

## **VII. CONTRIBUTIONS FOR GOVERNMENT SOCIAL INSURANCE**

Contributions for government social insurance consists of employer contributions for government social insurance and employee and self-employed contributions for government social insurance (formerly called personal contributions for social insurance). It is deducted in the calculation of personal income.

Contributions for government social insurance amounted to 8.46 percent of personal income (table H) in 2004. Employer contributions for government social insurance was 49 percent of the total, while employee and self-employed contributions for government social insurance made up the other 51 percent.

### **Employer Contributions for Government Social Insurance**

Employer contributions for government social insurance amounted to 4.14 percent of personal income (table H) in 2004. These contributions are a component of supplements to wages and salaries. A complete description of these contributions and the methodology employed to estimate them are presented in the Supplements to Wages and Salaries chapter.

### **Employee and Self-employed Contributions for Government Social Insurance**

Employee and self-employed contributions for government social insurance consists of payments by employees, by the self-employed, and by other individuals who participate in the following programs: Old-age, Survivors, and Disability Insurance (OASDI); Hospital Insurance (HI) and Supplementary Medical Insurance; Railroad Retirement; state unemployment insurance (UI); temporary disability insurance; and veterans' life insurance. These contributions amounted to 4.32 percent of personal income at the national level in 2004 (table H).

Contributions of employees—like their payments of income taxes on wages and salaries—are withheld by their employers from their paychecks. These contributions include the payments that are sometimes made by employers on behalf of their employees (that is, the payments that are customarily made by the employee and that under special arrangement are made by the employer).

The self-employed make their contributions with their quarterly payments of estimated Federal individual income taxes or annually with their federal income tax returns.

In the calculation of personal income, the treatment of contributions for government social insurance differs from the treatment of income tax payments. Personal contributions are excluded from personal income: They are subtracted from the sum of the other components of personal income. In contrast, income tax payments are treated as part of personal income—as though the income from which the payments are

withheld were first received by the employee and then paid to the government; this treatment is consistent with the definition of personal income as a before-tax measure.

County contributions data are not available for any of the programs; therefore, the state estimates of these contributions are allocated to counties by related data:

- State estimates of employee contributions to OASDI and HI for private employees excluding farm and railroad employees, federal civilian employees, active duty military, and state and local government employees are allocated to counties using the corresponding wages and salaries of those groups of employees.
- State estimates of self-employed contributions to OASDI and HI are allocated to counties using nonfarm proprietors' income.
- State estimates of contributions to railroad retirement are allocated to counties using wages and salaries of railroad employees.
- The 1991-2004 state estimates of contributions for supplementary medical insurance are allocated to counties by tabulations of the number of persons enrolled in the program from the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration).
- State estimates of contributions for veterans' life insurance are allocated to counties in proportion to the veteran population from the Census of Population. The veteran population for 1991-1999 is an interpolation of the 1990 and 2000 populations; the veteran population for 2000 is held constant for subsequent years.
- State estimates of contributions for State UI are allocated to counties in proportion to the civilian population 18 years and over from the Census of Population. The adult civilian population for 1991-1999 is an interpolation of the 1990 and 2000 populations; the adult civilian population for 2000 is held constant for subsequent years. Employees contribute to State UI only in Alabama (1969-70, 1975-85), Alaska (1969-2004), New Jersey (1969-2004) and Pennsylvania (1984-88, 1992-96, and 2003-04).
- State estimates of contributions for temporary disability insurance are also allocated to counties in proportion to the civilian population 18 years and over. Employees contribute to this program only in California, New Jersey, and Rhode Island.