

Who's (Still) Above the Social Security Payroll Tax Cap?

BY NICOLE WOO, JANELLE JONES, AND JOHN SCHMITT*

Last fall, we released an issue brief¹ examining the share of workers with earnings above the annual limit subject to the Social Security payroll tax, then \$106,800. As debate continues around this issue and the limit automatically changed at the beginning of 2012, we have updated our findings to look at workers above the new \$110,100 cap.

Since any annual wages above \$110,100 are not taxed by Social Security, raising – or even eliminating – the cap has gotten some attention as a way to help alleviate Social Security's long-term budget shortfall. Last year, Senator Bernie Sanders and Congressman Peter DeFazio introduced legislation to apply the Social Security payroll tax to earnings above \$250,000.² Both bills currently have 10 co-sponsors each, including Senate Majority Leader Harry Reid. It is similar to previous bills and echoes a proposal by then-Senator Obama on the campaign trail in 2008. While the legislation is still pending, this earnings benchmark is important in discussions on this and related tax topics, and thus, we include it in our analysis.

In what follows, we examine the Census Bureau data from the most recently available American Community Survey (ACS) and find that 5.8 percent of workers would be affected if the Social Security cap were eliminated entirely and 1.4 percent would be affected if the current tax were applied to earnings over \$250,000 (but not between the current cap and the \$250,000 level). When we calculate breakdowns by gender, race or ethnicity, age, and state of residence, the share of workers that would pay more varies widely.

For example, less than 3 percent of female workers would be affected if the Social Security wage cap were eliminated entirely, and ½ of 1 percent would pay more if the tax were applied to earnings over \$250,000 per year. Similarly, only about 2 percent of black and Latino workers would be affected if the cap were lifted entirely, and about ½ of 1 percent would be affected if earnings above \$250,000 were included in the tax. The tables below show detailed breakdowns.



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TABLE 1
Workers with Annual Earnings over \$110,100 and \$250,000 by Race/Ethnicity

| Race/Ethnicity | \$110,100 | | \$250,000 | |
|----------------|-----------|-----------|-----------|-----------|
| | Percent | Number | Percent | Number |
| All | 5.8 | 8,316,222 | 1.4 | 1,962,237 |
| White | 7.0 | 6,766,825 | 1.7 | 1,675,502 |
| Black | 2.3 | 371,304 | 0.4 | 62,859 |
| Latino | 2.3 | 324,659 | 0.5 | 64,952 |
| Asian | 8.9 | 732,628 | 1.7 | 136,428 |
| Other | 1.4 | 120,806 | 0.3 | 22,496 |

Source: Authors' analysis of American Community Survey (ACS), 2010.

Notes: In order to focus on workers with significant attachment to work, calculations exclude those who are younger than 16, or who worked fewer than 14 weeks in the preceding 12 months, or usually worked fewer than 10 hours per week. This has the effect of making these estimates conservative; without these exclusions the percentages shown would be smaller.

TABLE 2
Workers with Annual Earnings over \$110,100 and \$250,000, by Race Ethnicity and Gender

| Race/Ethnicity | \$110,100 | | | | \$250,000 | | | |
|----------------|-----------|-----------|---------|-----------|-----------|-----------|---------|---------|
| | Male | | Female | | Male | | Female | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| All | 8.4 | 6,404,094 | 2.8 | 1,912,128 | 2.2 | 1,639,696 | 0.5 | 322,541 |
| White | 10.4 | 5,325,678 | 3.2 | 1,441,147 | 2.8 | 1,421,056 | 0.6 | 254,446 |
| Black | 3.2 | 233,708 | 1.6 | 137,596 | 0.6 | 43,972 | 0.2 | 18,887 |
| Hispanic | 3.0 | 242,079 | 1.3 | 82,580 | 0.7 | 53,826 | 0.2 | 11,126 |
| Asian | 11.9 | 509,231 | 5.7 | 223,397 | 2.4 | 102,855 | 0.9 | 33,573 |
| Other | 1.9 | 93,398 | 0.8 | 27,408 | 0.4 | 17,987 | 0.1 | 4,509 |

Source and notes: See Table 1.

