United States Senate Committee on Finance
Exploring Process Approaches for Addressing Social Security Solvency
August 5, 2026

Questions for the Record submitted to Marc Goldwein from Senator Grassley.

Question 1: Some of my Democrat colleagues have proposed Social Security reforms plans that rely entirely on revenues to bridge the programs funding shortfall. Such proposals, or similar ones, have been introduced by Democrats for decades.

• When Democrats had control of the Presidency and both houses of Congress during periods of the Obama and Biden administrations, what, if any, legislative actions were taken to advance these proposals?
• Based on this history, what are the chances that such proposals could garner 60 votes to pass the Senate? Do you suspect that there are members on both sides of the aisle that would vote against such legislation?

MG: Despite knowing Social Security has been headed toward insolvency since 1984, no Congress and Administration under the unified control of a single political party has advanced any major Social Security reform legislation. This includes periods of unified control under both Democrats (1993-1995, 2009-2011, 2021-2023) and Republicans (first half of 2001, 2003-2005, 2005-2007, 2017-2019, 2025). Even when solvency legislation was introduced before a unified Congress by a member of the same party, neither the committees of jurisdiction nor the full chambers voted on them.

While I would encourage action to save Social Security under any division of government, the history of Social Security and the scale of the challenges facing it suggest bipartisan compromise is necessary for rescuing it. Restoring solvency to Social Security today would require either reducing Social Security's scheduled costs by 25%, increasing its payroll tax revenues by 34%, or some combination thereof. Given the scale of the changes required – in addition to the procedural necessity of securing 60 votes in the Senate for Social Security legislation – saving Social Security for future generations will require navigating difficult tradeoffs that necessitate good-faith bipartisan negotiation and compromise.

The sooner both parties come together and begin the work of enacting thoughtful trust fund solutions, the smaller the adjustments will need to be. Timely action would also give policymakers more time to phase in program reforms and additional opportunities to enact other changes that strengthen retirement security, facilitate healthy and productive aging, and protect vulnerable seniors.

Rescuing Social Security is not impossible, and Congress has successfully done it before on a bipartisan basis with the help of outside commissions and advisory councils. For example, the 1977 reforms were passed with a 189-163 bipartisan vote in the House and a 56-21 vote in the Senate, and were based in large part on the work of the 1974-75 Social Security Advisory Council. And the 1983 Social Security reforms passed with a bipartisan supermajority 243-102 vote in the House and 58-14 vote in the Senate, based on the work of the 1983 Greenspan Commission – including as a venue to facilitate high-level negotiations between Republican President Ronald Reagan and Democratic Speaker of the House Tip O'Neill. If lawmakers pursued similar processes today, they would help advance the kinds of bipartisan compromises needed to achieve lasting solvency for Social Security.

Legislative Action on Social Security Solvency Under Unified Control of Government

Congress	Party Control	Committee Votes on Solvency Bills	Floor Votes	Bills Passed
103rd Congress (1993-1995)	D	0	0	0
107th Congress (2001-2003)	R[1]	0	0	0
108th Congress (2003-2005)	R	0	0	0
109th Congress (2005-2007)	R	0	0	0
111th Congress (2009-2011)	D	0	0	0
115th Congress (2017-2019)	R	0	0	0
117th Congress (2021-2023)	D	0	0	0
119th Congress (2025-Present)	R	0	0	0

Source: Committee for a Responsible Federal Budget

Question 2: Some contend that any reduction in future Social Security benefits would severely damage the economy, while increasing benefits would strengthen the economy. Is this consistent with the non-partisan Congressional Budget Office's analysis of Social Security reforms? Do

[1] Control of the U.S. Senate changed hands several times in the 107th Congress. After the 2000 election, the Senate was evenly divided between the two parties, with Republicans assuming control after the inauguration of Republican Vice President Richard Cheney, who held the deciding vote as President of the Senate. In June 2001, Senator James Jeffords of Vermont switched from being a Republican to an Independent, caucusing with the Democrats, and transferring the majority to the Democrats. Late in that Congress, the death of Democratic Senator Paul Wellstone of Minnesota, the appointment of an Independent to fill his seat, and the election of Republican Senator James M. Talent of Missouri to fill the remainder of the term of the late Senator Mel Carnahan shifted the balance once again to the Republicans in November 2002 for the remaining two months of the Congress.

solvency reforms that rely solely on immediate tax hikes or those that incorporate reforms to slow the growth of benefits for high earners result in better economic growth over the long-term?

