



Raising the Social Security Payroll Tax Cap: How Many Workers Would Pay More?

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On January 1st, the maximum amount of earnings subject to the Social Security tax – a.k.a. the payroll tax cap – increased to \$113,700. Every year, this cap is adjusted to keep up with inflation.

Many Americans are not aware that income above the cap is not taxed by Social Security. A worker who makes twice the cap – \$227,400 per year – pays Social Security tax on only half of his or her earnings, and one who makes over a million dollars per year pays the tax on only about a tenth, or even less. In other words, workers who make \$113,700 or less per year pay a *higher* Social Security payroll tax rate than those who make more.

To help alleviate Social Security's long-term budget shortfall, raising – or even eliminating – the cap has gotten attention from policy makers. In the last session of Congress, Senator Mark Begich and Congressman Ted Deutch introduced bills to eliminate the cap entirely, in order to have all workers pay the same overall Social Security tax rate.

In addition, Senator Bernie Sanders and Congressman Peter DeFazio introduced bills to apply the Social Security payroll tax to earnings above \$250,000 (but not to wages between the current cap and \$250,000). These bills are similar to a proposal by then-Senator Obama on the campaign trail in 2008. In addition to helping secure the solvency of the program, these proposals would avoid an increase in taxes on the middle class.



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In the tables and figures that follow, we examine the Census Bureau data from the most recently available American Community Survey to determine how many workers would be affected by raising or eliminating the cap. We find that about 1 in 20 workers (the top 5.2 percent) would pay more if the Social Security cap were eliminated entirely and only the top 1.3 percent would be affected if the tax were applied to earnings over \$250,000.

When we analyze the working population according to gender, race or ethnicity, age, and state of residence, the share of workers that would pay more varies widely. For example, only 1 in 40 (2.5 percent of) female workers would pay more if the Social Security wage cap were eliminated

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entirely, and half of one percent would be affected if the tax were applied to earnings over \$250,000 per year. Similarly, only about 1 in 50 black and Latino workers would pay more if the cap were lifted entirely, and less than 1 in 200 (0.4 percent) would be affected if earnings above \$250,000 were included in the tax.

TABLE 1**Workers with Annual Earnings over \$113,700 and \$250,000 by Race/Ethnicity**

Race/Ethnicity	\$113,700		\$250,000	
	Percent	Number	Percent	Number
All	5.2	7,537,557	1.3	1,897,267
White	6.4	6,133,375	1.7	1,609,964
Black	1.9	313,818	0.4	62,327
Latino	2.0	295,305	0.4	66,710
Asian	8.2	690,389	1.6	136,853
Other	1.2	104,670	0.3	21,413

Source: Authors' analysis of American Community Survey (ACS), 2011.

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 \$113,700 and \$250,000, by Race Ethnicity and Gender**

Race/Ethnicity	\$113,700				\$250,000			
	Male		Female		Male		Female	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
All	7.6	5,830,566	2.5	1,706,991	2.1	1,582,011	0.5	315,256
White	9.5	4,846,427	2.9	1,286,948	2.7	1,363,351	0.5	246,613
Black	2.6	195,953	1.3	117,865	0.6	42,536	0.2	19,791
Hispanic	2.7	225,729	1.1	69,576	0.6	54,582	0.2	12,128
Asian	11.0	483,049	5.2	207,340	2.4	103,638	0.8	33,215
Other	1.6	79,408	0.7	25,262	0.4	17,904	0.1	3,509

Source and notes: See Table 1.

TABLE 3**Workers with Annual Earnings over \$113,700 and \$250,000, by Age Group**

Age Group	\$113,700		\$250,000	
	Percent	Number	Percent	Number
All	5.2	7,537,557	1.3	1,897,267
16-24	0.1	17,170	0.0	5,994
25-34	1.9	597,047	0.3	98,298
35-44	6.5	2,053,665	1.5	477,542
45-54	7.9	2,647,328	2.0	682,526
55-64	7.8	1,801,214	2.1	493,270
65+	6.8	421,133	2.2	139,637

