THE SENIOR CITIZENS LEAGUE
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TSCL
Defending Your Earned Benefits
Press Briefing
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Social Security Benefits to Rise 32%, But Retirees Worried About Having Enough to Live On and Benefit Cuts

The 3.2X% Social Security cost of living adjustment (COLA) for 2024 announced today by The Social Security Administration is well above the 2.6% average over the past 20 years, but a new retirement survey by The Senior Citizens League (TSCL) indicates that older adults are pessimistic about their finances in coming months and the growing potential for Social Security benefit cuts. Sixty-eight percent (68 percent) of survey participants — report that their household expenses remain at least 10 percent higher than one year ago, although the overall inflation rate has slowed. This situation has persisted over the past 12 months.

Worry that retirement income won't be enough to cover the cost of essentials in the coming months is a top concern of 56 percent of survey respondents. Social Security benefit cuts are an even bigger concern, ranked as the number one worry by nearly 6 out of 10 survey participants (59 percent). Over the past year, benefit cuts and trims have affected a large percentage of older Americans who can least afford them — low-income households.

A year ago, The Senior Citizens League warned that higher incomes due to the 5.9% and 8.7% COLAs in 2022 and 2023 could potentially affect eligibility for low-income assistance programs such as SNAP and rental assistance. Earlier this year, federal *emergency* COVID assistance for SNAP (food stamps) and Medicaid also ended. Surveys conducted by TSCL in 2022 and this year suggest that significant numbers of lower-income older households have lost access to some safety net programs over the past 12 months as illustrated:

As COLAs Increase Income, Low-Income Seniors Can Experience Cuts to Safety Net Benefits
Source: The Senior Citizens League, October 5, 2023

Status	2022 — COLA 5.9%	2023 — COLA 8.7%
Receiving low-income assistance.	37%	31%
Still eligible but receiving a lower level than the previous year.	38%	38%
Income on borderline and lost access to at least one program.	16%	24%
Receiving the same benefits or more in the current year.	46%	38%

Senior Priority Plan Survey through July 21, 2022, 2,557 participants
2023 Retirement Survey through September 7, 2023, 2,258 participants

As many as 26 percent of survey participants who have received Social Security for more than three years report paying taxes on a portion of their benefits for the first time during the 2023 tax season (for tax year 2022). Because Social Security recipients received an even higher COLA of 8.7% in 2023, we expect more beneficiaries to become liable for federal income taxes on their Social Security benefits for the first time in the upcoming 2024 tax season.

Up to 85 percent of Social Security benefits can be taxable when income exceeds certain thresholds. Unlike other parts of the federal income tax code, the income thresholds that subject Social Security benefits to taxation have never been adjusted for inflation. Consequently, as Social Security income increases due to COLAs, that can bump more retirees into the thresholds that triggers the tax on their Social Security benefits of benefits and can increase the portion of benefits that may be taxable.

The Senior Citizens League advocates for adjusting those income thresholds to today's dollars and continuing to do so annually, as is done for the rest of the tax code. Here are the current law income thresholds and what those thresholds might be if adjusted to today's dollars:

- file a federal tax return as an "individual," and *combined income** is:
  - between $25,000 and $34,000, may have to pay income tax on up to 50 percent of benefits.
  - more than $34,000, up to 85 percent of benefits may be taxable.

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

- file a joint return, and the married couple has a *combined income** that is:
  - between $32,000 and $44,000, may have to pay income tax on up to 50 percent of benefits.
  - more than $44,000, up to 85 percent of benefits may be taxable.

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

Changing the taxation of Social Security benefits is a complex task because the revenues raised from this tax form an important source of funding for the Social Security (and Medicare trust funds). Revenues from the 50 percent 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. Revenues from the 85 percent level go 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. To lift the income thresholds that subject Social Security benefits to taxation without worsening program solvency, responsible legislation would need to replace these revenues from other sources of revenues.