MG: A large, immediate, and unexpected benefit cut such as the one expected upon insolvency could create significant near-term economic disruption. However, thoughtful measures to slow Social Security's cost growth can significantly *strengthen* economic output, while broad benefit expansions – especially if deficit financed – can hurt economic growth. The Congressional Budget Office, Penn Wharton Budget Model, and the Committee for a Responsible Federal Budget have all produced analysis affirming this reality.

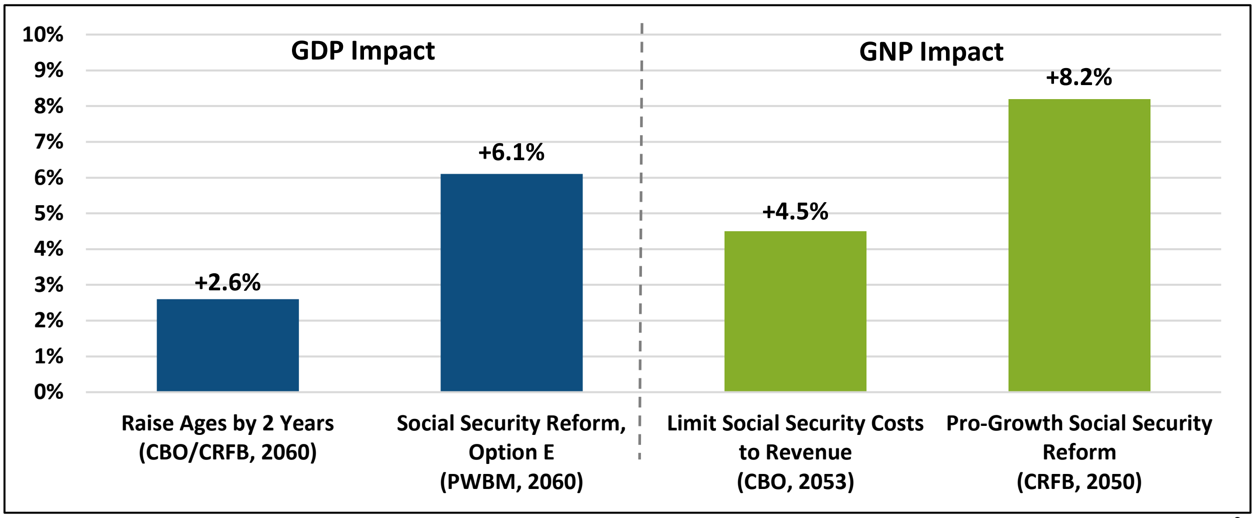
In the long run, the size and strength of the economy are generally driven by the level of work, investment (which comes from savings), and innovation. Social Security has tremendous influence on these factors, both because the level of benefits impacts the degree to which households save privately for retirement and because its design sends powerful signals to workers of when to work, retire, and claim benefits.

Contrary to what some claim, policies to slow benefit growth can substantially boost economic activity by increasing work, savings, and investment; improving certainty; and reducing unified budget deficits. A large body of research has found that workers – especially high-income workers – adjust their private retirement savings and retirement decisions in response to changes in expected public pension benefits.[2] Targeted reforms such as raising the retirement age, redesigning the benefit formula to count all years of work equally, or broadening the payroll tax base can further boost growth by improving incentives and signals to work, delay retirement, and more efficiently allocate income and investment.

