

Social Security's Disability and Retirement Protections for Independent Contractors

Elliot Schreur
Research Associate

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The National Press Club

Protection against Retirement and Disability

Employer
Benefits

Individual
Savings

Social
Security

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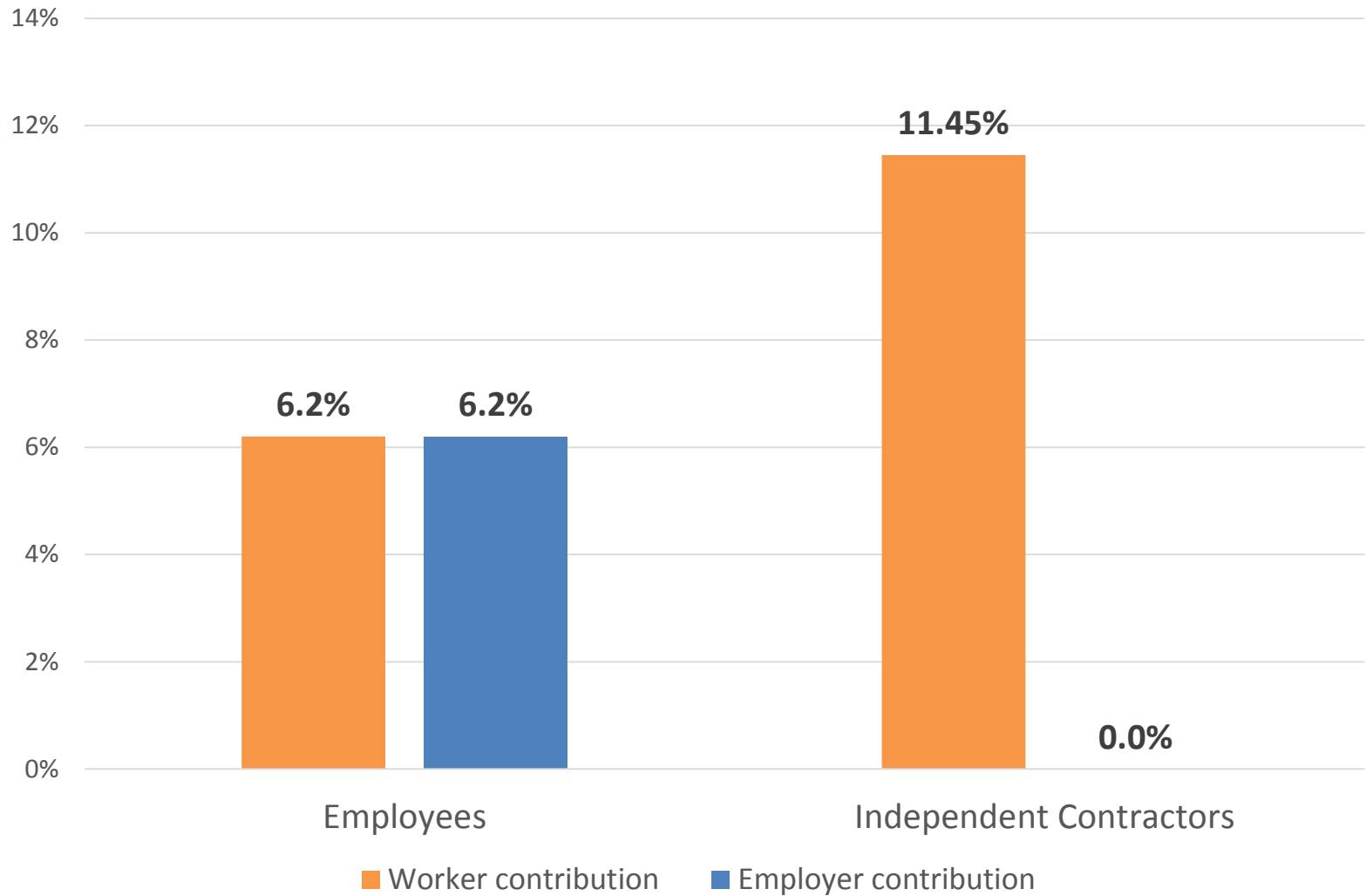
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Effective Social Security Contribution Rates on Equivalent Labor Income





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Social Security Contribution System

Employees

- Automatic contributions
- Rare tax avoidance

Independent Contractors

- Transparent calculation of contributions
- Opportunities for tax avoidance



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The diagram features a central orange rounded rectangle with the text "Protection against Retirement and Disability". This rectangle is flanked by two light orange rounded rectangles, each containing a red arrow pointing towards the center. Below the central rectangle are three dark blue rounded rectangles labeled "Employer Benefits", "Individual Savings", and "Social Security". To the right of the "Social Security" box is a light blue rounded rectangle with a red arrow pointing left towards it.

