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TSCL
Defending Your Earned Benefits

THE SOCIAL SECURITY & MEDICARE
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Social Security Benefits to Rise 3.2% in January

The 2024 Social Security Cost-of-Living Adjustment (COLA) will increase benefits by 3.2% starting with the check to be received in January. That will raise an average monthly retiree benefit of $1,848 by $59 but, watch your mail in early December for the letter from the Social Security Administration that explains exactly what you will receive.

The bottom line for retired and disabled Social Security recipients and whether the COLA will make much of a difference to Social Security benefits has a lot to do with the amount of the Medicare Part B premium, and how much it, and other Medicare premiums increase from year to year.

The letter is headed: "Your New Benefit Amount," and it shows your new monthly benefit amount as well as details about the deduction for Medicare Part B and other deductions that you may have requested, such as the premiums for Medicare Advantage or a Part D drug plan (if any) and federal tax withholding.

The bottom line for retired and disabled Social Security recipients and whether the COLA will make much of a difference to Social Security benefits has a lot to do with the amount of the Medicare Part B premium, and how much it, and other Medicare premiums increase from year to year. The Social Security Administration automatically deducts the Medicare Part B premium from Social Security benefits, which often consumes most, if not all, of the COLA.

For most Medicare beneficiaries, the standard monthly Medicare Part B premium in 2024 will be $174.70—an increase of $9.80 from $164.90 in 2023. The annual deductible will be $240.

Beneficiaries with incomes higher than $103,000 (individuals)/$206,000 (couples) will pay higher premiums. More details about income related monthly premium amounts can be found online at: https://www.cms.gov/newsroom/fact-sheets/2024-medicare-parts-b-premiums-and-deductibles.

Sources: Social Security Administration fact sheet, October 12, 2023. Centers For Medicaid and Medicaid Services, Premiums and Deductibles 2024, October 13, 2023.

IN THIS ISSUE:

Older Households Report Very Modest Spending Despite Record COLA in 2023

Although retirees received the highest Cost-of-Living Adjustment (COLA) in 40 years in 2023—8.7%—nobody is getting rich. The reality is that the dollar amount of the COLA increase is very modest. According to TSCL's latest Retirement Survey, 45 percent of those participating report spending less than $2,000 on monthly expenses in 2023, as detailed below in the following table:

How Much Do Retirees Spend Per Month In 2023?

Less than $1,000	8%
$1,001–$1,999	37%
$2,000–$3,999	37%
$4,000–$5,999	11%
More than $5,999	4%
Uncertain	3%

Source: The Senior Citizens League (TSCL) Retirement Survey, September 7, 2023, 2,258 responses.

Social Security benefits are meager, replacing roughly 30% of a middle earner's average wages, according to an Actuarial Note from the Social Security Office of Chief Actuary. Making matters worse, most older adults claim Social Security benefits before reaching full retirement age and receive permanently reduced benefits. TSCL's Retirement Survey findings illustrate this, in the table below. ■

Most Retirees Getting Reduced Social Security Benefits

Age at retirement and effect on benefits	Percent Claiming
Claimed when younger than full retirement age and benefits were permanently reduced.	59%
Claimed at full retirement age and receiving the full unreduced amount.	19%
Claimed when older than full retirement age and receiving a higher benefit due to the 8% per year delayed retirement credit up to age 70.	7%
Uncertain which statement applies.	11%
Not applicable. Haven't started benefits yet.	4%

Source: The Senior Citizens League (TSCL) Retirement Survey, September 7, 2023, 2,259 responses.

Failure to Address Social Security's Solvency Could Cost Married Couples $17,400 in Benefits

As the 2024 campaign heats up, candidates are facing questions about their positions on Social Security benefit cuts and facing pressure to pledge not to touch Social Security. But one thing everyone needs to remember—a complete lack of *any* timely action to fix Social Security's finances would have a significant cost for beneficiaries according to a new estimate from the Committee for a Responsible Federal Budget.

If Congress doesn't "touch" Social Security at all before 2033, the program could become unable to pay scheduled benefits in full and on time. Automatic benefit cuts could occur. According to the estimate, a dual-income couple retiring in 2033 would see a cut of about $17,400 and a single-income couple retiring that same year, would see a cut of about $13,100.

