cash Flow (2)	Change in Annual Unified Budget Cash Flow (3)	Change in Debt Held by Public at End of Year (4)	Change in Annual Unified Budget Balance (5)	Change in Total Federal Debt End of Year (6)	Change in Annual On Budget Balance (7)
2011	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2012	0.0	62.7	62.7	-64.0	64.0	0.0	0.0
2013	0.0	74.2	74.2	-142.6	78.6	0.0	0.0
2014	0.0	82.6	82.6	-233.2	90.6	0.0	0.0
2015	0.0	91.0	91.0	-336.5	103.3	0.0	0.0
2016	0.0	99.5	99.5	-453.2	116.7	0.0	0.0
2017	0.0	107.9	107.9	-583.9	130.8	0.0	0.0
2018	0.0	117.2	117.2	-730.6	146.6	0.0	0.0
2019	0.0	126.3	126.3	-894.2	163.7	0.0	0.0
2020	0.0	132.5	132.5	-1,073.1	178.9	0.0	0.0
2021	0.0	142.8	142.8	-1,272.3	199.2	0.0	0.0

Based on Intermediate Assumptions of the 2011 Trustees Report.

Office of the Chief Actuary
 Social Security Administration
 September 7, 2011

¹ Effects of tax provisions on the On-Budget are not reflected in this table.

Table 1c - Present Law and Proposal Cost, Expenditures, and Income: As Percent of Gross Domestic Prc

Sanders Proposal: Starting 2012, Apply the FICA/SECA Payroll Tax to Annual Earnings in Excess of the Higher of \$250,000 or Present Law Contribution and Benefit Base, with No Additional Credit for Individual Benefit Levels

Calendar Year	Present Law OASDI			Proposal OASDI		
	Cost (1)	Expenditures (Payable) (2)	Non-Interest Income (3)	Cost (4)	Expenditures (Payable) (5)	Non-Interest Income (6)
2011	4.85	4.85	4.55	4.85	4.85	4.55
2012	4.84	4.84	4.71	4.84	4.84	5.10
2013	4.84	4.84	4.73	4.84	4.84	5.17
2014	4.86	4.86	4.76	4.86	4.86	5.22
2015	4.89	4.89	4.78	4.89	4.89	5.27
2016	4.95	4.95	4.82	4.95	4.95	5.33
2017	5.02	5.02	4.85	5.02	5.02	5.38
2018	5.10	5.10	4.88	5.10	5.10	5.43
2019	5.21	5.21	4.89	5.20	5.20	5.46
2020	5.32	5.32	4.89	5.32	5.32	5.46
2021	5.43	5.43	4.89	5.43	5.43	5.47
2022	5.53	5.53	4.88	5.53	5.53	5.49
2023	5.63	5.63	4.88	5.62	5.62	5.50
2024	5.72	5.72	4.87	5.71	5.71	5.51
2025	5.81	5.81	4.87	5.80	5.80	5.53
2026	5.89	5.89	4.87	5.88	5.88	5.54
2027	5.96	5.96	4.86	5.95	5.95	5.56
2028	6.02	6.02	4.86	6.02	6.02	5.58
2029	6.08	6.08	4.86	6.07	6.07	5.60
2030	6.12	6.12	4.85	6.11	6.11	5.63
2031	6.15	6.15	4.85	6.14	6.14	5.65
2032	6.18	6.18	4.85	6.17	6.17	5.68
2033	6.20	6.20	4.85	6.19	6.19	5.69
2034	6.21	6.21	4.84	6.20	6.20	5.69
2035	6.22	6.22	4.84	6.21	6.21	5.69
2036	6.22	5.05	4.83	6.21	6.21	5.68
2037	6.21	4.83	4.83	6.20	6.20	5.68
2038	6.20	4.82	4.82	6.19	6.19	5.67
2039	6.18	4.82	4.82	6.17	6.17	5.66
2040	6.16	4.81	4.81	6.15	6.15	5.66
2041	6.14	4.81	4.81	6.12	6.12	5.65
2042	6.11	4.80	4.80	6.10	6.10	5.64
2043	6.09	4.79	4.79	6.08	6.08	5.64
2044	6.08	4.79	4.79	6.06	6.06	5.63
2045	6.06	4.78	4.78	6.04	6.04	5.62
2046	6.04	4.77	4.77	6.02	6.02	5.61
2047	6.02	4.77	4.77	6.01	6.01	5.60
2048	6.01	4.76	4.76	5.99	5.99	5.60
2049	5.99	4.75	4.75	5.97	5.97	5.59
2050	5.98	4.74	4.74	5.96	5.96	5.58
2051	5.97	4.74	4.74	5.95	5.95	5.57
2052	5.96	4.73	4.73	5.94	5.94	5.57
2053	5.95	4.73	4.73	5.93	5.93	5.56
2054	5.95	4.72	4.72	5.93	5.93	5.55
2055	5.95	4.71	4.71	5.92	5.92	5.55
2056	5.95	4.71	4.71	5.92	5.92	5.54
2057	5.94	4.70	4.70	5.92	5.92	5.53
2058	5.94	4.69	4.69	5.92	5.92	5.52
2059	5.94	4.69	4.69	5.91	5.91	5.52
2060	5.93	4.68	4.68	5.91	5.91	5.51
2061	5.93	4.68	4.68	5.90	5.90	5.50
2062	5.93	4.67	4.67	5.90	5.90	5.50
2063	5.92	4.66	4.66	5.89	5.89	5.49
2064	5.92	4.66	4.66	5.89	5.89	5.48
2065	5.91	4.65	4.65	5.89	5.89	5.48
2066	5.91	4.64	4.64	5.88	5.88	5.47
2067	5.91	4.64	4.64	5.88	5.88	5.46
2068	5.91	4.63	4.63	5.88	5.88	5.45
2069	5.92	4.63	4.63	5.88	5.88	5.45
2070	5.92	4.62	4.62	5.89	5.89	5.44
2071	5.92	4.62	4.62	5.89	5.89	5.44
2072	5.92	4.61	4.61	5.89	5.89	5.43
2073	5.93	4.60	4.60	5.90	5.90	5.42
2074	5.94	4.60	4.60	5.90	5.90	5.42
2075	5.94	4.59	4.59	5.91	5.91	5.41
2076	5.94	4.59	4.59	5.91	5.91	5.41
2077	5.95	4.58	4.58	5.92	5.92	5.40
2078	5.96	4.58	4.58	5.92	5.92	5.40
2079	5.96	4.58	4.58	5.93	5.93	5.39
2080	5.97	4.57	4.57	5.94	5.94	5.39
2081	5.98	4.57	4.57	5.94	5.94	5.38
2082	5.98	4.56	4.56	5.95	5.95	5.38
2083	5.99	4.56	4.56	5.96	5.96	5.38
2084	6.00	4.56	4.56	5.97	5.97	5.37
2085	6.01	4.55	4.55	5.97	5.97	5.37

