THE SENIOR CITIZENS LEAGUE
An Affiliate of TREA The Enlisted Association

TSCL
Defending Your Earned Benefits

Press Briefing
Contact: Shannon Benton, Director
703-548-5568
sbenton@tsclhq.org
Mary Johnson, Social Security and Medicare Policy Analyst
540-832-5513 mary.johnson.nld@gmail.com

For immediate release
March 14, 2023

Does U.S. Tax Code Discriminate Against Seniors? 58% of Older Taxpayers Say Income Thresholds for Taxation of Social Security Benefits Should Be Adjusted

New Survey by The Senior Citizens League

A new survey by The Senior Citizens League, (TSCL) indicates that 58 percent of survey participants think the income thresholds that subject Social Security benefits to taxation are long overdue for an adjustment to today's dollars. Unlike income tax brackets and standard deductions which are adjusted annually, the Social Security income thresholds have never been adjusted for inflation since benefits first became taxable almost 4 decades ago, in 1984.

"This failure to adjust the income thresholds is negatively viewed by older taxpayers as a form of double taxation and even described as "ageist" in the comments we receive," according to The Senior Citizens League's Social Security and Medicare policy analyst Mary Johnson.

The number of older taxpayers who pay taxes on a portion of their benefits today is far higher today than the 10 percent that was originally estimated to be affected by the tax in 1984 when the tax became effective. Social Security recipients can owe taxes on up to 85 percent of their Social Security benefits when their "combined income" is greater than $25,000 (single filers) or $32,000 (couples filing jointly.)

Today about half of older households can be subject to the tax on Social Security benefits according to a background brief by the Congressional Research Service. The number is growing as cost-of-living - adjustments (COLAs) increase Social Security benefits and income from pensions, savings, and other sources grows over time. **Had these income thresholds been adjusted like tax brackets, the $25,000 level today would be roughly $73,000 and the $32,000 level would be $93,200.**

The Senior Citizens League survey found that 51 percent of survey respondents worry they will pay more in taxes this tax season due to the 5.9 percent COLA received last year. That includes one – in – five who worry they may be subject to a tax on their Social Security benefits for the first time this tax season. The worries will continue next year due to an 8.7 COLA this year.

The share of Social Security benefits that will be paid was estimated to be 6.6 percent by the Congressional Research Service in 2020. That share of benefits paid in federal taxes could climb this tax season and next year due in large part to the unusually high COLA increases in 2022 and 2023.

To determine if benefits are taxable, taxpayers should take half of the Social Security income and add it to other income to determine "provisional income." Other income includes pensions, wages, interest, dividends, and capital gains.

The calculation of taxable Social Security benefits depends on the level of benefits and the amount of other (non-Social Security) income and can affect even those with modest incomes.

- Taxpayers with incomes less than $25,000 (single) or $32,000 (joint filers) pay no federal income tax on their Social Security benefits.
- Single taxpayers with "provisional" income between $25,000 and $34,000, and joint filers with provisional income between $32,000 and $44,000 pay federal income tax on up to 50% of their Social Security benefits.
- Single taxpayers with provisional income greater than $34,000 and taxpayers filing joint returns with more than $44,000 in provisional income pay federal income taxes on up to 85% of their Social Security benefits.

The taxation of benefits is an important source of revenue for Social Security and Medicare. The revenues from the taxation of Social Security benefits at the 50 percent level is estimated by the Social Security Trustees to provide about $48.8 billion in income for Social Security in 202 and cover about 4 percent in program costs. Revenues from the 85 percent level of taxation go to Medicare. Trustees estimate Medicare will receive about $34.9 billion in revenues from the taxation of Social Security benefits covering an estimated 8.5 percent of program costs in 2023.

February inflation as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), the same index that's used to calculate the COLA, has moderated to 5.8 percent from one year ago but some prices remain stuck in high gear. Long term trends indicate a significant drop in the average monthly rate of inflation over the past 12 months and suggests that the next annual cost of living adjustment, in 2024 could drop below 3 percent.