The Social Security Act does not specify what happens to benefits if a trust fund becomes insolvent. Although beneficiaries are legally entitled to their full scheduled benefits should insolvency occur, another law, the Antideficiency Act, prohibits government spending more than the available funds. That means the Social Security Administration would not have legal authority to pay full scheduled Social Security benefits on time according to a

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report from the Congressional Research Service.

Under current law, Social Security benefit payments can only be made from the Trust Funds and are limited to amounts payable from annual tax revenues. Many sources report that this means benefits would be adjusted to the amount of payroll taxes received which are estimated to be about 75%–80% of expected benefit amounts.

The Trust Funds' primary source of revenue is the Social Security payroll tax, which in 2023 is applied to earnings of up to $160,200. The Trust Funds also receive income from the federal income tax on Social Security benefits. ■

Sources: "Retirees Face a $17,400 Cut If Social Security Isn't Saved," Committee for a Responsible Federal Budget, https://www.crfb.org/blogs/retirees-face-17400-cut-if-social-security-isnt-saved. Social Security: What Would Happen If the Trust Funds Ran Out? Congressional Research Service, September 28, 2022, https://crsreports.congress.gov/product/pdf/RL/RL33514/34.

Senate Holds Hearing on Making Wealthy Pay Their Fair Share of Social Security Taxes

Recently the Senate Budget Committee held a hearing to focus on a key question: Should payroll taxes be adjusted to require high earners to pay more into the program? A critical deadline is looming for Social Security, and benefits may be reduced in the next decade if no action is taken to address program shortfalls. The Social Security Trust Funds are estimated to become insolvent in the federal government's fiscal year 2033 which begins October 1, 2032.

According to testimony from the Social Security Administration's Chief Actuary Stephen Goss, Social Security is running short of finances, 20 years sooner than expected when a comprehensive package of reforms last passed in 1983. The primary reason? A huge increase in the earnings over Social Security's taxable maximum wage base which is currently capped at $160,200.

In 1983, only 6 percent of earners had wages higher than the taxable maximum. But that percentage has almost tripled today. More than 17 percent of wage earners (those with the highest wages) escape Social Security payroll taxes on the portion of their earnings that exceed $160,200.

In 1983, only 6 percent of earners had wages higher than the taxable maximum. But that percentage has almost tripled today.

According to a brief by the Congressional Research Service https://crsreports.congress.gov/product/pdf/RL/RL32896 raising or even removing the taxable maximum earnings limit could strengthen Social Security's long term solvency. The full impact would depend on whether the wages above the current maximum would be counted toward benefits. If those wages are counted, that would lead to higher monthly social security checks for individuals who earned more during their careers. The higher benefit payments would lead to greater program outlays in the future, but the expenditures would be *"more than offset by greater tax revenues."* ■

Sources: Protecting Social Security for All: Making the Wealthy Pay Their Fair Share, Testimony by Stephen C. Goss, *Chief Actuary, Social Security Administration, U.S. Senate Committee on the Budget, July 12, 2023.* https://www.budget.senate.gov/imo/media/doc/Mr.%20Stephen%20C.%20Goss%20-%20Testimony%20-%20Senate%20Budget%20Committee.pdf *Social Security: Raising or Eliminating the Taxable Earnings Base, Congressional Research Service, December 22, 2021.*

BEST WAYS TO SAVE

What's the Secret for Successfully Using CPAP Machines for Sleep Apnea? The National Council on Aging has a New Guide that Can Help

About 30% of Americans experience poor sleep due to sleep apnea which often causes those affected to feel like a tired-all-the-time zombie. The most frequently recommended sleep apnea treatment—a CPAP machine—offers a restful and healthy night's sleep, but many people struggle to use it. In fact, studies (https://www.ncbi.nlm.nih.gov/books/NBK535538/) suggest that from one third to half of patients either stop using their machines or never bother to fill their prescription.

But untreated sleep apnea can be dangerous for your health. With this disorder, breathing stops and starts frequently during sleep and it can lead to, or exacerbate, health problems. There's an increased risk of high blood pressure, stroke, and heart attacks. Continuous positive airway pressure therapy (CPAP) machines blow a stream of air into the back of the throat to allow people to breath easier.

