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## A Look at Biden's Social Security Plan

By Kerry Pechter     Sat, Oct 10, 2020

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*There's more to Biden's proposal than raising payroll taxes on >\$400k earners. The wealthy would see their benefits go up more in dollars, while the poor would see theirs rise more on a percentage basis. The Social Security 'funding gap' remains unresolved under the proposal, however.*

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With the presidential election looming, the candidates' views on Social Security and how to "fix it" are important to those who follow retirement policy. The president has made non-specific promises to maintain the program. Former vice president Joe Biden has specific proposals.

In a recent [report](#), the Urban Institute, a progressive Washington think tank has reviewed the Biden plan. According to the report, an incoming Democratic administration would raise benefits for almost everybody and collect more taxes from those earning more than \$400,000.

That is, someone with an income of \$500,000 would pay \$12,400 more in payroll taxes. Eighty-seven percent of the additional payroll taxes generated by Biden's plan in 2065 would be paid by Americans in the top one percent of the income distribution, the report said.

Surprisingly, the Biden plan doesn't fully address the Social Security funding gap. "Our projections indicate that Biden's plan would close about a quarter of Social Security's 75-year deficit and extend the life of the trust funds by five years," the report said. "Additional revenue sources would be needed in the future for Social Security to pay the full benefits scheduled under Biden's plan."

Overall, the Biden plan reflects the thinking of those, including the Social Security Administration's own chief actuary and experts like Alicia Munnell of the Center for Retirement Research at Boston College, who have maintained for years that there's no "crisis" in Social Security that would require radical change, such as partial privatization.

Resistant to the neoliberal thinking that favors privatization—since the 1970s, some economists have argued that payroll taxes shrink private savings and investment—Social Security advocates have said that an increase in the payroll tax by a few percentage points

or the level of income covered by it, plus a few tweaks to benefits, would enable the program to pay all promised benefits for the foreseeable future without violating existing funding rules.

Here are the specifics of the Biden plan, according to the Urban Institute:

- Levy the current 12.4% payroll tax on earnings above \$400,000 as well as on earnings up to \$137,000 (in 2020). Income between \$137,000 and \$400,000 would not be taxed until, as a result of inflation-related increases, the [FICA wage limit](#) reaches \$400,000. After that, all earnings up to \$400,000 would be taxed.
- Replace Social Security's existing minimum benefit, which is too low to help many beneficiaries, with a meaningful minimum benefit equal to 125% of the Federal Poverty Level for a single adult, or \$15,950 annually in 2020.
- Index the minimum benefit to the average national wage, which generally grows faster than inflation. Beneficiaries must have completed 30 years of covered employment to qualify for the full minimum, but beneficiaries with at least 10 years of covered employment could qualify for a prorated share of the minimum.
- Enhance benefits by tying Social Security cost-of-living adjustments (COLAs) to changes in the consumer price index for the elderly (CPI-E) instead of changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).
- Extend Social Security earnings credits to workers who care for children younger than age 12 and for family members with disabilities. For every month that caregivers provide at least 80 hours of care, Social Security would credit them with earnings equal to half the average national monthly wage in addition to their earnings from covered employment that month. The plan would reduce a caregiver's credit by 50 cents for every \$1 he or she earns up to the average wage, which was \$50,322 in 2017.
- Allow widows and widowers of Social Security recipients, if they wish, to collect 75% of the total benefit received by the household before their deceased spouse died, as long as the new payment isn't higher than the benefit that a two-earner couple with average career earnings would receive. Under current law, benefits may drop by as much as 50% when one spouse in a two-earner couple dies.
- Provide a bonus equal to 5% of the average benefit to beneficiaries who had collected payments for 20 years; the bonus would phase in, beginning with a 1% boost for beneficiaries who had collected for 16 years.
- Repeal Social Security's Windfall Elimination Provision and Government Pension Offset, which reduces Social Security benefits for workers receiving significant government pensions from jobs not covered by Social Security and their spouses and survivors.
- Increase 2065 median annual Social Security benefits 14%, to \$20,700 (in 2018 inflation-adjusted dollars)

- Boost median benefits 27% for beneficiaries in the bottom fifth of the lifetime earnings distribution compared with only 14% for beneficiaries in the top three-fifths of the lifetime earnings distribution. Higher earners would nonetheless see the largest absolute dollar increases in their benefits.

How would these proposal affect Social Security's finances? According to Urban Institute calculations:

- By 2040, Social Security would collect 7% more revenue in 2021, 12% more revenue in 2040, and 16% more in 2065.
- Biden's plan would increase total projected federal and state income and payroll tax collections 2.4% in 2065
- Total income and payroll taxes collected from taxpayers with incomes between \$500,000 and \$1 million (in 2018 inflation-adjusted dollars) would increase 4.1%.
- Benefits scheduled under Biden's plan would increase Social Security's spending to 18.7% of taxable payroll in 2065, or nine percent more than scheduled under current law.

President Trump has announced no specific Social Security plan. According to the Urban institute, in an August 2020 news conference, he suggested eliminating the Social Security payroll tax and financing benefits through transfers from the federal government's general fund. Trump did not specify how the federal government would pay for those transfers, especially given the government's expected \$3 trillion deficit this year.

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