Some Ways to Pay for Social Security with Improvements

Revenue Options	Cost/revenue (in % of payroll over 75 years)
75-year balance (deficit)	**-2.67**
(1) Gradually eliminate the cap, now $110,100	+1.90
(2) Gradually raise the contribution rate from 6.2% to 7.2%	+1.41
Interaction of (1) and (2) [rough estimate]	+0.28
(3) Treat all salary reduction plans like 401(k)s	+0.25
Combined provisions	+3.84
New balance (surplus)	**+1.17**

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Details of each option:

- **Gradually eliminate the cap, now $110,100**:
  - 10-year phase in
  - Earnings count toward benefits with a flatter (5%) top bracket
  - Similar to provision in the Harkin bill
- **Gradually raise the contribution rate from 6.2 to 7.2%:**
  - Raise the rate gradually, by 1/20th of 1% over 20 years, for both workers and employers
  - Start the increase in 5 years
- **Interaction of (1) and (2):**
  - Comes from applying the new rate above the current cap
  - Rough cost estimate from SSA's Office of the Chief Actuary
- **Treat all salary reduction plans like 401(k)s:**
  - Consistent with the intent of Congress in 1983
  - Count workers' contributions to 401(k)s as covered by Social Security
  - Contributions would still be exempt from income taxes