Finding the right CPAP machine with a mask that fits comfortably through the night can feel overwhelming when also trying to navigate treatment options and paying for it all. Costs for a CPAP can be $1,000 or more in the first year. Fortunately, the team at the National Council on Aging (NCOA) has released a guide (https://ncoa.org/adviser/oxygen-machines/does-medicare-cover-cpap-machines/) that explains Medicare coverage of CPAP machines and supplies.

Here are key takeaways from their guide:

- Medicare covers the cost of CPAP machines and supplies.
- The out-of-pocket costs that you'll be responsible for paying will vary based on your insurance provider, your plan and, whether you choose an enrolled (or in-network) doctor and supplier.
- If you are an Original Medicare beneficiary *(not enrolled in a Medicare Advantage plan)* going through an enrolled doctor and supplier (providers who participate in Medicare), you can expect to pay 20% of the Medicare approved amount for the CPAP machine and supplies.
- After you've confirmed that your doctor and the supplier are enrolled and you've paid a deductible, Medicare Part B typically covers a three-month trial of CPAP therapy.
- For Medicare coverage, you'll need a diagnosis of Obstructive Sleep Apnea from a sleep study.

Medicare requires patients to start with a three-month trial. After that trial period, Medicare will likely require confirmation from your doctor that you use the machine nightly as prescribed, and that CPAP therapy is helping your condition.

To get the National Council On Aging's full Guide to Medicare Coverage of CPAP Machines and Supplies in 2023 visit: https://www.ncoa.org/adviser/oxygen-machines/does-medicare-cover-cpap-machines/. ■

ASK THE ADVISOR

What are the Most Common Stumbling Blocks to Maximizing Social Security and Medicare Benefits?

Q: Can you tell me the most costly misconceptions about Social Security and Medicare in terms of retirement income and healthcare? What tips do you have to maximize our benefits and minimize our expenses?

A: You ask a thoughtful question that's useful no matter what age—and especially if you are in the planning stages for retirement. But even if you've been retired for several years, it's important to annually evaluate how well your

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household budget in retirement matches what you planned and target areas that you can work to adjust. Here are the three places where nearly everybody gets tripped up:

Starting benefits too soon. About 6 out of 10 Social Security recipients in TSCL's most recent Retirement Survey say they retired younger than full retirement age and that their Social Security benefits are permanently reduced. The same survey found that only 16% say they feel well prepared for retirement and expect their income to last as long as they live.

If you haven't started Social Security retirement benefits yet, work with a financial planner, or take a workshop (try local senior centers, universities, or libraries) to help you understand your best age to start Social Security benefits. While the earliest age to qualify for benefits is still 62, Social Security benefits can be reduced by as much as 30%–35% if you claim benefits at that age. And while you can work and receive benefits at the same time, your earnings in the years prior to attaining your full retirement age are restricted ($21,240 in 2023). Earn more than the restricted amount and the Social Security Administration will withhold $1 in benefits for every $2 in earnings.

When you delay the start of Social Security benefits until your full retirement age you can work and earn as much as you want to and receive benefits. Your benefits will not be reduced due to excess earnings, but a portion of benefits could be taxable if your income is over certain income thresholds (more below).

By delaying your benefits past full retirement age, the full benefit amount will grow by 8% per year until age 70. For many, delaying benefits as long as possible, can add thousands of dollars more to lifetime Social Security income.

Clueless about the taxation rules for Social Security. Yes, Social Security benefits can be taxable—up to 85% of benefits can be taxable when income is over the income thresholds.

To determine what *portion* of your Social Security benefits will be added to your *taxable income*, the IRS requires that you add your:

Adjusted Gross Income (AGI)
\+ nontaxable interest
\+ half of your Social Security benefits

= Your "combined income"

If you file a federal tax return as an "individual" and your combined income is:

- between $25,000 and $34,000—you may have to pay income tax on up to 50 percent of your benefits.
- more than $34,000—up to 85 percent of your benefits may be taxable.

If you file a joint return, and you and your spouse have a combined income that is:

- between $32,000 and $44,000—you may have to pay income tax on up to 50 percent of your benefits.
- more than $44,000—up to 85 percent of your benefits may be taxable.

To help you determine what portion of your benefits are taxable, the IRS has an online tool: https://www.irs.gov/help/ita/are-my-social-security-or-railroad-retirement-tier-i-benefits-taxable.

