



SOCIAL SECURITY

Office of the Chief Actuary

December 6, 2011

The Honorable Timothy F. Geithner
Secretary of the Treasury
Washington, D.C. 20220

The Honorable Jacob J. Lew
Director, Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Geithner and Mr. Lew:

We have reviewed the language in the “Middle Class Tax Cut Act of 2011” (S. 1944), introduced yesterday by Senator Casey. We estimate that the enactment of this bill would have a negligible effect on the financial status of the Old Age and Survivors Insurance and Disability Insurance (OASDI) program in both the near term and the long term. We estimate that the projected level of the OASI and DI Trust Funds would be unaffected by enactment of this provision.

Section 2 of the bill would make the following changes for payroll tax rates and OASDI financing: (1) for wages and salaries paid in calendar year 2012 and self-employment earnings in calendar year 2012, reduce the OASDI payroll tax rate by 3.1 percentage points, (2) transfer revenue from the General Fund of the Treasury to the OASI and DI Trust Funds so that total revenue for trust funds would be unaffected by this provision, and (3) credit earnings to the records of workers for the purpose of determining future benefits payable from the trust funds so that such benefits would be unaffected by this provision. For wage and salary earnings, the 3.1-percent rate reduction would apply to the employee share of the payroll tax rate. For self-employment earnings, the personal income tax deduction for the OASDI payroll tax would be 66.67 percent of the portion of such taxes attributable to self-employment earnings for 2012. Other sections of the bill would have no direct effects on the OASDI program.

Sincerely,

Stephen C. Goss
Chief Actuary