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Past efforts to fix Social Security have proved politically punishing.

Next Class Of Senators Faces Social Security Crunch

BY RICHARD RUBIN

Note

WASHINGTON— Senators elected this fall will find that Social Security's future insolvency is their problem.

After years of Congress sidestepping and postponing the issue, the lawmakers will have to confront the program's challenges before their new six-year terms conclude. Recent projections pegged late 2032 as the moment when Social Security's reserves and incoming tax revenue won't yield enough money to pay full benefits.

Failure to act would trigger automatic benefit cuts. Acting is no picnic either, because raising revenue or reducing promised payments could be politically painful.

"It's been disappointing that we have kicked the can this long," said Sen. Mark Warner (D., Va.), a frequent participant in bipartisan deficit-reduction talks who is seeking a fourth term this year.

Social Security's day of

reckoning has long been seen as an issue for future presidents and Congresses. But the cliff is now entering the political calendar, pulled forward by the pandemic's ripple effects and Congress's decisions to expand benefits and cut income taxes that help fund Social Security.

Note

The math is brutal for the program known for many years as the third rail of American politics. Social Security owes lifetime benefits to the huge generation of baby boomers who are already retired or almost there. That commitment locks in costs that are virtually impossible to dislodge and puts younger workers and future retirees on course for tax increases, benefit reductions or both.

Congress last made major Social Security changes 43 years ago in a less partisan Washington, staving off insolvency with just months to spare by adopting tax increases and benefit cuts intended to make the program last 75 years. Since then, Americans have been bracing for more changes, with polls showing many doubt they will get their full checks.

Sen. Lindsey Graham (R., S.C.), seeking his fifth term this year, said the 1983 agreement between Republican President Ronald Reagan and Democratic House Speaker Tip O'Neill is the model.

"I'm willing to do my part," Graham said. "You've got to look at age adjustments, you know, means-testing benefits. You've got to put it all on the table." Asked about taxes, he repeated: "All on the table."

Past efforts have proved politically punishing. A secondterm push by Republican President George W. Bush to create private accounts collapsed after fierce Democratic opposition. Later bipartisan initiatives never gained traction.

President Trump has ruled out Social Security benefit cuts, breaking from many Republicans' openness to the idea. The debate has been mostly dormant for a decade, and the program now requires larger changes to preserve solvency because smaller options that accumulate over time no longer yield enough money.

"We've already absorbed most of the cost of waiting," said Marc Goldwein, senior vice president at the Committee for a Responsible Federal Budget, which favors deficit reduction.

The program's cushion is running out faster than previously projected. The pandemic accelerated retirements, and decreasing fertility and immigration can shrink the ratio of workers to retirees. The bipartisan Social Security Fairness

Act that became law in early 2025 increased benefits to some state and local government workers. Because the trust fund also receives income taxes on benefits, the new Republican tax law accelerated the insolvency date to late 2032 from early 2033, the program's chief actuary told lawmakers last summer.

Then, the program's revenue will cover only about threequarters of benefits. Congress could temporarily use disability fund money to prop up the retirement fund. On a combined basis, the two funds become insolvent in early 2034.

The country could borrow or dip into general- fund revenue. In the long run, lawmakers try to avoid that option, because part of what makes Social Security popular is its structure as a self-sustaining program with dedicated revenue streams.

Social Security is excluded from the simple-majority budget process Congress used for recent partisan fiscal laws such Trump's tax cuts, meaning any bill would require 60 votes in the Senate. Any durable bipartisan solution will likely have tax increases and cuts to future payouts.

There is no shortage of ideas. On the ~~tax~~ Cap side, the prime target is the cap on the 12.4% payroll tax. Currently, wages and self-employment income above $184,500 are exempt from the tax, with the figure rising annually with inflation. That tax now covers about 83% of earnings, down from about 90% just after the 1983 changes. Just eliminating the cap would cut Social Security's long-run deficits in half. Taxing earnings above $250,000 and tying no new benefits to those earnings would remove about two-thirds of the shortfall, but that approach would change Social Security's basic architecture that links taxes paid with benefits earned. Both options would sharply raise top marginal tax rates.

Raising the cap and devoting the money to Social Security is probably one of the few palatable ways Congress could get significant revenue from high earners outside the top 1%, said Kathleen Romig, director of Social Security and disability policy at the progressive Center on Budget and Policy Priorities. That might push Democrats toward raising but not eliminating the cap, then using other taxes on very high-income people to address priorities outside of Social Security.

There are other revenue options, such as broadening the payroll tax base. Progressives have called for applying it to investment income. Congress could tax compensation that is now exempt, such as fringe benefits and employersponsored health insurance.

On the benefit side, the system is progressive, replacing a greater share of income for workers with lower lifetime earnings than higher earners. Lawmakers trying to protect people who rely on Social Security as their main income could alter calculations so higher earners get less money than under current rules.

"It makes sense to rethink what the benefit formula looks like," Romig said, especially because higher-income retirees likely have significant savings in 401(k)-style plans.

Goldwein's group suggested different cost-of-living adjustments at different income levels, so the top quarter of earners would get the same dollar increase instead of the same percentage increase. That would close about 10% of Social Security's long-run shortfall.

Congress could slow annual inflation adjustments for everyone, following a proposal President Barack Obama offered in deficit-reduction talks. That idea failed with the rest of a "grand bargain" with Republicans.

Lawmakers could also increase the basic retirement age. The 1983 changes pushed that to 67 from 65.

"We will solve this problem because it has to be solved," said Sen. Jeff Merkley (D., Ore.). "Even if it is in the ugliest possible fashion at the last second, it will be solved."

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