Underestimating your financial risk due to declining health as you age. As older adults age, many are just one new health diagnosis away from financial disaster. Both retired and disabled adults spend a very significant portion of their incomes on healthcare costs. TSCL's Senior Survey found that over half, 53% of our survey participants, spent at least 16% of their household budget on healthcare and the same survey found that nearly one out of five spent 30% or more of their household budget on healthcare. Yet sixty-two percent of participants in the same survey reported that their Social Security benefit is less than $1,829.00 per month in 2023.

One of the most important tools for reducing spending on Medicare deductibles and high out-of-pocket costs is to learn what your health and drug plan options are during the Medicare Open Enrollment period which is going on now through December 7. Free, trusted, one-on-one counseling is available from local State Health Insurance Program (SHIP) counsellors to help you compare what you have now with other plans that might have better coverage at a lower price than what you would pay in 2024. (https://www.shiphelp.org) ■

The $45,000 Question—What Would You Do if Your Doctor Prescribes a Drug that Costs that Much?

Mary Johnson, editor

Medicare coverage isn't a set-it once and forget it option. To protect your retirement finances from potentially significant surprise expenses, it's important to review your drug and health plan options every year. Your health and prescriptions change and so does the coverage of your health and drug plans.

It's an onerous task, but if you haven't already done so, get free unbiased help and take time NOW to review your options during the Medicare Open Enrollment Period which ends December 7th. Comparing health and drug plans during Medicare Open Enrollment is an essential safeguard. It's important to learn what your costs will be in 2024 and make any changes now when you can do so. The changes become effective January 1, 2024.

Every area of the country has state health insurance assistance programs or SHIP with Medicare "navigators" ready to help you understand your coverage options, find plans, and help you figure out your best choice. (Or if you are like me and have a condition that requires expensive medications—least worst choice.) Many of these programs operate through local area agencies on aging. Medicare counselors can help you figure out what you can expect to pay if you stay in your current plan versus switching to a new plan, and how you might keep your healthcare costs as low as possible or even save money by finding a better deal. The process of comparing plans, knowing what to look for and how to work around Medicare's often "balky" drug finder software is so much easier when you have someone else to advise you. You can find local contact information here: www.ShipHelp.org.

In addition to comparing your insurance options annually, it's also a good time to get an annual check-up and to review your current list of drugs with your doctor. Don't be shy about asking the price when prescribed a new drug. That price can be heart stopping if your drug plan doesn't cover it.

Recently my neighbor learned that the new arthritis drug prescribed for her husband would cost about $45,000 a year because it wasn't covered by his Part D drug plan. My neighbor suffers from rheumatoid arthritis herself and was flummoxed, since she's been receiving infusion therapy (medication by IV) for years and after the deductible, it's completely covered by her Medigap plan. Why would her spouse be charged so much more for the new arthritis medication?

The difference has to do with whether the prescription is purchased at a pharmacy and covered under one's Medicare Part D plan or received as a service (such as an infusion administered at a doctor's office) which is billed under Medicare Part B (and covered by many Medigap policies).

Although the Inflation Reduction Act legislation gave Medicare authority to negotiate prescription drug prices, a drug needs to be on the market for at least 9 years (among other criteria) before it would even be considered for price negotiation by Medicare. Thus, it could be years before the price of this drug would become more affordable for my neighbor. I urged her to make the doctor aware of the problem and to discuss what other drug therapies might be available that would be covered by her husband's drug plan.

If the average Medicare patient cannot afford $45,000 a year for this medication, and drug plans won't even cover it, who's going to pay for it? According to the Congressional Budget Office, the federal government and Medicare are the two largest purchasers of prescription drugs in the United States.

TSCL believes this $45,000 question will come back to bite Members of Congress and the public. Congress needs to do more to rein in prescription drug costs.

The Inflation Reduction Act added a $2,000 out-of-pocket cap in Part D spending starting in 2025. This new guarantee of an annual out-of-pocket maximum for Part D beneficiaries was supported by majorities in TSCL surveys. This $45,000 drug, for example, might be considered in 2025 as a more affordable option when the cost of prescriptions for beneficiaries will be capped at $2,000—assuming at least a few drug plans cover it. But Medicare, taxpayers, and drug plans would be responsible for the rest of the cost, providing an early "stress test" of the financial soundness our new prescription drug price reduction plan.

