

# F

## Provisions Affecting Coverage of Employment or Earnings, or Inclusion of Other Sources of Revenue

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These provisions expand or reduce the categories of workers or the amount of earnings covered under the Social Security system, or add other sources of revenue that would be dedicated to OASDI. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and the 75th year. We base all estimates on the intermediate assumptions described in the 2022 Trustees Report.

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**Category F: Coverage of Employment or Earnings, or Inclusion of Other Sources of Revenue  
(2022 Trustees Report intermediate assumptions)**

*Current law shortfall in long-range actuarial balance is 3.42 percent of payroll and in annual balance for the 75th year is 4.25 percent of payroll.*

Description of proposed provisions		Change from current law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
F1	Starting in 2023, cover newly hired State and local government employees.	0.15	-0.16	4%	-4%
F2	Starting in 2023, exempt individuals with more than 180 quarters of coverage from the OASDI payroll tax. Earnings exempted from OASDI payroll tax would not be used in computing benefits.	-0.67	-0.87	-19%	-20%
F3	Expand covered earnings to include employer and employee premiums for employer-sponsored group health insurance (ESI). Starting in 2026, phase out the OASDI payroll tax exclusion for ESI premiums. Set an exclusion level at the 75th percentile of premium distribution in 2026, with amounts above that subject to the payroll tax. Reduce the exclusion level each year by 10 percent of the 2026 exclusion level until fully eliminated in 2036.	1.17	0.81	34%	19%
F4	Expand covered earnings to include contributions to voluntary salary reduction plans (such as Cafeteria 125 plans and Flexible Spending Accounts). Starting in 2023, subject these contributions to the OASDI payroll tax, making the payroll tax treatment of these contributions like 401(k) contributions.	0.35	0.24	10%	6%
F6	Apply a separate 6.2 percent tax on investment income as defined in the Affordable Care Act (ACA), with unindexed thresholds as in the ACA (\$200,000 for single filer, \$250,000 for married filing jointly), starting in 2024. Proceeds go to the OASI and DI Trust Funds.	0.98	1.18	29%	28%
F7	For the estate tax, gift tax, and generation skipping transfer (GST) tax, return the respective exemption thresholds and tax rates to 2009 levels (\$3.5 million threshold for estate tax with a top 45% tax rate) for deaths after 2022 and gifts made after 2022, with those levels not indexed in future years. All proceeds from the estate tax, gift tax, and GST tax would go to the OASI and DI Trust Funds.	0.61	0.78	18%	18%
F8	For active S-corporation officers and limited partners, apply a 16.2 percent tax on investment income as defined in the ACA, with unindexed thresholds as in the ACA (\$200,000 single filer, \$250,000 for married filing joint), starting in 2023. Proceeds go to the OASDI Trust Funds for tax attributable to 12.4 percent of the total 16.2 percent tax rate.	0.93	1.01	27%	24%
F9	Apply a separate 12.4 percent tax on investment income as defined in the Affordable Care Act (ACA), with unindexed thresholds as in the ACA (\$200,000 single filer, \$250,000 for married filing joint), starting in 2024. Proceeds go to the OASDI Trust Funds.	1.93	2.31	56%	54%