In 2019, my colleagues and I developed a Social Security reform aimed specifically at growing the economy with a combination of higher revenue, benefit reforms, increases in the retirement age, and automatic savings accounts. We estimated the plan would boost output by roughly 8% after 30 years – increasing the growth rate by 25 basis points per year. Other modelers have also found reform could be pro-growth.

[2] Congressional Budget Office. "Social Security and Private Saving: A Review of the Empirical Evidence." *Congressional Budget Office*. July 1998; Gale, William G. "The Effects of Pensions on Household Wealth: A Reevaluation of Theory and Evidence." *Journal of Political Economy* Vol. 106(4). August 1998; Attanasio, Orazio P. and Agar Brugiavini. "Social Security and Households' Savings." *The Quarterly Journal of Economics* Vol. 118(3). August 2003; Attanasio, Orazio P. and Susann Rohwedder. "Pension Wealth and Household Saving: Evidence from Pension Reforms in the United Kingdom." *American Economic Review* Vol. 93(5). December 2003; Lindeboom, Maarten and Raymond Montizaan. "Disentangling Retirement and Savings Responses." *Journal of Public Economics* Vol. 192. December 2020; and Halvorsen, Elin et al. "Social Security Pension and the Effect on Household Saving." *The Scandinavian Journal of Economics* Vol. 126(3). July 2024.

Fig. 1: Changes to Output Relative to Scheduled Benefits Scenario (Percent)



Sources: Congressional Budget Office, Penn Wharton Budget Model, Committee for a Responsible Federal Budget.[3]

Question 3: You have extensively examined Social Security reform proposals and have produced your own reform plans and options. Based on your work, what are two policy changes – one spending and one revenue based – that you believe will likely need to be considered in some form as part of any serious bipartisan reform proposal? Please explain the strengths and weaknesses of each proposal.

MG: Given the scale of Social Security's challenges and how close its retirement fund is to insolvency, all options – both benefit adjustments and tax increases – need to be on the table. This, of course, includes widely proposed conventional options such as raising the taxable maximum, increasing the retirement age, making the benefit formula more progressive, and more accurately measuring inflation.

But I also think policymakers ought to consider novel solutions. The Committee for a Responsible Federal Budget's ***Trust Fund Solutions Initiative*** has suggested a number of new ideas – and has gotten particularly positive feedback on our proposed *Employer Compensation Tax* (ECT) and *Six Figure Limit* (SFL).

[3] The first option would raise Social Security's Full Retirement Age and Earliest Eligibility Age as well as Medicare's Eligibility Age by two years to 69, 64, and 67, respectively. Estimates are based on CBO's 2012 issue brief "Raising the Ages of Eligibility for Medicare and Social Security." Figures are for 2060. The second reflects the Penn Wharton Budget Model's 2026 estimates of a comprehensive Social Security reform package, which would raise Social Security's Full Retirement Age by two years, index Social Security benefits after initial claiming to the Chained CPI (C-CPI-U), and make Social Security's benefit formula more progressive. Our third option comes from a 2023 CBO analysis of alternative budget scenarios and reflects their projections of the change in Gross National Product (GNP) under a scenario in which Social Security outlays are restricted to revenue after trust fund insolvency. The last option comes from the Goldwein-MacGuineas-Towner *Pro-Growth Social Security Reform* plan, which would raise Social Security's retirement ages, enact an Age-62 Poverty Protection Benefit, replace Social Security's current benefit formula with one that counts all years of work equally (Mini-PIA), create Supplemental Retirement Accounts, and implement other measures to restore solvency. The figures presented here represent the average of their high and low estimates of the projected effects of their plan on real GNP in 2050.