TABLE 3
Workers who earned over \$110,100 by Age Group

| Age Group | \$110,100 | | \$250,000 | |
|-----------|-----------|-----------|-----------|-----------|
| | Percent | Number | Percent | Number |
| All | 5.8 | 8,316,222 | 1.4 | 1,962,237 |
| 16-24 | 0.1 | 13,965 | 0.0 | 3,837 |
| 25-34 | 2.2 | 700,917 | 0.3 | 99,896 |
| 35-44 | 7.2 | 2,316,374 | 1.5 | 494,651 |
| 45-54 | 8.7 | 2,973,783 | 2.1 | 725,603 |
| 55-64 | 8.4 | 1,888,918 | 2.2 | 499,615 |
| 65+ | 7.0 | 422,265 | 2.3 | 138,635 |

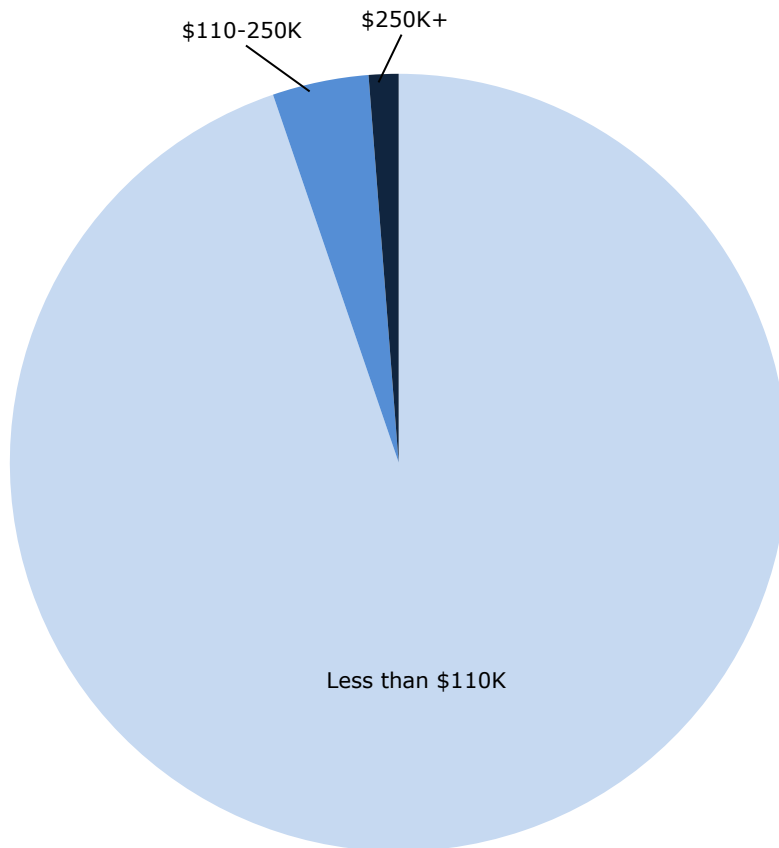
Source and notes: See Table 1.

TABLE 4
Workers with Annual Earnings over \$110,100 and \$250,000, by Age Group and Gender

| Age Group | \$110,100 | | | | \$250,000 | | | |
|-----------|-----------|-----------|---------|-----------|-----------|-----------|---------|---------|
| | Male | | Female | | Male | | Female | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| All | 8.4 | 6,404,094 | 2.8 | 1,912,128 | 2.2 | 1,639,696 | 0.5 | 322,541 |
| 16-24 | 0.1 | 10,937 | 0.0 | 3,028 | 0.0 | 2,798 | 0.0 | 1,039 |
| 25-34 | 3.0 | 496,532 | 1.4 | 204,385 | 0.5 | 77,277 | 0.2 | 22,619 |
| 35-44 | 10.1 | 1,744,154 | 3.9 | 572,220 | 2.3 | 401,832 | 0.6 | 92,819 |
| 45-54 | 12.9 | 2,283,999 | 4.2 | 689,784 | 3.4 | 601,078 | 0.8 | 124,525 |
| 55-64 | 12.9 | 1,499,811 | 3.6 | 389,107 | 3.7 | 429,885 | 0.6 | 69,730 |
| 65+ | 10.8 | 368,661 | 2.0 | 53,604 | 3.7 | 126,826 | 0.4 | 11,809 |

Source and notes: See Table 1.

