

Social Security Taxation System Revision From Regressive To Progressive On All Income

The Social Security taxation system only taxes a person's "earned" income, i.e., salaries and wages, below a certain amount called the "cap" (currently \$106,800). All other income (officially called "unearned" income, which includes income such as capital gains, interest and dividends, profits from rents and royalties, etc.) has never been taxed for Social Security contributions. Since 85% of all taxpayers (those with earned incomes below the cap) have a gross income (= earned plus unearned income) consisting almost entirely of earned income, they annually pay nearly 6.2% of their gross income for Social Security contributions. On the other hand, the set of taxpayers with annual gross incomes of over \$200,000 (they comprise only 3% of all taxpayers but have 30% of all US gross income!) contribute from only 0.006% to less than 3% of their gross income to Social Security.

An analysis of the Social Security system for the 16 year period, 1993 through 2008, shows that the taxation of all gross income, not merely salaries and wages, will easily provide for sufficient annual contributions and Social Security Trust Fund assets growth to take care of the retirement needs of our increasingly aging population into perpetuity, and without reducing retirement benefits nor increasing the retirement age.

Here are the details for this progressive taxation system that will accomplish all of this.

If the Social Security contributions rate for the 85% of the set of all taxpayers with gross incomes below \$106,800 was changed to range from 4% to 5% on their gross income, this rate would be LOWER than the current effective rate of 6.2%! Further, if the rate on the annual gross incomes of those having over \$106,800 in gross income was set to a range of 6% to 7%, and if employers continued to contribute the existing rate of 6.2% on the total salaries and wages (no caps) of all workers, then the following result would ensue: In the calendar year 2008 (latest available year with complete individual income tax return data), the contributions to Social Security **WOULD HAVE INCREASED BY \$95 BILLION!** In ten years, the increased contributions would come to **\$ONE TRILLION!**

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