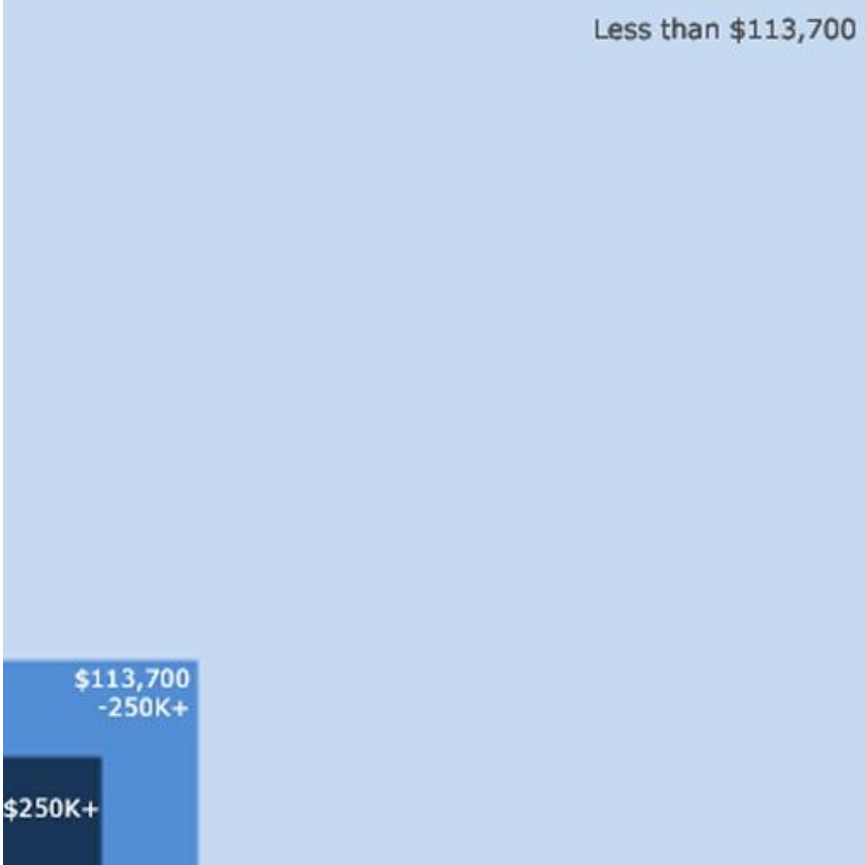
Source and notes: See Table 1.

TABLE 4
Workers with Annual Earnings over \$113,700 and \$250,000, by Age Group and Gender

Age Group	\$113,700				\$250,000			
	Male		Female		Male		Female	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
All	7.6389	5,830,566	2.5134	1,706,991	2.1	1,582,011	0.5	315,256
16-24	0.1	13,100	0.0	4,070	0.1	4,877	0.0	1,117
25-34	2.5	431,515	1.1	165,532	0.5	79,179	0.1	19,119
35-44	9.0	1,545,571	3.5	508,094	2.2	385,055	0.6	92,487
45-54	11.6	2,048,329	3.7	598,999	3.2	568,564	0.7	113,962
55-64	11.9	1,427,929	3.3	373,285	3.5	418,684	0.7	74,586
65+	10.4	364,122	2.1	57,011	3.6	125,652	0.5	13,985

Source and notes: See Table 1.

FIGURE 1
Workers Earning Less than \$113,700, \$113,700-250K, and \$250K+



Source and notes: See Table 1.

TABLE 5
Workers with Annual Earnings over \$113,700 and \$250,000, by State

State	\$113,700		\$250,000	
	Percent	Number	Percent	Number
All	5.2	7,537,557	1.3	1,897,267
AL	3.4	69,300	1.4	28,380
AK	5.2	19,718	1.4	5,287
AZ	4.1	114,628	1.3	35,448
AR	2.7	34,321	1.1	14,237
CA	7.2	1,208,356	1.5	255,230
CO	5.7	147,071	1.1	27,531
CT	8.6	153,278	1.9	33,858
DE	4.6	19,702	1.2	5,300
DC	12.8	41,362	2.1	6,935
FL	4.0	335,066	1.3	111,468
GA	4.5	196,385	1.5	62,843
HI	3.1	21,078	1.1	7,695
ID	2.2	15,805	0.1	815
IL	5.7	343,745	1.3	81,234
IN	3.1	92,709	1.4	43,220
IA	3.1	48,357	1.4	22,529
KS	3.9	56,125	1.1	16,295
KY	3.0	56,111	1.2	22,535
LA	3.7	76,169	1.4	29,169
ME	3.0	19,377	1.1	7,371
MD	8.4	246,929	1.3	38,896
MA	8.1	271,290	1.3	44,853
MI	4.1	174,590	1.2	51,164
MN	4.8	134,090	1.2	33,686
MS	2.7	32,645	0.3	3,514
MO	3.6	102,704	1.1	31,066
MT	2.5	12,250	0.1	495
NE	2.9	28,694	0.9	8,446
NV	4.0	49,082	1.2	14,760
NH	6.2	43,324	1.6	11,026
NJ	9.3	393,524	1.6	68,281
NM	3.9	34,891	0.3	2,876
NY	7.1	647,653	1.6	141,690
NC	4.0	175,306	1.2	50,314
ND	3.4	13,148	1.3	5,005
OH	3.6	192,258	1.1	61,319
OK	3.1	53,435	1.2	20,758
OR	4.0	70,289	1.2	20,248
PA	4.6	278,361	1.4	82,381
RI	4.5	23,204	1.5	7,592
SC	3.0	60,629	1.2	24,588
SD	2.8	12,247	0.4	1,536
TN	3.7	106,699	1.5	43,512
TX	5.1	605,541	1.4	163,082
UT	3.8	48,402	1.2	14,800
VT	3.4	11,331	0.9	2,909
VA	8.3	333,184	1.3	52,844
WA	5.9	191,344	1.1	35,756
WV	2.6	20,031	1.6	12,149
WI	3.3	93,903	1.0	28,300
WY	2.7	7,916	0.7	2,041

Source and notes: See Table 1.

