

House-Passed Social Security Tax Cut Benefits Few Elderly Taxpayers

The Social Security tax cut passed by the House on July 27 in HR 4865 would provide tax relief to only a minority of Social Security recipients, according to a July 28 CTJ analysis. An analysis released by the group shows that only 23 percent of Social Security recipients would receive any benefit from the House-passed plan. Over 28 percent of the benefits would go to the wealthiest five percent of taxpayers. The average tax cut for Social Security recipients in the top 10 percent of the income distribution would be \$1,873, compared to a \$1 average tax cut for those in the bottom 60 percent.

“The fact that three-quarters of all Social Security recipients won’t see a dime from this tax cut shows the real priorities of the GOP architects of this plan,” said CTJ Tax Policy Director Michael Ettlinger.

Effects of the GOP Plan to Reduce Taxes on Social Security Benefits for Better-Off Retirees
(Annual effects at 1999 income levels)

Income Group (All Taxpayers)	Income Range	Average Income	# with Social Security (000)	# with tax cut under GOP Plan (000)	% of Social Security recipients with tax cut	Tax Cut (billions)	Average tax cut for all Social Security recipients	% of Total Tax Cut
Lowest 20%	Less than \$13,600	\$ 8,600	6,111	—	—	\$ —	\$ —	—
Second 20%	\$13,600–24,400	18,800	6,040	—	—	—	—	—
Middle 20%	\$24,400–39,300	31,100	5,794	70	1.2%	-0.0	-3	0.3%
Fourth 20%	\$39,300–64,900	50,700	4,756	2,258	47.5%	-1.2	-242	16.2%
Next 15%	\$64,900–130,000	86,800	2,879	2,852	99.1%	-3.9	-1,359	55.0%
Next 4%	\$130,000–319,000	183,000	775	755	97.4%	-1.5	-1,956	21.3%
Top 1%	\$319,000 or more	915,000	186	185	99.5%	-0.5	-2,736	7.2%
ALL		\$ 50,800	26,598	6,121	23.0%	\$ -7.1	\$ -268	100.0%
ADDENDUM								
Bottom 60%	Less than \$39,300	\$ 19,500	17,945	70	0.4%	\$ -0.0	\$ -1	0.3%
Top 10%	\$92,500 or more	218,000	1,833	1,806	98.5%	-3.4	-1,873	48.2%

Source: Institute on Taxation and Economic Policy Tax Model.
Citizens for Tax Justice, July 2000.