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Congress Eyes Action to Shore Up Social Security

BY RICHARD RUBIN

Note

WASHINGTON—Social Security's looming insolvency is the country's most foreseeable problem, a blaring demographic siren threatening automatic benefit cuts in 2032. Congress is trying to work up the nerve to solve it.

Discussions on the government's largest program accelerated this summer with actuarial warnings, hearings and scattered bipartisan efforts. Lawmakers on both sides grasp Social Security's real challenges. And, eventually, analysts expect Republicans and Democrats to work together to prevent benefit cuts for tens of millions of seniors and perhaps address the program's long-term health.

For now, Congress is taking baby steps along a path that could lead to tax increases or benefit cuts that would trigger voter backlashes.

By waiting this long, lawmakers made the inevitable adjustment more severe. Tax or spending changes that could have been implemented years ago to shore up Social Security's finances are now no longer large enough to close the gap between expected revenue and promised benefits.

"I want the public to see, like, we're not sleepwalking here," said Sen. Tim Kaine (D., Va.), who backs two bipartisan bills. One would empower an advisory board to expedite legislation; the other would borrow to create an investment fund to bolster the program. Both ideas have significant detractors— and the leading Re--publican sponsors are retiring.

Lawmakers say they will act before the 22% automatic benefit cuts kick in six years from now. "I do not believe that we'll ever hit the wall, because I think funding will be derived, because we can't let it hit the wall—no matter what," Sen. Jim Justice (R., W. Va.) said.

The big questions: When? And with what money?

Lawmakers are starting to float ideas. In one bipartisan pairing, Sens. Bernie Moreno (R., Ohio) and Elizabeth Warren (D., Mass.) are proposing eliminating the cap on Social Security payroll taxes. The 12.4% tax, split between employees and employers, ends once wages and self-employment income hit $184,500 this year. Moreno and Warren argue that it is unfair that higher-income workers pay a smaller share of their income than most people do.

They haven't released a bill or said whether they would expand the tax to investment income. They also haven't said whether they are only proposing a tax increase or whether they would keep the current program structure, where having more income subject to taxes would qualify those topend workers for larger future benefits. For now, other Republicans haven't joined Moreno.

Rather than advocating any particular solution, Reps. Tom Cole (R., Okla.) and Tom Suozzi (D., N.Y.) support a bill creating a bipartisan commission and guaranteeing expedited votes if that panel offers a plan for 75year solvency. The bipartisan Senate group including Kaine floated a similar idea for fasttrack consideration of a board's plans for 50-year solvency.

Congress rarely touches Social Security. It is structured as a government trust fund with dedicated revenue streams and benefit formulas based on earnings history. The program is designed to replace a greater share of preretirement wages for lower-income workers.

When baby boomers worked and paid significant taxes, Social Security ran surpluses. The rest of the government used that money, putting IOUs in Social Security's trust fund. As boomers retired, the money flow reversed and the program started burning through IOUs, which will be gone by 2032.

The trust fund is just part of the government. But when the fund is exhausted, Social Security won't have legal authority and money to pay all promised benefits on time. Congress can, in the interim, use Social Security's disability fund to push insolvency to 2034.

The easy path could be politically safe and fiscally risky: pay benefits from the general budget. That would address the short-term crunch and effectively end Social Security's special separate status.

Even absent that move, some near-term general-fund transfer or borrowing is likely, said Shai Akabas, vice president of economic policy at the Bipartisan Policy Center.

Achieving long-term solvency for Social Security could happen through a mix of smaller benefits, higher taxes or new dedicated revenue.

Many Democrats are dead set against reductions in promised benefits and oppose commissions and boards designed to broker compromises. Sen. Bernie Sanders (I., Vt.) and others have even proposed some benefit increases.

They are focused on raising taxes on top earners, particularly by removing the payroll tax cap. If enacted now, a plan removing the cap and denying new benefits to affected workers would close about twothirds of the long-term hole.

"The problem really can only be solved by something that the vast majority of the American public are supportive of—and that is scrapping the cap on income," said Martin O'Malley, who ran Social Security during the Biden administration.

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However, removing the cap would drive top marginal tax rates on wages over 50% in high-tax states where many Democratic voters live. It would be the largest tax increase in over 40 years, according to the Tax Foundation.