TABLE 6
Workers with Annual Earnings over \$113,700 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	7.6	5,830,566	2.5	1,706,991	2.1	1,582,011	0.5	315,256
AL	5.4	58,245	1.1	11,055	2.3	24,510	0.4	3,870
AK	8.0	16,778	1.7	2,940	2.2	4,651	0.4	636
AZ	6.1	90,063	1.9	24,565	2.0	29,759	0.4	5,689
AR	4.2	28,658	1.0	5,663	1.8	12,221	0.3	2,016
CA	9.7	892,491	4.1	315,865	2.3	209,875	0.6	45,355
CO	8.3	116,388	2.6	30,683	1.7	23,410	0.3	4,121
CT	12.8	118,787	4.0	34,491	3.1	28,782	0.6	5,076
DE	7.1	15,892	1.9	3,810	2.1	4,595	0.3	705
DC	16.7	26,364	9.1	14,998	3.5	5,571	0.8	1,364
FL	6.2	267,406	1.7	67,660	2.2	94,126	0.4	17,342
GA	6.8	155,071	2.0	41,314	2.3	52,430	0.5	10,413
HI	4.5	16,370	1.5	4,708	1.5	5,482	0.7	2,213
ID	3.5	13,448	0.7	2,357	0.2	710	0.0	105
IL	8.3	264,014	2.8	79,731	2.1	67,833	0.5	13,401
IN	4.8	76,152	1.2	16,557	2.1	34,214	0.6	9,006
IA	4.7	38,685	1.3	9,672	2.4	19,856	0.4	2,673
KS	6.1	46,750	1.4	9,375	2.0	15,305	0.2	990
KY	4.6	46,035	1.1	10,076	2.0	19,802	0.3	2,733
LA	6.1	65,322	1.1	10,847	2.4	25,469	0.4	3,700
ME	4.6	15,521	1.2	3,856	1.8	6,040	0.4	1,331
MD	11.6	173,876	5.0	73,053	2.1	31,586	0.5	7,310
MA	12.1	206,503	4.0	64,787	2.1	36,450	0.5	8,403
MI	6.1	135,882	1.9	38,708	1.9	41,828	0.4	9,336
MN	7.0	101,351	2.5	32,739	2.0	28,850	0.4	4,836
MS	4.5	28,290	0.7	4,355	0.5	3,040	0.1	474
MO	5.4	79,948	1.7	22,756	1.6	24,120	0.5	6,946
MT	3.7	9,817	1.0	2,433	0.2	495	0.0	0
NE	4.5	23,108	1.2	5,586	1.5	7,710	0.2	736
NV	5.9	39,247	1.7	9,835	1.8	11,749	0.5	3,011
NH	9.2	33,222	3.0	10,102	2.7	9,769	0.4	1,257
NJ	13.8	306,759	4.4	86,765	2.6	57,274	0.6	11,007
NM	5.9	27,966	1.6	6,925	0.5	2,414	0.1	462
NY	9.8	464,794	4.2	182,859	2.4	114,017	0.6	27,673
NC	5.9	136,194	1.9	39,112	1.8	41,249	0.4	9,065
ND	5.5	11,530	0.9	1,618	1.9	3,973	0.6	1,032
OH	5.5	152,364	1.6	39,894	1.8	49,816	0.4	11,503
OK	4.8	44,582	1.1	8,853	2.0	18,499	0.3	2,259
OR	5.8	54,073	2.0	16,216	1.8	16,814	0.4	3,434
PA	7.1	220,910	2.0	57,451	2.2	67,990	0.5	14,391
RI	6.9	18,327	1.9	4,877	2.4	6,354	0.5	1,238
SC	4.7	50,238	1.1	10,391	1.9	20,914	0.4	3,674
SD	4.1	9,314	1.4	2,933	0.6	1,257	0.1	279
TN	5.8	87,470	1.4	19,229	2.4	36,736	0.5	6,776
TX	7.5	486,066	2.2	119,475	2.2	139,035	0.5	24,047
UT	5.9	42,851	1.0	5,551	1.9	13,737	0.2	1,063
VT	4.9	8,445	1.8	2,886	1.5	2,594	0.2	315
VA	11.9	253,173	4.2	80,011	2.0	42,763	0.5	10,081
WA	8.7	152,660	2.6	38,684	1.7	29,478	0.4	6,278
WV	4.2	16,971	0.8	3,060	2.6	10,494	0.4	1,655
WI	5.3	79,734	1.0	14,169	1.7	24,885	0.2	3,415
WY	4.0	6,461	1.1	1,455	0.9	1,480	0.4	561

Source and notes: See Table 1.