

### **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 accounts for 8.4 percent of personal income. Employer contributions for government social insurance is 49 percent of the total in 2002, while employee and self-employed contributions for government social insurance makes up the other 51 percent (table G).

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

Employer contributions for government social insurance is also included in supplements to wages and salaries. A list of the components included in employer contributions for government social insurance and the methodology used to prepare the estimates are available in the Supplements to Wages section of the methodology. These components account for 4.1 percent of personal income (table C).

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

Employee and self-employed contributions for social insurance consists of the payments by employees, by the self-employed, and by other individuals who participate in the following programs: Old-age, survivors, and disability insurance (OASDI, or social security); hospital insurance (HI) and supplementary medical insurance (medicare); railroad retirement; state unemployment insurance; temporary disability insurance; and veterans life insurance.

These contributions accounted for about 4.3 percent of personal income at the national level in 2002 (table H).

Payments of contributions by employees--like their payments of income taxes on wages and salaries--are "withheld" at the source of the disbursement of the wages and salaries. The self-employed, on the other hand, pay their contributions with their quarterly payments of estimated Federal individual income taxes or annually with their federal income tax returns.

The payments by employees 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 payments by the self-employed are paid with their quarterly payments of estimated Federal income taxes. Most of the payments by employees--like the payments of individual income taxes on wages and salaries--are withheld at the source of the disbursement of the wages and salaries. However, in the calculation of personal income, the treatment of the payments of contributions differs from the treatment of the tax payments. Personal contributions are excluded from personal income: They are subtracted from the sum of the other components of personal income.<sup>1</sup> In contrast, the 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.

The State estimates of the contributions for OASDI and HI that are made by the self-employed, of the contributions for State and local government employee retirement, and of the contributions for State UI and for temporary disability insurance are based on data for these

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1. See "Personal contributions for government social insurance" and "Wage and salary disbursements" in the "Glossary."

contributions. The State estimates of the contributions for OASDI and HI by private sector employees and by Federal civilian employees are each based on the geographic distribution of the State estimates of wage and salary disbursements for these employees. The State estimates of the contributions by military personnel are based on the geographic distribution of the estimates of military wage and salary disbursements excluding pay-in-kind.

The State estimates of the contributions for OASDI and HI by state and local government employees for 1991-2002 are based on the State estimates for 1987, which reflect the geographic distribution of employer contributions (assumed to be identical to employee contributions) for OASDI and HI as reported in the 1987 Census of Government. The 1987 State estimates were extrapolated to 1991-2002 by the relative change in the estimates of State and local government wage and salary disbursements. The wage data were adjusted to reflect coverage rates under OASDI for state and local government employees in each particular state. These coverage rates were provided by the Social Security Administration. The latest year available is 1999.

County data for the contributions for all programs are unavailable; therefore, the State estimates of these contributions are allocated to counties by related economic series. The State estimates of the contributions for all programs except SMI, veterans life insurance, State UI, and temporary disability insurance are allocated to counties by the appropriate wage and salary series or by the proprietors' income series.

The 1991-2002 State estimates of the contributions for SMI are allocated to counties by tabulations of the number of persons enrolled in the program from the Health Care Financing Administration.

The 2000-2002 State estimates of contributions for veterans life insurance are allocated to counties in proportion to the 2000 veteran population, and the 2000-2002 State estimates of

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contributions for State UI and for temporary disability insurance, in proportion to the 2000 civilian population 18 years and over; both sets of source data are from the 2000 Census of Population.