FIGURE 1
Workers Earning Less than \$110K, \$110-250K, and \$250K+



Source and notes: See Table 1.

TABLE 5
Workers with Annual Earnings over \$110,100 and \$250,000, by State

| State | \$110,100 | | \$250,000 | |
|-------|-----------|-----------|-----------|-----------|
| | Percent | Number | Percent | Number |
| All | 5.8 | 8,316,222 | 1.4 | 1,962,237 |
| AL | 4.1 | 84,767 | 1.5 | 31,671 |
| AK | 6.0 | 22,183 | 1.0 | 3,784 |
| AZ | 5.0 | 138,370 | 1.2 | 31,932 |
| AR | 3.0 | 38,693 | 0.4 | 4,921 |
| CA | 7.8 | 1,315,428 | 1.5 | 253,580 |
| CO | 6.3 | 162,214 | 1.3 | 33,298 |
| CT | 9.1 | 161,793 | 2.3 | 40,505 |
| DE | 5.9 | 24,898 | 1.2 | 5,177 |
| DC | 15.2 | 47,726 | 2.6 | 8,284 |
| FL | 4.4 | 363,481 | 1.4 | 113,510 |
| GA | 5.4 | 233,872 | 1.3 | 55,417 |
| HI | 4.2 | 28,542 | 1.0 | 7,059 |
| ID | 3.3 | 23,124 | 1.1 | 7,832 |
| IL | 6.2 | 377,267 | 1.4 | 84,803 |
| IN | 3.6 | 108,388 | 1.1 | 33,305 |
| IA | 3.2 | 50,021 | 1.0 | 16,322 |
| KS | 3.9 | 55,394 | 1.5 | 20,771 |
| KY | 3.3 | 62,138 | 1.4 | 26,913 |
| LA | 4.2 | 87,988 | 1.4 | 28,778 |
| ME | 3.2 | 21,093 | 1.2 | 7,904 |
| MD | 9.9 | 291,902 | 1.2 | 35,983 |
| MA | 8.7 | 287,626 | 1.7 | 55,243 |
| MI | 4.3 | 185,918 | 1.3 | 54,172 |
| MN | 5.8 | 160,163 | 1.4 | 37,581 |
| MS | 3.1 | 37,444 | 1.3 | 16,307 |
| MO | 4.0 | 114,867 | 1.1 | 31,727 |
| MT | 3.1 | 15,408 | 0.1 | 392 |
| NE | 2.8 | 26,690 | 0.8 | 7,985 |
| NV | 4.3 | 54,660 | 1.3 | 16,156 |
| NH | 6.4 | 45,126 | 1.1 | 7,546 |
| NJ | 10.4 | 441,699 | 1.8 | 77,846 |
| NM | 3.7 | 33,824 | 0.0 | 446 |
| NY | 7.7 | 705,798 | 1.7 | 159,087 |
| NC | 4.4 | 190,927 | 1.2 | 50,753 |
| ND | 2.6 | 9,509 | 0.7 | 2,685 |
| OH | 4.1 | 219,277 | 1.1 | 60,597 |
| OK | 3.5 | 61,214 | 1.2 | 21,741 |
| OR | 4.6 | 79,780 | 1.0 | 18,130 |
| PA | 5.2 | 314,099 | 1.3 | 80,929 |
| RI | 5.3 | 26,528 | 1.4 | 6,897 |
| SC | 3.4 | 69,960 | 1.2 | 24,037 |
| SD | 3.2 | 13,229 | 1.8 | 7,345 |
| TN | 3.9 | 112,398 | 1.4 | 39,205 |
| TX | 5.5 | 647,492 | 1.6 | 183,740 |
| UT | 3.9 | 49,401 | 1.3 | 16,929 |
| VT | 3.6 | 11,896 | 0.9 | 2,826 |
| VA | 9.1 | 364,204 | 1.2 | 49,316 |
| WA | 6.2 | 198,851 | 1.5 | 47,112 |
| WV | 2.6 | 19,918 | 0.0 | 328 |
| WI | 3.8 | 108,925 | 1.2 | 33,206 |
| WY | 3.4 | 10,109 | 0.1 | 224 |

Source and notes: See Table 1.