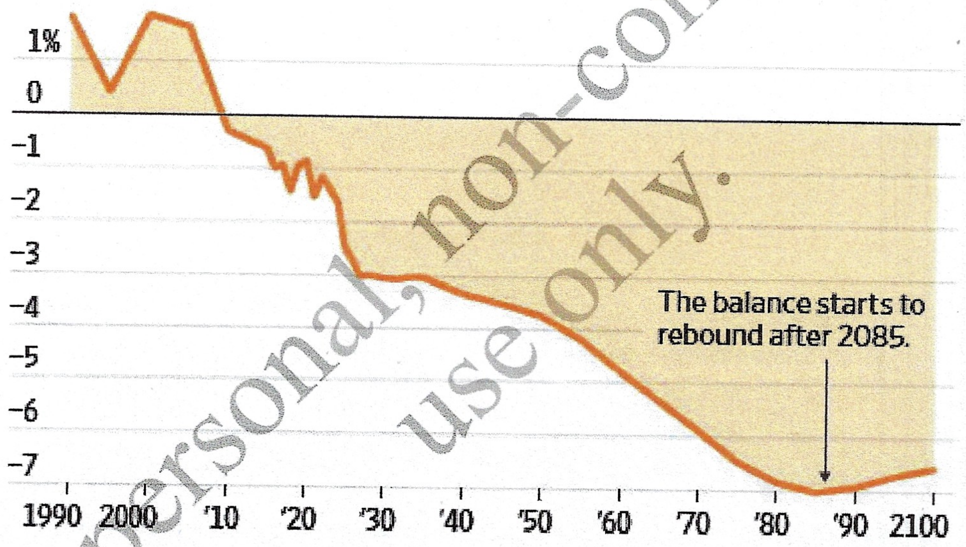
Republicans generally oppose tax increases, but they lack a unified position on Social Security. "They're very afraid of the issue," said Andrew Biggs of the conservative American Enterprise Institute, who was a senior Social Security official during the George W. Bush administration. "They just don't know what they want."

In 2016, President Trump ran on promises to block benefit cuts, taking steam out of those earlier GOP efforts and holding a no-cuts posture that he maintains today. "Under his leadership, there will be zero reductions to Social Security payments," said Liz Huston, a White House spokeswoman.

Social Security Deficit Picture

Social Security's old-age and survivors' program is scheduled to spend more than it receives far into the future.

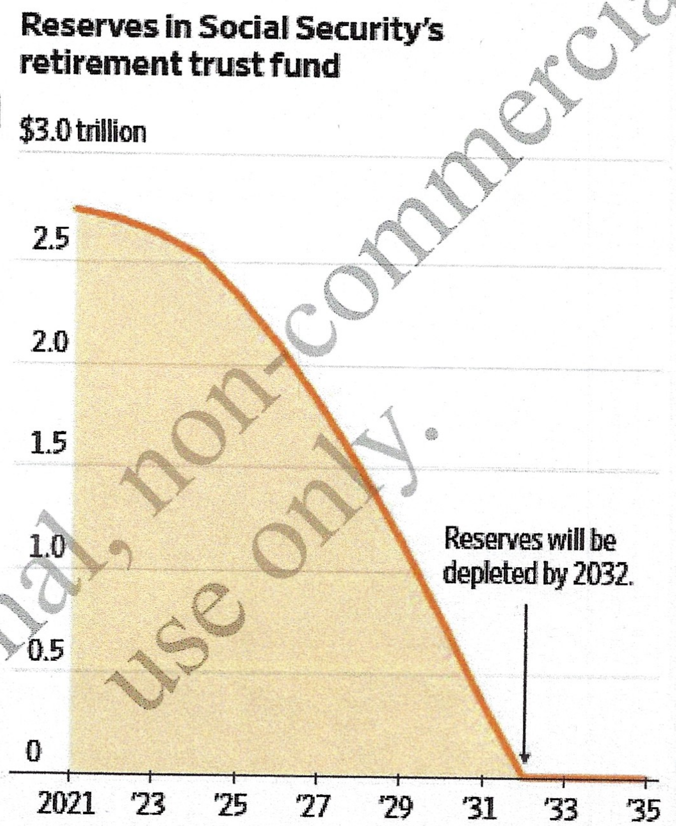
Annual Social Security revenue minus spending, as a share of taxable payroll



Source: Social Security Administration

New Focus on Social Security

Talks on how to stave off automatic benefit cuts in Social Security accelerated this summer, but progress is slow. For now, Congress is taking baby steps on a path that could lead to tax increases or benefit cuts. A4



Source: Social Security Administration