TSCL believes there's much more work still to be done to bring down prescription drug costs. ■

CONGRESSIONAL CORNER

New Legislation Would Extend Contribution Period for Health Savings Accounts, Protect Access to Skilled Nursing Facilities

Representative Michelle Fischbach (MN-07)

Representative Michelle Fischbach (MN-07)

It is understandable to worry that Members of Congress may be disconnected from the people they are hired to serve. But I assure you, feedback from constituents has a huge impact on our priorities and the legislation we introduce. For example, seniors across Minnesota's 7th District have been talking to me about two things in particular: they want to be able to contribute to their health savings account (HSA) for all of their working years, and they are concerned about a proposed staffing requirement that threatens the very existence of many nursing homes. Thanks to those conversations, I have introduced two pieces of legislation to address their concerns, the *Hardworking Seniors Act* and the *Protecting Rural Seniors Access to Care Act.*

Today, people are working later and later in life. We can thank advancements in medicine for the ability to work longer or blame a harsh economy forcing people to work longer, but it seems to be a trend that is not going anywhere. Currently, working seniors that have begun receiving Medicare Part A are unable to contribute to their HSA. The *Hardworking Seniors Act,* which I introduced with Congresswoman Malliotakis (NY-11), is straightforward legislation that helps America's working seniors who are enrolled in Medicare Part A to continue making contributions to their HSA and receive tax benefits. I am happy to say that this bill was included in a package that has passed the House Ways and Means Committee and is waiting to be brought to the Floor for a vote.

As I mentioned, the Centers of Medicare and Medicaid Services' (CMS) proposed a rule to establish elevated minimum staffing requirements for nursing homes. I am deeply disappointed that, despite a report that outlined their own reservations regarding its efficacy, CMS is moving forward with implementation. Many facilities, particularly in rural areas, are already struggling with staff shortages. These facilities would be forced to turn residents away or even close their doors entirely, leaving those patients with no options. Most notably, the CMS report said there was "no single staffing level that would guarantee quality care." Of course, we all want the best quality care in the nursing homes across the country, but we should not risk the existence of facilities implementing an arbitrary measure. I, along with Congressman Pence (IN-6), introduced the *Protecting Rural Seniors Access to Care Act* to stop this mandate from moving forward. Specifically, the bill will keep CMS from implementing this rule until it can prove it will not result in the closure of skilled nursing facilities, will not harm patient access, and will not make workforce shortage issues worse in areas that are already struggling.

Nursing homes are a vital part of the U.S. healthcare industry, and it is important that they are empowered to deliver the highest quality care *without* sacrificing their ability to serve new residents. Rather than a one-size-fits-all requirement, I have been encouraging CMS to work alongside stakeholders to develop innovative ways to boost recruitment and retention of qualified nursing professionals.

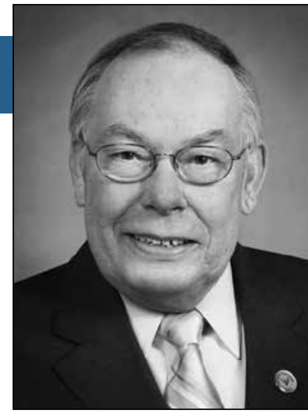
None of this legislation would be possible if not for the feedback I received from constituents across my district, and I am grateful for the seniors, providers, and stakeholders that have taken the time to talk with me about their concerns and their ideas. Thanks to them, I am confident these pieces of legislation will have a true and positive impact on those we in Congress are here to serve. ■

Michelle Fischbach is a wife, mom, grandma, attorney, and the U.S. Representative for Minnesota's Seventh Congressional District. Get updates from Rep. Fischbach's congressional office on Facebook, Twitter, and Instagram.

Statements contained in this article are those of the writer and do not necessarily reflect positions of The Senior Citizens League.

Let's Be Real: The Social Security COLA is Meager, Even when "Above Average"

Edward Cates, Chairman of the Board, TSCL



Edward Cates, Chairman of the Board, TSCL

Inflation data is slowing down to more typical rates of growth, but so far NOBODY is throwing any parties yet. The overall rate of inflation announced in October was 3.7% higher than one year ago. But even though the rate of inflation has come down, prices are still higher than one year ago and retirement incomes aren't keeping up.