TABLE 6
Workers with Annual Earnings over \$110,100 and \$250,000, by State and Gender

| State | \$110,100 | | | | \$250,000 | | | |
|-------|-----------|-----------|---------|-----------|-----------|-----------|---------|---------|
| | Male | | Female | | Male | | Female | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| All | 8.4 | 6,404,094 | 2.8 | 1,912,128 | 2.2 | 1,639,696 | 0.5 | 322,541 |
| AL | 6.6 | 71,603 | 1.4 | 13,164 | 2.6 | 28,360 | 0.3 | 3,311 |
| AK | 8.5 | 17,700 | 2.7 | 4,483 | 1.1 | 2,357 | 0.9 | 1,427 |
| AZ | 7.3 | 108,876 | 2.3 | 29,494 | 1.8 | 26,871 | 0.4 | 5,061 |
| AR | 4.7 | 31,037 | 1.3 | 7,656 | 0.7 | 4,513 | 0.1 | 408 |
| CA | 10.5 | 962,211 | 4.6 | 353,217 | 2.2 | 205,176 | 0.6 | 48,404 |
| CO | 9.2 | 127,263 | 3.0 | 34,951 | 2.0 | 27,545 | 0.5 | 5,753 |
| CT | 13.3 | 122,785 | 4.6 | 39,008 | 3.9 | 35,646 | 0.6 | 4,859 |
| DE | 9.1 | 19,645 | 2.5 | 5,253 | 2.1 | 4,494 | 0.3 | 683 |
| DC | 18.6 | 28,627 | 11.9 | 19,099 | 4.2 | 6,402 | 1.2 | 1,882 |
| FL | 6.6 | 284,202 | 2.0 | 79,279 | 2.2 | 94,045 | 0.5 | 19,465 |
| GA | 8.1 | 185,674 | 2.3 | 48,198 | 2.0 | 45,508 | 0.5 | 9,909 |
| HI | 6.0 | 21,764 | 2.1 | 6,778 | 1.5 | 5,407 | 0.5 | 1,652 |
| ID | 5.4 | 20,303 | 0.9 | 2,821 | 1.9 | 7,104 | 0.2 | 728 |
| IL | 9.1 | 289,182 | 3.1 | 88,085 | 2.2 | 70,253 | 0.5 | 14,550 |
| IN | 5.5 | 86,688 | 1.5 | 21,700 | 1.8 | 28,616 | 0.3 | 4,689 |
| IA | 5.2 | 42,846 | 1.0 | 7,175 | 1.8 | 14,647 | 0.2 | 1,675 |
| KS | 6.1 | 45,530 | 1.5 | 9,864 | 2.4 | 17,791 | 0.4 | 2,980 |
| KY | 5.0 | 50,832 | 1.3 | 11,306 | 2.3 | 22,829 | 0.5 | 4,084 |
| LA | 6.8 | 73,478 | 1.5 | 14,510 | 2.3 | 25,256 | 0.4 | 3,522 |
| ME | 4.8 | 16,452 | 1.4 | 4,641 | 2.0 | 6,919 | 0.3 | 985 |
| MD | 13.8 | 205,810 | 6.0 | 86,092 | 2.0 | 30,227 | 0.4 | 5,756 |
| MA | 12.7 | 214,898 | 4.5 | 72,728 | 2.8 | 46,858 | 0.5 | 8,385 |
| MI | 6.7 | 147,790 | 1.8 | 38,128 | 2.0 | 44,330 | 0.5 | 9,842 |
| MN | 8.8 | 125,205 | 2.7 | 34,958 | 2.3 | 32,570 | 0.4 | 5,011 |
| MS | 5.0 | 31,836 | 1.0 | 5,608 | 2.2 | 14,025 | 0.4 | 2,282 |
