

THE TAXONOMIST

Wild Pitch

By Robert S. McIntyre

Late in the evening of St. Patrick's Day this March, while much of America was out carousing, our hard-working U.S. Senators stayed in session. It was time for the Senate to take its first stab at addressing Social Security's long-term financial health since President Bush's began his push to restructure the program. The result wasn't pretty.

Did our devoted lawmakers vote to give Social Security a new infusion of revenues to meet its needs? Did they decide to reduce future benefits to bring them in line with expected receipts? Or, dare we hope, did they finally take some steps to solve Social Security's most daunting problem, the government's ballooning debt, which threatens the ability of taxpayers to redeem Social Security's bonds when that becomes necessary down the road? No, no and heavens, no. Instead, our fearless leaders voted to *increase* Social Security benefits, in a way carefully targeted mainly to benefit the best-off retirees.

In its late-night session, the Senate agreed to a budget amendment that calls for boosting after-tax Social Security benefits by an average of 14 percent for retirees with incomes greater than \$200,000. Meanwhile, three out of four Social Security recipients—including virtually everyone making less than \$40,000 a year—wouldn't get a penny. More than half of the added benefits would go to the 8.8 percent of retirees who make more than \$100,000, who would get an average of \$1,894 a year each.

Jim Bunning (R-Ky.), a star pitcher with the Detroit Tigers and Philadelphia Phillies in the fifties and sixties, is now the chief Senate sponsor of this travesty. He claims it "puts more money back in the pockets of millions of our seniors for them to spend on things like prescription drugs." He doesn't mention, of course, that the vast majority of seniors, including those in his own state of Kentucky, not only get nothing from his plan, but will also be called upon to help pay for it.

Over its first four-and-a-half years, Bunning's proposal will cost \$64 billion. But that's just the beginning. Social Security's actuaries say that over the next 75 years it will cost a trillion dollars! As Bob Greenstein of the Center on Budget and Policy Priorities points out, that's more than a quarter of Social Security's total projected shortfall over that period.

Technically, the Senate wants to repeal a 1993 law enacted under Bill Clinton, who expanded a means-tested

cut in Social Security benefits adopted a decade before during the Reagan administration. The earlier provision had made better-off retirees subject to income tax on up to half of their Social Security benefits, with the resulting savings accruing to the trust fund. Due to Clinton's efforts, the taxable share of benefits now can be as high as 85 percent. At today's income tax rates, that reduces benefits by as much as 30 percent for the very highest-income retirees.

Means testing was accomplished through the income tax (rather than by a direct benefit cut) mainly because it was the easiest, most progressive way to do so. In addition, some Democrats found it politically attractive to pretend they were increasing taxes rather than lowering benefits.

The Senate's 55-45 vote to increase Social Security benefits for the wealthy was pretty much a party-line affair. Only five Republicans voted no, including deficit hawks Pete Domenici of Arizona, George Voinovich of Ohio, Lincoln Chafee of Rhode Island, and Olympia Snowe of Maine, plus Ted Stevens of Alaska, who may have other spending priorities. But their wisdom was cancelled out by five defecting Democrats, including newly elected Ken Salazar of Colorado, Bill Nelson of Florida, Mary Landrieu of Louisiana, Ben Nelson of Nebraska and Robert Byrd of West Virginia.

Like Bush's plan to borrow trillions of dollars more to pay for his private-accounts scheme, the Bunning amendment stands in sharp contrast to the responsibility Congress has historically shown in dealing with Social Security. When Social Security faced a funding crisis in 1977, Democrats put the program back on the road to solvency by boosting Social Security payroll taxes by a third. Six years later, with Republicans in charge of the White House and the Senate, lawmakers followed the counsel of the Greenspan Commission and cut long-term benefits by almost as much. You can debate the respective merits of those changes, but they're the reason why Social Security will remain internally solvent through the middle of this century.

Sadly, these days we're led by people whose zeal for serving the well off is exceeded only by their disdain for the laws of arithmetic. I keep hoping that the voters will eventually wise up.

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