High prices continue to cause financial turmoil for almost all consumers, despite some economists saying that the *buying power of Americans is improving.* Is this really the case?

Recently, Mark Zandi, the chief economist for Moody's Analytics weighed in saying on social media (https://twitter.com/Markzandi/status/1689626766875254786) that "To be sure, the high inflation of the past 2 + years has done lots of economic damage. Due to the high inflation, the typical household spent $202 more in a July than they did a year ago to buy the same goods and services. And they spent $709 more than they did 2 years ago."

The real rate of inflation experienced by retired and disabled households is higher than our Cost-of-Living Adjustment (COLA) measures. That's due in part to the consumer price index used to calculate the annual inflation adjustment. The COLA is

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How Much More Would Social Security Recipients Receive If Paid the Higher of the CPI-W or CPI-E?

	COLA using CPI-W		COLA using CPI-E		COLA using higher of CPI-W or CPI-E	
Year	Monthly Benefit	Percent Increase	Monthly Benefit	Percent Increase	Monthly Benefit	Percent Increase
2024	$1,692.20	3.2%	$1,720.40	4.0%	$1,753.20	4.0%
2023	$1,639.80	8.7%	$1,651.10	8.0%	$1,682.50	8.7%
2022	$1,508.50	5.9%	$1,528.80	4.8%	$1,547.80	5.9%
2021	$1,424.50	1.3%	$1,458.80	1.4%	$1,461.60	1.4%
2020	$1,406.20	1.6%	$1,438.60	1.9%	$1,441.40	1.9%
2019	$1,384.00	2.8%	$1,411.80	2.6%	$1,414.50	2.8%
2018	$1,346.30	2.0%	$1,376.00	2.1%	$1,376.00	2.1%
2017	$1,319.90	0.3%	$1,347.70	1.5%	$1,347.70	1.5%
2016	$1,316.00	0.0%	$1,327.80	0.6%	$1,327.80	0.6%
2015	$1,316.00	1.7%	$1,319.90	2.0%	$1,319.90	2.0%
2014	$1,294.00		$1,294.00		$1,294.00	
Total Benefit Income Over Ten Years, 2015–2024						
	$172,241.70		**$174,930.90**		**$176,029.50**	

Sources: The Senior Citizens League. CPI-W: Consumer Price Index for Urban Wage Earners and Clerical Workers. CPI-E: Consumer Price Index for The Elderly.

Let's Be Real: The Social Security COLA is Meager, Even when "Above Average"; continued from page 8

based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). This consumer price index measures inflation in the goods and services purchased by younger working adults.

Oddly, the CPI-W *does not* measure the price change of households who are disabled or retired and not working, over the age of 62—in other words the majority of those who receive Social Security benefits. But older and disabled consumers spend their household budgets differently than younger workers. Seniors spend a bigger portion of their budget on housing, healthcare, and food. Younger workers spend a bigger portion of their budget on transportation and energy costs. When the index fails to account for the portion of income spent on big categories such as housing and healthcare, Social Security recipients get shortchanged on their COLAs.

When the COLA first became an automatic annual adjustment in 1975, the CPI-W was the only index. But today there are several consumer price indexes including a "senior CPI," the Consumer Price Index for the Elderly (CPI-E). If the CPI-E were used to calculate the COLA, it would provide a modestly higher COLA in most, *but not every year.* This was especially the case in 2021 and 2022 when gasoline prices drove up the CPI-W affecting the COLAs paid in 2022 and 2023. The table, on page 8, how the indexes compare today and what the COLA would have been if Social Security beneficiaries received the higher of the CPI-W or the CPI-E.

Recently Representative John Larson (CT) re-introduced The Social Security 2100 Act. The most recent version of the bill contains a provision that would provide better inflation protection. Previous versions of the bill called for tying the COLA adjustment to the CPI-E, but to ensure added protection in years when oil and energy prices are driving inflation, the latest version of the bill would require use of the HIGHER of the CPI-E or the CPI-W. ■

Legislative Update

Daisy Brown, TSCL Legislative Liaison

83% Think Income Thresholds that Subject Social Security Benefits to Taxation Should Be Adjusted for Inflation

By Daisy Brown, TSCL Legislative Liaison

When incomes grow like they did this year with an 8.7% Cost-of-Living Adjustment (COLA), more older taxpayers pay tax on a bigger portion of their Social Security benefits. Little wonder that 83% of those participating in our new poll think the income thresholds that subject Social Security benefits to taxation need adjustment for inflation.