| MO | 6.2 | 90,501 | 1.8 | 24,366 | 1.8 | 26,010 | 0.4 | 5,717 |
| MT | 4.8 | 12,505 | 1.2 | 2,903 | 0.2 | 392 | 0.0 | 0 |
| NE | 4.5 | 22,846 | 0.8 | 3,844 | 1.4 | 6,985 | 0.2 | 1,000 |
| NV | 6.2 | 41,986 | 2.2 | 12,674 | 1.8 | 11,925 | 0.7 | 4,231 |
| NH | 10.0 | 36,677 | 2.5 | 8,449 | 1.8 | 6,774 | 0.2 | 772 |
| NJ | 15.1 | 337,916 | 5.2 | 103,783 | 3.0 | 66,535 | 0.6 | 11,311 |
| NM | 5.1 | 24,785 | 2.1 | 9,039 | 0.1 | 369 | 0.0 | 77 |
| NY | 10.7 | 506,369 | 4.5 | 199,429 | 2.7 | 126,429 | 0.7 | 32,658 |
| NC | 6.6 | 150,827 | 1.9 | 40,100 | 1.8 | 41,487 | 0.4 | 9,266 |
| ND | 4.3 | 8,639 | 0.5 | 870 | 1.1 | 2,219 | 0.3 | 466 |
| OH | 6.3 | 173,262 | 1.8 | 46,015 | 1.8 | 50,261 | 0.4 | 10,336 |
| OK | 5.7 | 53,519 | 0.9 | 7,695 | 2.0 | 19,135 | 0.3 | 2,606 |
| OR | 7.0 | 63,392 | 2.0 | 16,388 | 1.7 | 15,609 | 0.3 | 2,521 |
| PA | 8.0 | 248,627 | 2.3 | 65,472 | 2.2 | 68,175 | 0.4 | 12,754 |
| RI | 7.8 | 19,662 | 2.7 | 6,866 | 2.1 | 5,233 | 0.7 | 1,664 |
| SC | 5.4 | 57,518 | 1.3 | 12,442 | 1.9 | 20,448 | 0.4 | 3,589 |
| SD | 4.7 | 10,637 | 1.3 | 2,592 | 2.9 | 6,484 | 0.4 | 861 |
| TN | 6.1 | 91,505 | 1.5 | 20,893 | 2.2 | 33,503 | 0.4 | 5,702 |
| TX | 8.3 | 528,825 | 2.2 | 118,667 | 2.5 | 159,231 | 0.5 | 24,509 |
| UT | 6.2 | 43,809 | 1.0 | 5,592 | 2.1 | 15,055 | 0.3 | 1,874 |
| VT | 5.5 | 9,382 | 1.6 | 2,514 | 1.3 | 2,163 | 0.4 | 663 |
| VA | 13.0 | 272,001 | 4.8 | 92,203 | 1.9 | 40,536 | 0.5 | 8,780 |
| WA | 8.9 | 155,089 | 3.0 | 43,762 | 2.3 | 39,233 | 0.5 | 7,879 |
| WV | 3.8 | 15,859 | 1.1 | 4,059 | 0.1 | 328 | 0.0 | 0 |
| WI | 5.9 | 87,664 | 1.5 | 21,261 | 1.8 | 27,281 | 0.4 | 5,925 |
| WY | 4.9 | 8,055 | 1.6 | 2,054 | 0.1 | 147 | 0.1 | 77 |

Source and notes: See Table 1.

1 Woo, Nicole, Janelle Jones, and John Schmitt. 2011. "Who's Above the Social Security Payroll Tax Cap?" Washington, DC: Center for Economic and Policy Research. <http://www.cepr.net/documents/publications/ss-cap-2011-09.pdf>.

2 S.1558, Keeping Our Social Security Promises Act and H.R. 797, the No Loopholes in Social Security Taxes Act.