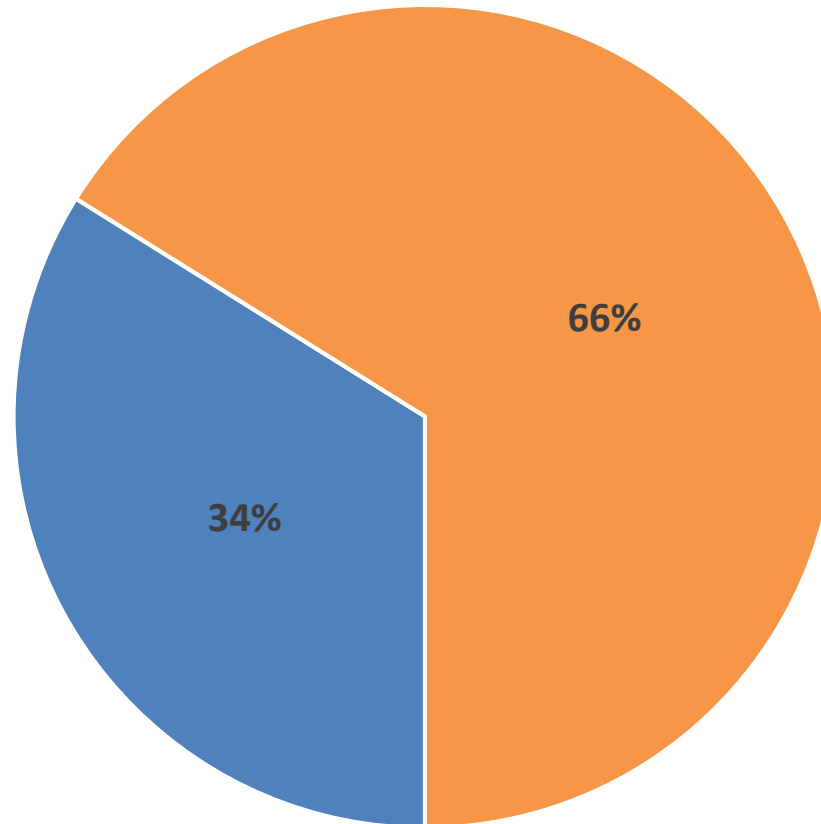
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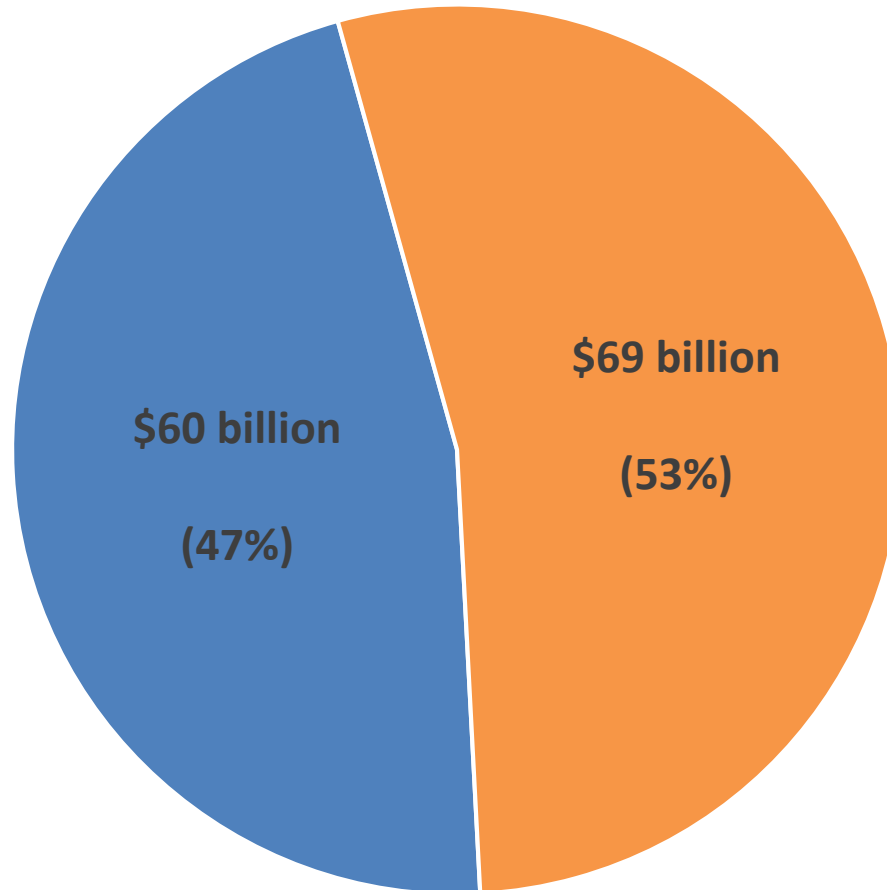
Two-Thirds of Sole Proprietors Under-Report their Income



■ Correctly reported or over-reported ■ Under-reported

Total sole-proprietor tax returns: 23.4 million

Less than Half of All Self-Employment Taxes Owed are Actually Paid



- Self-employment taxes actually received
- Self-employment taxes unpaid due to underreporting or nonfiling

Sources: Internal Revenue Service, 2016, "Tax Gap Estimates for Tax Years 2008–2010"; IRS, 2017, "Individual Income Tax Returns Line Item Estimates, 2015," Publication 4801, Total of all 1040 returns, line 57.

Approaches for improving Social Security for ICs

1. Make Social Security contributions more automatic for ICs
2. Reduce the cost-shifting burden on ICs

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National Academy of Social Insurance
Washington, D.C.