Up to 85% of Social Security benefits can become taxable when your income exceeds certain thresholds. Social Security benefits first became taxable in 1984, and at the time, the public was told the tax would affect "high-income" seniors—less than 10% of older taxpayers.

Today roughly *50%* of all older households pay federal income taxes on a portion of their Social Security benefits and that number is growing. Unlike income tax brackets which are adjusted annually for inflation, income thresholds that subject Social Security benefits to taxation haven't been adjusted for inflation in 40 years. Consequently, over time a growing number of even modest income seniors pay tax on a portion of their Social Security benefits.

Here are those income thresholds which are fixed under current law, and what those thresholds might be if adjusted to today's dollars:

If you file a federal tax return as an "individual," and your combined income is:

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83% Think Income Thresholds that Subject Social Security Benefits to Taxation Should Be Adjusted for Inflation; continued from page 9

- between $25,000 and $34,000, you may have to pay income tax on up to 50 percent of your benefits.
- more than $34,000, up to 85 percent of your benefits may be taxable.

Today roughly 50% of all older households pay federal income taxes on a portion of their Social Security benefits and that number is growing. Unlike income tax brackets which are adjusted annually for inflation, income thresholds that subject Social Security benefits to taxation haven't been adjusted for inflation in 40 years.

If the "individual" income thresholds are adjusted for inflation from 1984 to today's dollars, then the individual filing status of $25,000 would be—$74,614, and $34,000 would be $101,475 in today's dollars.

If you file a joint return, and you and your spouse have a *combined income* that is:

- between $32,000 and $44,000, you may have to pay income tax on up to 50 percent of your benefits.
- more than $44,000, up to 85 percent of your benefits may be taxable.

If the joint filing status is adjusted for inflation from 1984 to today's dollars, $32,000 would be $95,506, and $44,000 would be $131,320.

Due to the high level of support to adjust income thresholds, TSCL is working with Members of Congress on legislative solutions. But changing the taxation of Social Security benefits is a complex task. The revenues raised from this tax form an important source of funding for the Social Security and Medicare trust funds.

Revenues from the 50% level of taxation go to the Social Security Trust fund, which is estimated to receive $840 billion in revenues from the tax on benefits from 2023–2032. The Social Security Trustees estimate that the Trust Funds will receive $51.50 billion in 2023, which will grow to $119.6 billion by 2032. That's about 3.8% of the funds required to pay benefits (including yours in 2023) and about 5.4% required to pay benefits in 2032.

Revenues from the 85% level goes to the Medicare Trust Fund. Between 2023 and 2032, the Medicare Hospital Insurance Trust Fund will receive about $599 billion from the taxation of Social Security benefits. The Trustees estimate $35.6 billion in 2023, which represents about 8.9% of the funds needed to pay benefits which are estimated to rise to $87.4 billion in 2032, representing 11.9% of the funds required to pay benefits.

Over the years, TSCL has worked with as many members of Congress willing to make the taxation of benefits more equitable. We've reviewed proposals that would abolish the tax on benefits altogether—but often, those proposals don't replace the revenues lost to such a tax cut, and that could wind up short-changing today's Social Security and Medicare beneficiaries. To be responsible, the revenues need to be replaced with a new source of revenue.

TSCL's surveys have found that to provide extra revenues, 79% of those who participate in our surveys support lifting the payroll taxable maximum wage base and applying the 12.4% tax to all earnings rather than capping the amount of wages taxed ($160,200) in 2023.

To help you better understand the taxation of benefits, here's a great background brief by the Congressional Research Service: https://crsreports.congress.gov/product/pdf/IF/IF11397. ■

Your Opinion Counts!

We can strengthen Social Security, Medicare and Medicaid programs without the need for deep cuts and higher out-of-pocket costs. The Senior Citizens League needs your opinions and ideas to share with Members of Congress on the issues. Make sure they hear your concerns. Take a survey, sign a petition, read about the latest legislative action in Congress, or send us an email. Visit The Senior Citizens League's website at https://seniorsleague.org/2023-retirement-survey/.

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