Based on Intermediate Assumptions of the 2011 Trustees Report.

Table 1d - Change in Long-Range Trust Fund Assets / Unfunded Obligation

Sanders Proposal: Starting 2012, Apply the FICA/SECA Payroll Tax to Annual Earnings in Excess of the Higher of \$250,000 or Present Law Contribution and Benefit Base, with No Additional Credit for Individual Benefit Levels

(Billions of Dollars, Present Value on 1-1-2011)

Year	Present Law OASDI	Changes in OASDI Income	Changes in OASDI Cost	Basic	Total Change Through End of Year	Proposal OASDI
	Trust Fund Assets / Unfunded Obligation Through End of Year (1)			Changes in OASDI Cash Flow (4) = (2)-(3)		
2011	2,564.6	0.0	0.0	0.0	0.0	2,564.6
2012	2,545.0	58.8	0.0	58.8	58.8	2,603.8
2013	2,527.9	66.7	0.0	66.7	125.5	2,653.5
2014	2,513.4	71.2	0.0	71.2	196.7	2,710.1
2015	2,496.7	75.0	0.0	75.1	271.8	2,768.4
2016	2,476.9	78.5	0.0	78.5	350.3	2,827.2
2017	2,451.1	81.4	-0.1	81.5	431.8	2,882.9
2018	2,417.9	84.5	-0.1	84.6	516.4	2,934.2
2019	2,370.3	86.9	-0.1	87.0	603.4	2,973.7
2020	2,305.9	86.9	-0.2	87.1	690.4	2,996.4
2021	2,224.7	89.1	-0.3	89.3	779.8	3,004.4
2022	2,127.6	91.2	-0.3	91.6	871.3	2,999.0
2023	2,015.9	93.2	-0.4	93.6	965.0	2,980.9
2024	1,890.9	95.2	-0.5	95.7	1,060.7	2,951.5
2025	1,753.6	97.0	-0.6	97.6	1,158.3	2,911.9
2026	1,605.5	98.9	-0.7	99.6	1,257.9	2,863.3
2027	1,448.1	101.0	-0.7	101.8	1,359.6	2,807.7
2028	1,282.9	103.2	-0.8	104.0	1,463.6	2,746.5
2029	1,111.6	105.5	-0.9	106.4	1,570.0	2,681.6
2030	935.7	108.0	-0.9	108.9	1,679.0	2,614.7
2031	757.0	110.7	-1.0	111.7	1,790.7	2,547.7
2032	576.1	113.5	-1.1	114.6	1,905.2	2,481.3
2033	393.8	115.0	-1.1	116.1	2,021.3	2,415.2
2034	211.4	113.8	-1.2	115.0	2,136.4	2,347.8
2035	29.8	112.6	-1.3	113.8	2,250.2	2,280.0
2036	-150.6	111.3	-1.3	112.6	2,362.8	2,212.2
2037	-329.1	110.0	-1.4	111.4	2,474.2	2,145.1
2038	-504.7	108.9	-1.5	110.3	2,584.6	2,079.9
2039	-676.9	107.7	-1.5	109.2	2,693.8	2,016.9
2040	-845.5	106.5	-1.6	108.1	2,801.8	1,956.3
2041	-1,010.4	105.3	-1.7	107.0	2,908.8	1,898.4
2042	-1,171.6	104.1	-1.7	105.9	3,014.7	1,843.0