The *Employer Compensation Tax (ECT)* would replace the employer half of the Social Security and Medicare payroll taxes with a flat tax levied on all employer compensation costs, including wages above and below the cap and other fringe benefits like health insurance and stock options. Workers would continue to pay the same payroll taxes as under current law, and receive the same resulting benefits. At the current tax rate, the *ECT* would close up to two-thirds of Social Security's 75-year shortfall in a way that is both highly progressive and much more efficient and pro-growth than alternatives like eliminating the taxable maximum. Some of the revenue from the ECT could also be used to lower overall payroll tax rates.

The *Six Figure Limit (SFL)* would cap a couple's combined Social Security benefits at $100,000, with adjustments to the cap based on marital status and collection age. Although the cap would only impact the very richest couples at first – those where both spouses earned above the taxable maximum for at least 35 years – it would prevent a growing number of beneficiaries from collecting six figures over time. Depending on how it is indexed, the *SFL* could close one-fifth to one-half of Social Security's solvency gap in a highly progressive manner that supports rather than hinders economic growth. It would also better ensure Social Security is meeting its originally intended goal to provide "some measure of protection to the average citizen … against poverty-ridden old age," rather than paying massive benefits to households who already have millions or tens of millions of dollars in assets.

Question 4: Ms. LeMond and Ms. Vallas both cited polling that suggests the general public favors increasing revenues over benefit reforms to address Social Security's shortfall. What are the shortcomings of relying on such polling when developing reforms to fix Social Security? Are there reasons policymakers should take such polling with a grain of salt?

MG: It is so important that the direction of public policy be grounded in the hopes and desires of the American people. At the same time, leaders need to lead, not govern by public opinion polls. Any changes to Social Security should, of course, reflect the public's strong desire to see the program protected and their specific values with regard to how that happens; they must also consider the exact way that specific policies impact fiscal outcomes, economic growth, retirement security, distributional outcomes, and other current and future priorities in addition to the values of the public.

Unfortunately, Social Security opinion research has become polluted with polls that push biased, misrepresentative, or outright false information in their questions to achieve a particular result. To paraphrase my old boss, Senator Alan Simpson, if you push a poll hard enough, eventually it will confess.

The poll in question, as I've read it, uses a number of tools and tricks to make increases in taxes appear more desirable than reductions in scheduled benefits. These include priming the respondent, biased language, non-parallel facts and figures, phrasing designed to make certain impacts seem larger or smaller, omission of important information and prominent options, and – in at least one case – borderline misinformation.

To give three quick examples: 1) the poll does not include any questions about reducing (or capping) the benefit formula for those with high lifetime income, despite this being a prominent part of nearly every plan with benefits changes; 2) when the poll describes applying the payroll tax rate to those making over $400,000, it never states the 12.4% tax rate; 3) the poll incorrectly describes the more generous CPI-E as better reflecting the spending patterns of seniors while failing to correctly describe the low-cost chained CPI as a more accurate and unbiased measure of overall inflation.

Many other surveys have asked their respondents clearer questions about the fate of Social Security, and their results reveal broad support for bipartisan policies on both the tax and spending side as well as for a bipartisan commission to tackle Social Security's looming insolvency. One poll from the Bipartisan Policy Center and American Savings Education Council found that majorities of Democrats, Republicans, and Independents supported both raising Social Security's taxable maximum and reducing how much higher-income people receive in Social Security payments. Another poll from Voice of the People and the University of Maryland School of Public Policy found similarly broad support for applying the payroll tax to income above $400,000 and reducing benefits for the top 20% of earners. And recent June 2026 polling on Social Security conducted by GSG and Northstar showed supermajorities supported both raising Social Security payroll tax's taxable maximum and capping benefits for higher-income beneficiaries.

Bipartisan majorities agree on the need for bipartisan cooperation and are supportive of policymakers using commissions or councils to save Social Security. In another poll from a 2025 Cato Institute/YouGov survey, a supermajority of 71% of respondents said they would support creating a national commission of bipartisan and independent experts to tackle Social Security's solvency problem. At least three different polls have shown 67% to 92% support establishing a bipartisan commission for saving Social Security.

Questions for the Record submitted to Marc Goldwein from Senator Elizabeth Warren.

