

Social Security Reform Act of 2016

Strengthening Social Security for generations to come

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AMERICA'S SOCIAL SECURITY PROMISE

In 1935, Social Security was created to help provide a safety net for Americans who retire after a long career. Throughout the years, Social Security was expanded to help those who are unable to work due to a disability or who have experienced a death of the primary wage earner in the family. Today this vital program serves nearly 60 million workers and families from all walks of life.

Most of Social Security's revenue comes from the payroll taxes workers and employers pay into the program. These taxes on workers' hard-earned wages fund the program for current beneficiaries, who receive a monthly check based on their lifetime earnings. Unfortunately, today, these taxes are not enough to pay the benefits seniors and individuals with disabilities receive today, putting the promise of Social Security in jeopardy.

A PROMISE IN JEOPARDY

Social Security started as a well-intended program that has not kept up with our country's evolving demographics and labor force. The program was built to give Americans peace of mind when they retire or can no longer work, but it was based on workers and families of a different time.

For example, in 1935, the average life expectancy of an American worker was 61. Today, an American worker typically lives well into his or her eighties, which means he or she can receive Social Security benefits for years, or even decades. Not to mention, in the 1950s, most families only had one wage earner, or "breadwinner," and an average of 3 mouths to feed. As those breadwinners retired and started claiming Social Security benefits, their children stepped into the workforce and started contributing to the program. Today, more than 48 percent of married households have two wage earners, and the average family only has 2 children, meaning as more people enter into retirement today, fewer people enter into the workforce.

This reality puts the promise of Social Security in serious jeopardy. The program is:

- **Running out of money—fast:** According to the [2016 Social Security Trustees report](#) Social Security's combined Trust Funds will not be able to pay full benefits in 2034 because it is paying out trillions of dollars more than it takes in. At the current rate, over the next 10 years, Social Security will spend \$1 trillion more in benefits than it receives in taxes.
- **Facing the prospect of drastically cutting benefits for all.** Because Social Security is not taking in as much money from workers as it needs to pay out in benefits, it can't keep its promises. Without reform, workers face a 21 percent benefit cut starting in 2034, according to the most recent Trustees' projections.

- **Built on an aging population.** In 1950 there were 16.5 workers for each Social Security beneficiary. Today, because families are having fewer children and Americans are living longer than they did decades ago, there are less than three workers for every one beneficiary, and that number only continues to decrease.
- **Relying on higher taxes on workers and job creators in order to stay afloat.** When Social Security first began, the payroll tax—a tax levied on and split evenly between employers and workers paying into Social Security—was only 2 percent on the first \$3,000 in wages. Today, however, the payroll tax is a staggering 12.4 percent and applies to the first \$118,500 in wages. For many low-income workers, this is the biggest tax they pay. And these taxes still are not enough to keep Social Security solvent.
- **Failing to help many low-wage workers stay out of poverty in retirement.** Social Security includes a minimum benefit to help workers stay out of poverty who earned low wages over the course of long careers. Unfortunately, the minimum benefit is not calculated like the rest of Social Security benefits and is losing its value each year. Starting in 2019, the minimum benefit will be less than the lowest possible Social Security benefit someone can receive, essentially eliminating this safety net for many long career workers.

For over 80 years, hardworking Americans have paid into Social Security trusting that it will be there for them when the time comes.

Washington cannot afford to continue to ignore reality.

Unless Washington acts soon, many Americans will not be able to count on Social Security to be there for them like it has been for generations before. Americans want, need, and deserve a Social Security program that will continue to deliver benefits to them, their children, and their grandchildren.

MY SOCIAL SECURITY SOLUTION

Social Security is an essential program millions of hardworking Americans rely on when they reach retirement, cannot work due to a disability, or experience a death in the family. Those who have worked and contributed earnings to this program for years rightly expect to receive benefits when they need them. Unfortunately, without significant reforms, Social Security will fail to keep its promise to the American people.

That's why I, as Ways and Means Social Security Subcommittee Chairman, introduced a serious plan to save Social Security permanently, without raising taxes on workers or retirees. In fact, my plan goes a step further, cutting taxes that seniors pay on their Social Security benefits. And, most importantly, my plan will make sure our children and grandchildren can count on this important program in the future, just as our seniors and individuals with disabilities do today.

Known as the *Social Security Reform Act of 2016*, my plan:

- **Modernizes Social Security for the 21st century.** Many Americans are living longer, having fewer children, and working different types of jobs than they did when Social Security was created in 1935; however, the program has not addressed many of these changes. My plan updates when workers can collect their full retirement benefits and how workers' benefits are calculated to better reflect the lives Americans are living in the 21st century.
- **Rewards work.** Many of Social Security's policies fail to reward those Americans who consistently worked and contributed to the program throughout their careers, and some policies discourage Americans from staying in the workforce altogether. My plan rewards retirees for their years of work, while also promoting incentives to delay retirement and continuing working. My plan also increases benefits for those who earned low wages over the course of long careers.
- **Improves retirement security.** Today's Social Security also discourages Americans from saving for retirement on their own. Under current law, workers pay Social Security taxes through the course of their careers. Then, when they retire and claim their benefits, they are taxed again if their income in retirement is too high. My plan phases out Social Security's double tax on benefits so that those who save for their retirement are not penalized. Additionally, under current law, workers can receive up to an 8-percent increase in benefits each year they delay claiming. My plan would encourage more workers to delay claiming and increase their monthly check by letting those workers take part of this increase as a lump sum.

KEY SOCIAL SECURITY REFORMS

My plan permanently saves Social Security by:

- **Modernizing how benefits are calculated** to increase benefits for lower income workers while slowing the growth of benefits for higher income workers.
- **Gradually updating the full retirement age at which workers can claim benefits.** The new retirement age better reflects Americans' longer life expectancy while maintaining the age for early retirement should Americans choose to stop working.
- **Ensures benefits keep up with changes in the economy** by using a more accurate measure of inflation for the annual Cost-of-Living-Adjustment.
- **Protecting the most vulnerable Americans** by increasing benefits for lower-income earners and raising the minimum benefit for those who earned less over the course of long careers.

- **Promoting flexibility and choice for workers** by eliminating the Retirement Earnings Test for everyone. This allows workers to receive benefits—without a penalty—while they are working, or fully delay retirement and wait to receive benefits. For those who delay claiming benefits, they can receive increases in a partial lump sum or add it all to their monthly check.
- **Encouraging saving for retirement** by phasing out Social Security’s double tax on benefits for workers who continue to receive income after they retire or stop working due to a disability.
- **Targeting benefits for those most in need** by limiting the size of benefits for spouses and children of high-income earners.
- **Treating all workers fairly when their Social Security benefits are calculated** by using the same, proportional formula that looks at all of an individual’s earnings over the course of his or her career.

“We all know Social Security is in trouble ... The longer we wait, the tougher it will get to fix Social Security. So the sooner we act, the better.”

-Congressman Sam Johnson

Social Security is an essential safety net for millions of workers and their families. However, without significant reforms, the future of the program—and its capacity to continue helping Americans—is in jeopardy. My plan saves Social Security and helps ensure our workers and families can continue to count on the program when they need it—and it does so without raising taxes on any American.