2043	-1,329.5	103.0	-1.8	104.7	3,119.4	1,789.9
2044	-1,484.4	101.8	-1.9	103.6	3,223.0	1,738.6
2045	-1,636.3	100.6	-1.9	102.5	3,325.5	1,689.2
2046	-1,785.2	99.4	-2.0	101.4	3,426.9	1,641.7
2047	-1,931.5	98.2	-2.1	100.3	3,527.2	1,595.7
2048	-2,075.1	97.0	-2.1	99.1	3,626.3	1,551.3
2049	-2,216.1	95.9	-2.2	98.0	3,724.4	1,508.3
2050	-2,354.8	94.7	-2.2	96.9	3,821.3	1,466.5
2051	-2,491.4	93.6	-2.3	95.9	3,917.2	1,425.7
2052	-2,626.4	92.4	-2.4	94.8	4,011.9	1,385.5
2053	-2,759.9	91.3	-2.4	93.7	4,105.6	1,345.7
2054	-2,892.1	90.2	-2.5	92.6	4,198.2	1,306.1
2055	-3,023.3	89.0	-2.5	91.6	4,289.8	1,266.5
2056	-3,153.5	87.9	-2.6	90.5	4,380.3	1,226.8
2057	-3,282.7	86.8	-2.6	89.4	4,469.7	1,187.0
2058	-3,410.8	85.8	-2.6	88.4	4,558.1	1,147.3
2059	-3,537.8	84.7	-2.7	87.4	4,645.5	1,107.7
2060	-3,663.4	83.7	-2.7	86.4	4,731.9	1,068.4
2061	-3,787.8	82.7	-2.7	85.4	4,817.3	1,029.5
2062	-3,911.0	81.7	-2.7	84.4	4,901.7	990.7
2063	-4,032.9	80.7	-2.7	83.4	4,985.1	952.2
2064	-4,153.8	79.7	-2.7	82.5	5,067.6	913.8
2065	-4,273.6	78.8	-2.8	81.5	5,149.1	875.5
2066	-4,392.6	77.8	-2.8	80.6	5,229.7	837.1
2067	-4,510.8	76.8	-2.8	79.6	5,309.3	798.5
2068	-4,628.3	75.9	-2.8	78.7	5,387.9	759.7
2069	-4,745.1	75.0	-2.8	77.7	5,465.7	720.6
2070	-4,861.5	74.1	-2.8	76.8	5,542.5	681.1
2071	-4,977.2	73.2	-2.7	75.9	5,618.4	641.2
2072	-5,092.4	72.3	-2.7	75.0	5,693.5	601.0
2073	-5,207.2	71.4	-2.7	74.1	5,767.6	560.4
2074	-5,321.6	70.5	-2.7	73.2	5,840.8	519.2
2075	-5,435.5	69.7	-2.7	72.4	5,913.2	477.7
2076	-5,548.9	68.8	-2.7	71.5	5,984.6	435.7
2077	-5,661.8	68.0	-2.7	70.6	6,055.3	393.4
2078	-5,774.2	67.1	-2.6	69.8	6,125.0	350.8
2079	-5,886.2	66.3	-2.6	68.9	6,193.9	307.7
2080	-5,997.7	65.5	-2.6	68.1	6,262.0	264.3
2081	-6,108.7	64.7	-2.6	67.2	6,329.3	220.5
2082	-6,219.3	63.9	-2.5	66.4	6,395.7	176.4
2083	-6,329.5	63.1	-2.5	65.6	6,461.3	131.8
2084	-6,439.2	62.3	-2.5	64.8	6,526.1	86.9
2085	-6,548.4	61.6	-2.4	64.0	6,590.1	41.7
Total 2011-2085		6459.2	-130.9	6590.1		

Based on Intermediate Assumptions of the 2011 Trustees Report.