Question 1: The report recently published by the Committee for a Responsible Federal Budget, "No State Spared: Mapping the Impact of Social Security's Insolvency," indicates that if Social Security becomes insolvent, over 70 million beneficiaries nationwide would be affected, with the average beneficiary in Massachusetts suffering a $527 cut.[4] Please describe how this insolvency crisis will affect individual beneficiaries and why it is so important to Congress to act quickly to address this crisis.

[4] Committee for a Responsible Federal Budget, "No State Spared: Mapping the Impact of Social Security's Insolvency," June 3, 2026, https://www.crfb.org/nostatespared.

MG: In just six years, the law requires benefits to be reduced by an estimated 22% to ensure the program's costs do not exceed its revenues after the retirement fund is exhausted in late 2032. That is when today's 61-year-olds will reach their normal retirement age and when today's youngest retirees turn 68.

Our No State Spared report showed how this cut, if imposed today, would affect current beneficiaries. We found it would impose an average benefit cut of $500 per month per beneficiary, more than the average retired household spends on groceries each month.

The average cut would differ by state. As you mention, the cut would average $527 in Massachusetts. It would be even larger – $556 per month – in Connecticut. Beyond the devastating effects on beneficiaries, such a large cut could impact state and local economies, hurting local communities, businesses, and families. As a share of GDP, we estimate the cut would average about 1.1% nationally, but be as large as 1.9% of GDP in West Virginia and nearly as high in Mississippi, Vermont, South Carolina, and Maine.

It is critical that Congress act quickly to address the solvency shortfall. Further delays will make adjustments even more painful. Today, lawmakers could restore long-term solvency of the theoretically combined trust funds with the equivalent of a 34% (4.25 percentage point) payroll tax increase, a 25% reduction in total benefits, a 30% reduction in benefits for new beneficiaries, or some combination thereof. By 2034,[5] adjustments would need to be about 15% larger – taxes would need to be raised by 40% (4.9 percentage points), or benefits cut by 29% for all beneficiaries. Changes to benefits for new beneficiaries alone would be insufficient to restore solvency to the program, even if their benefits were eliminated entirely.

Timely action would ease the challenge of restoring Social Security's solvency. The sooner policymakers act, the smaller the adjustments will need to be, the more time that will be available to phase in reforms, and the greater the number of opportunities available to enact targeted benefit enhancements. Many solutions are on the table.

[5] Assuming that the retirement trust fund borrows from the disability trust fund to gain two more years of solvency.

State-by-state Impact of An Abrupt Cut to Benefits

State	Average Monthly Cut	Share of Population Impacted	Total Benefits Lost as a Share of GDP
Colorado	$515	15.1%	0.9%
Georgia	$487	15.6%	1.1%
Idaho	$494	18.1%	1.5%
Indiana	$515	18.0%	1.3%
Iowa	$504	19.1%	1.3%
Kansas	$520	17.8%	1.3%
Louisiana	$460	17.4%	1.2%
Massachusetts	$527	16.4%	0.9%
Minnesota	$530	17.7%	1.2%
Montana	$478	21.0%	1.6%
Nevada	$482	16.7%	1.1%
New Hampshire	$553	21.0%	1.5%
New Mexico	$472	19.5%	1.4%
North Carolina	$501	18.2%	1.3%
Oklahoma	$486	17.6%	1.4%
Oregon	$504	19.7%	1.4%
Rhode Island	$519	18.5%	1.5%
South Carolina	$505	20.6%	1.7%
South Dakota	$486	19.7%	1.3%
Tennessee	$495	18.4%	1.3%
Texas	$489	13.6%	0.8%
Vermont	$516	22.0%	1.8%
Virginia	$522	16.8%	1.1%
Washington	$531	16.7%	0.9%
Wisconsin	$513	20.2%	1.5%
Wyoming	$512	19.7%	1.3%

Source: Committee for a Responsible Federal Budget.

Question 2: Is lifting the cap on payroll taxes an important part of addressing the solvency of the Social Security system? Please explain your answer.

MG: Democrats and Republicans should come together and agree to some combination of increases in revenue and reductions in cost growth to secure Social Security for current and future generations. As part of that discussion, they should absolutely consider an increase in the $184,500 payroll tax cap – a policy that has not only been part of most a policy that has not only been part of most Democratic solvency plans, but also bipartisan plans like those proposed by the 2010 Simpson-Bowles Commission, the Bipartisan Policy Center's 2016 Commission on Retirement Security and Personal Savings, and by former Representative Reid Ribble (R-WI) and Representative Jim Cooper (D-TN), among others, in their bipartisan

2016 Save Our Social Security Act. Lawmakers should also recognize that raising the cap is not a panacea and must be considered against alternatives and in combination with additional adjustments to restore solvency.

Currently, payroll tax contributions and benefit calculations are both capped at $184,500, covering about 83% of all wages. Increasing that cap to cover 90% of wages – as proposed in the bipartisan Simpson-Bowles plan – would close 20% to 25% of Social Security's 75-year solvency gap and 15% to 20% of its long-term structural shortfall by 2100. Fully eliminating the taxable maximum would close 45% to 60% of Social Security's solvency gap and 20% to 40% of the structural shortfall.

However, fully eliminating the cap would lift the top effective federal tax rate to nearly 50% (and the total rate to above 60% in some states), which could harm economic growth and would severely limit our ability to raise taxes on high earners for other purposes. Eliminating the cap also raises very difficult trade-offs concerning whether and how to pay additional benefits to extraordinarily wealthy Americans who pay more into the system.

As part of our ***Trust Fund Solutions Initiative***, we developed an alternative to raising the cap that would replace the *employer side* of the payroll tax with an *Employer Compensation Tax* (*ECT*) while leaving the worker-side payroll tax untouched. The *ECT* would apply to all compensation costs, including wages below and above the cap as well as fringe benefits like health care and stock options. Based on modeling from the Urban Institute, the *ECT* would raise as much revenue as eliminating the taxable maximum – with 80% of the funds coming from the top 20% of earners – but would increase the top marginal rate by less than half as much. Overall, the *ECT* would improve the fairness and efficiency of the payroll tax, reducing distortions and preserving tax capacity for other priorities.

Whether policymakers choose to raise the payroll tax cap or adopt an *ECT*, additional policies will be necessary to restore solvency. In my view, these should include adjustments to benefits. Under current law, Social Security's taxable maximum serves both as a cap on annual taxes and as a cap on potential benefits. In addition to considering raising the tax cap, policymakers should consider lowering the benefit cap – for example, by adopting a *Six Figure Limit* that limits benefits to no more than $100,000 per couple.

Questions for the Record submitted to Marc Goldwein from Senator Raphael Warnock.

Question 1: Social Security provides vital federal social insurance to eligible retired workers, workers with disabilities, and family members of deceased workers. Today, the program serves approximately 1.9 million beneficiaries across Georgia, who rely on monthly benefits to afford groceries, housing, medicine, and other living expenses. However, the 2026 Trustees Report found that the Old-Age and Survivors Insurance (OASI) Trust Fund will be depleted in 2032, leaving current and future Social Security beneficiaries to face a 22 percent benefit cut, while they struggle to afford the skyrocketing cost of living.

- **Mr. Goldwein,** what can Congress learn from past efforts to address the Social Security funding shortfall?

MG: Congress can learn much from past efforts to address Social Security solvency. The Finance and Ways & Means Committees are instrumental to Social Security policymaking. Yet history tells us that policy change often happens through formal and informal pathways. Lawmakers should consider appointing or assigning a commission, advisory council, or another body to assist the committees of jurisdiction in their efforts to save Social Security.