Ultimate Real Trust Fund Yield of 2.9%.

Office of the Chief Actuary
Social Security Administration
September 7, 2011

BERNARD SANDERS
VERMONT

COMMITTEES:
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September 1, 2011

Stephen C. Goss, Chief Actuary
Office of the Chief Actuary
Social Security Administration
6401 Security Boulevard
700 Altmeyer
Baltimore, MD 21235

Dear Mr. Goss:

I will soon be introducing the Keeping Our Social Security Promises Act with Senator Boxer which I have attached for your review. The legislative intent of this bill is to achieve 75 year solvency for Social Security. It aims to do so by applying the Social Security FICA tax to all income, including self-employment income, above \$250,000 in addition to income under the current cap.

Under my legislation, the cap would remain indexed to the AWI while the \$250,000 would be set in place. For benefit purposes, the cap indexed to the AWI would remain in place no matter the amount of income being taxed. At no time would all levels of income be considered for benefit purposes.

I would appreciate the assistance of the Office of the Chief Actuary in assembling a report that analyzes the effect on Social Security solvency that the bill, as specifically described in this letter, would have.

Please contact Warren Gunnels on my staff if you have any questions or need any clarifications. Thank you in advance for your assistance.

Sincerely,



Bernard Sanders
United States Senator

112TH CONGRESS
1ST SESSION

S. _____

To amend the Internal Revenue Code of 1986 to apply payroll taxes to remuneration and earnings from self-employment up to the contribution and benefit base and to remuneration in excess of \$250,000.

IN THE SENATE OF THE UNITED STATES

Mr. SANDERS introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to apply payroll taxes to remuneration and earnings from self-employment up to the contribution and benefit base and to remuneration in excess of \$250,000.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Keeping Our Social
5 Security Promises Act”.

1 **SEC. 2. PAYROLL TAX ON REMUNERATION UP TO CON-**
2 **TRIBUTION AND BENEFIT BASE AND MORE**
3 **THAN \$250,000.**

4 (a) **IN GENERAL.**—Paragraph (1) of section 3121(a)
5 of the Internal Revenue Code of 1986 is amended by in-
6 serting after “such calendar year.” the following: “The
7 preceding sentence shall apply only to calendar years for
8 which the contribution and benefit base (as so determined)
9 is less than \$250,000, and, for such calendar years, only
10 to so much of the remuneration paid to such employee
11 by such employer with respect to employment as does not
12 exceed \$250,000.”.

13 (b) **CONFORMING AMENDMENT.**—Paragraph (1) of
14 section 3121 of the Internal Revenue Code of 1986 is
15 amended by striking “Act) to” and inserting “Act), or in
16 excess of \$250,000, to”.

17 (c) **EFFECTIVE DATE.**—The amendments made by
18 this section shall apply to remuneration paid after Decem-
19 ber 31, 2011.

20 **SEC. 3. TAX ON NET EARNINGS FROM SELF-EMPLOYMENT**
21 **UP TO CONTRIBUTION AND BENEFIT BASE**
22 **AND MORE THAN \$250,000.**

23 (a) **IN GENERAL.**—Paragraph (1) of section 1402(b)
24 of the Internal Revenue Code of 1986 is amended to read
25 as follows:

1 “(1) in the case of the tax imposed by section
2 1401(a), the excess of—

3 “(A) that part of the net earnings from
4 self-employment which is in excess of—

5 “(i) an amount equal to the contribu-
6 tion and benefit base (as determined under
7 section 230 of the Social Security Act)
8 which is effective for the calendar year in
9 which such taxable year begins, minus

10 “(ii) the amount of the wages paid to
11 such individual during such taxable years;
12 over

13 “(B) that part of the net earnings from
14 self-employment which is in excess of the sum
15 of—

16 “(i) the excess of—

17 “(I) the net earning from self-
18 employment reduced by the excess (if
19 any) of subparagraph (A)(i) over sub-
20 paragraph (A)(ii), over

21 “(II) \$250,000, reduced by such
22 contribution and benefit base, plus

23 “(ii) the amount of the wages paid to
24 such individual during such taxable year in

1 excess of such contribution and benefit
2 base and not in excess of \$250,000; or”.

3 (b) PHASEOUT.—Subsection (b) of section 1402 of
4 the Internal Revenue Code of 1986 is amended by adding
5 at the end the following: “Paragraph (1) shall apply only
6 to taxable years beginning in calendar years for which the
7 contribution and benefit base (as determined under section
8 230 of the Social Security Act) is less than \$250,000.”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to net earnings from self-employ-
11 ment derived, and remuneration paid, after December 31,
12 2011.