There is historical precedent to this approach. From its origin, the most significant Social Security laws were all developed with the help of commissions or advisory councils.[6]

- The original 1935 Social Security Act was designed by Frances Perkins' Committee on Economic Security.
- Major amendments in 1939 and 1950 were based on the work of the 1937-38 and 1947-48 Advisory Councils.
- The 1977 Social Security reforms to fix the program's broken benefit formula came largely from the work of the 1974-75 Quadrennial Advisory Council.
- The 1983 reforms that restored the program to solvency for 50 years were largely developed and revised through the bipartisan Greenspan Commission.
- More recently, the 1994-96 Quadrennial Advisory Council, the 1994 Kerrey-Danforth Commission, the 2001 President's Commission to Strengthen Social Security, and the 2010 Simpson-Bowles Fiscal Commission (of which I served as senior staff) all played a role in advancing the Social Security solvency debate.

Dozens of proposals have come from individual Members of Congress or in small groups, sometimes bipartisan. These proposals, while important, often do not proceed further without leadership provided by the President and Congressional leadership. The Senate Finance Committee hearing was the first full committee hearing on the issue in 15 years.

A commission, whether Presidentially-appointed or Congressionally-mandated, could help lawmakers address politically difficult issues. Whether we rely on the Advisory Board as in 1977, a commission like in 1983, or some other mechanism, we need to find a way to bring the parties together to make tough choices. As Speaker Pelosi remarked during the establishment of the 2010 Simpson-Bowles Commission, "Leaders of both parties must set aside our differences and work across party lines."

- **Mr. Goldwein,** what bipartisan reforms from past efforts would you recommend Congress consider now to prevent the OASI Trust Fund depletion by 2032?

[6] The history of Social Security advisory councils and commissions and their impact on the program is found in Research Note #13 by the Social Security Administration's Historian's Office.

MG: There is no one right way to save Social Security, but any reform will have to be bipartisan. In recent years, several bipartisan plans have been put forward, including by the 2010 Simpson-Bowles Fiscal Commission, by the Bipartisan Policy Center's 2016 Commission on Retirement Security and Personal Savings, and by former Representative Reid Ribble (R-WI) and Representative Jim Cooper (D-TN), among others, in their 2016 Save Our Social Security Act.

Although these proposals differed in many ways, they and other plans included several common elements. Among them:

- Raising Social Security's retirement ages to reflect rising life expectancy, often in combination with protections or enhancements for lower-income workers or those who lack work capacity.
- Raising the payroll taxable maximum to cover a larger share (but not all) of earnings.
- Adopting a more progressive benefit formula to slow benefit growth for those with higher lifetime earnings.
- Pegging cost-of-living adjustments to the more accurate Chained CPI.
- Expanding coverage to newly hired state and local workers.
- Adopting a minimum benefit to boost benefits for low-income retirees.

A number of plans also include proposals to broaden the payroll tax base, raise the payroll tax rate, and/or improve the underlying work incentives within the Social Security benefit formula.

Thoughtful reforms have been developed since then by lawmakers, think tanks, and academics. As I mentioned in my testimony, we are continually developing new options to improve upon older options. So far, these options include:

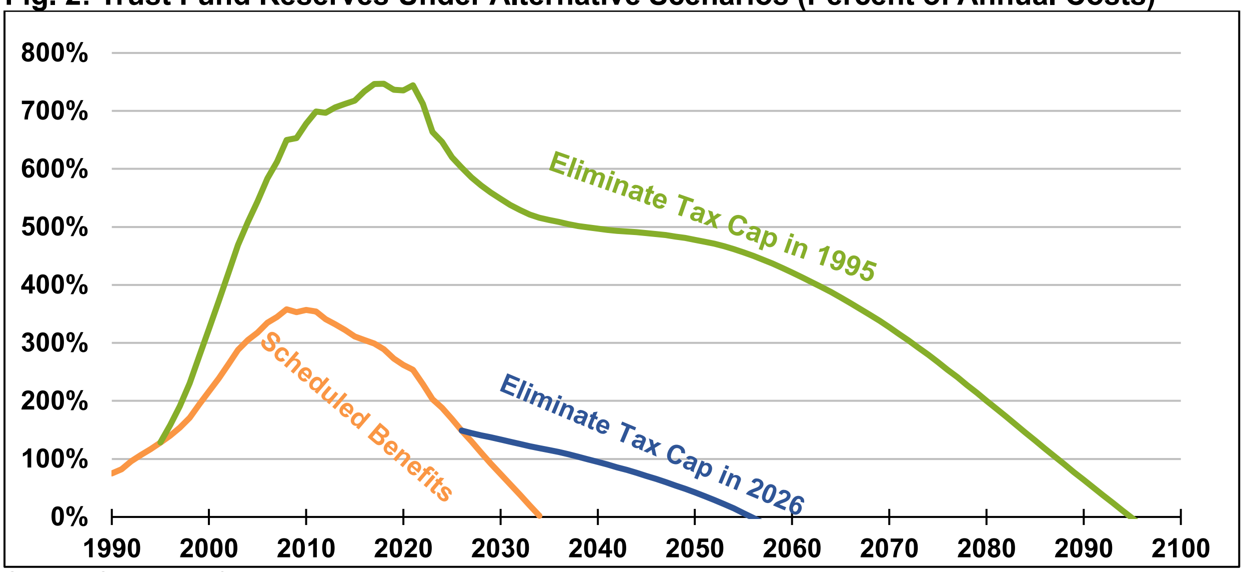
- ***Employer Compensation Tax (ECT)*** – This option replaces the employer-side payroll tax with a broad-based tax on all compensation costs – including wages and fringe benefits like employer-sponsored insurance contributions. The *ECT* would close **over half** of the Social Security and Medicare solvency gaps, with 80% of the revenue coming from the top fifth of workers while improving tax efficiency, putting downward pressure on health care costs, and keeping marginal tax rates lower than alternative revenue options.
- ***COLA Cap*** – This option limits Cost-of-Living Adjustments (COLAs) for the wealthiest seniors, matching their annual benefit increases to those of lower, but still high, income seniors. The policy would close up to **one-quarter** of the solvency gap in a progressive manner while maintaining inflation protection on an adequate level of benefits for everyone and avoiding work disincentives or nominal benefit cuts.
- ***Six Figure Limit*** – Two very high-income earners retiring at age 67 can now collect over $100,000 in annual benefits. This option caps benefits at $100,000 for a couple and $50,000 for a single retiree, with adjustments based on collection age. The policy could close **one-**

fifth to **one-half** of the solvency gap, depending on how it is indexed over time, while significantly increasing progressivity and boosting payable benefits for most retirees.

- ***Taxation of Benefits Reforms*** – Social Security benefits are partially subject to the income tax through a poorly designed system that generates important revenue but also adds unnecessary complexity, discourages work, and fails to achieve tax neutrality. Thoughtful reforms can *improve*, rather than repeal, taxation of benefits in order to advance simplicity, neutrality, efficiency, and progressivity and strengthen solvency and economic growth.
- ***Earn-As-You-Go*** – Social Security's current benefit structure – which applies a progressive formula to the average of a worker's highest 35 years of wages – discourages work and obscures the relationship between wages and benefits. An *Earn-As-You-Go* formula treats all years of work equally and allows workers to accrue higher benefits each year, promoting work and progressively closing up to **40%** of the solvency gap.

Delay has narrowed the available options – compared to 30 years ago, adjustments will now have to be larger, phased in quicker, and enacted with much less warning. For instance, based on the assumptions used in last year's Social Security Trustees' Report, eliminating the tax cap today would extend solvency by just 21 years – one-third as long as back in the 1990s – and close 60% of the solvency gap.

Fig. 2: Trust Fund Reserves Under Alternative Scenarios (Percent of Annual Costs)



Source: Committee for a Responsible Federal Budget.