TO THE
DEMOCRATIC PARTY PLATFORM COMMITTEE

STATEMENT OF
THE SENIOR CITIZENS LEAGUE
on
PROTECTING SOCIAL SECURITY BENEFITS FOR SENIORS

(July 2, 2024)

SUBMITTED BY
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THE SENIOR CITIZENS LEAGUE

The Senior Citizens League ("TSCL") is a nonprofit, nonpartisan, independent seniors' education and advocacy organization, exempt from federal taxation under section 501(c)(4) of the Internal Revenue Code. Its mission is one of education and social welfare — to educate and alert senior citizens about their rights and freedoms as United States citizens, to support and assist its members and supporters, and to protect and defend the benefits which senior citizens have earned and for which they have paid. To achieve these goals, TSCL advocates the views of seniors before the United States Congress and the Executive Branch, as well as before agencies and departments of the federal government. Unlike many other nonprofit organizations, TSCL accepts no government monies. TSCL's members have a vested interest in the continued financial integrity of the Social Security program and its trust funds, and TSCL therefore is greatly concerned with all policies affecting the program, including its ability to continue to provide a level of benefits that seniors need.

TSCL RECOMMENDED PLATFORM PLANKS TO PROTECT SOCIAL SECURITY BENEFITS FOR SENIORS

I. Congress and the President must ensure the Old-Age and Survivors Insurance Trust Fund ("OASI") has sufficient funds to **avoid benefit cuts** in 2033.

II. Congress and the President should require **reasonable Cost of Living Adjustments** which better to reflect increases in the actual spending of seniors.

III. Congress and the President must protect the Social Security system from the **financial drain of illegal immigration**.

PROPOSALS

I. PROTECT RETIREES' BENEFITS FROM CUTS BEGINNING IN 2033

The 2024 Annual Report of the Social Security Trustees stated that "Social Security's **total cost is projected to be higher than its total income in 2024 and all later years**" (Report at 3, emphasis added) — which continues a trend that began in 2021. The Social Security Trust Fund has sufficient reserves to **pay full benefits until 2033**. **Thereafter**, in the absence of Congressional action, there would be sufficient funds "to pay only **79 percent** of OASI benefits." *Id.* at 26 (emphasis added). Therefore, it is imperative that the President and the next Congress make Social Security reform and the protection of our Nation's seniors a top priority.

Surveys of TSCL supporters show broad support for three legislative changes:

- increase the wage cap on the Social Security payroll tax;
- apply the Social Security tax to net investment income; and
- adjust the threshold for taxation of retirees on their social security benefits.

A. Increasing or Removing the Wage Cap for the Social Security Payroll Tax. Americans pay a payroll tax of 6.2 percent of their earned income (matched by their employer, for a total of 12.4 percent) into the Social Security system on the first $168,600 of their income. Increasing or removing the wage cap for Social Security taxes would increase funding into Social Security and extend the viability of the system for many years. An overwhelming percent of seniors that TSCL surveyed support removing the cap.

B. Applying the Social Security tax to Net Investment Income. Currently, Social Security tax is not imposed on net investment income, which includes interest income, dividend income, and capital gains. A large majority of seniors surveyed by TSCL support legislation that would require taxpayers with income over $200,000 for individual filers and $250,000 for joint filers to pay a Social Security tax on their net investment income.

C. Adjusting the Threshold for Taxing Social Security benefits. Retirees are required to pay income tax on certain of their Social Security benefits according to a complex formula. Single taxpayers add half of their Social Security benefits to their other income, and if the total exceeds $25,000, then some benefits may be taxable: 50 percent of benefits are taxable for income between $25,000 and $34,000; and 85 percent of benefits are taxable for income over $34,000. (Married taxpayers have a different formula.) The $25,000 threshold was set by Congress in 1983 (over 40 years ago) and has not been indexed or adjusted. Since benefits are increased by cost of living adjustments, more and more retirees are taxed on their retirement benefits each year. A majority of TSCL's survey respondents support indexing the threshold for taxation of Social Security benefits to inflation. Such a change would provide a

much-needed break to many retirees who are already facing the challenge of rising healthcare costs and other costs.

It is no longer a matter of **if** legislative changes are needed, but rather **when** Congress will give priority to solve an increasingly pressing problem. The longer that Congress waits to address the pending depletion, the more drastic the measures that will need to be taken to avoid cuts in benefits.

II. COST OF LIVING ADJUSTMENTS SHOULD ACCURATELY REFLECT THE RISING COSTS FACED BY OUR NATION'S SENIORS

A. COLAs Are Based on Flawed CPI Models.

Social Security benefits are increased each year on January 1 based on a COLA comparing price increases in prior quarters. There was **no COLA** paid in 2010, 2011, and 2016. The COLA was **under 2 percent** in 2013, 2014, 2015, 2017, 2018, 2020, and 2021. Only in five of the past 15 years has the COLA been more than 2.0 percent — 2012, 2019, 2022, 2023, and 2024.[1] The 2025 COLA will be announced in October 2024, and is expected to be between 2.6 and 3.2 percent.

COLAs are based on the **Consumer Price Index for Urban Wage Earner** ("CPI-W"), but the CPI-W data set does not accurately reflect the price changes experienced by Social Security beneficiaries — as shown in a TSCL White Paper. For years, the government has changed the way that CPI-W is calculated in ways that show inflation is less than under the original methodology. In fact, the very nature of CPI-W measurement has changed. No longer a measurement of the money necessary to purchase a consistent "market basket" of goods and services, CPI-W is now based on an ever-changing "market basket." This methodology assumes that when prices increase, Social Security recipients faced with price inflation will change their purchasing patterns, substituting lower quality goods for the higher quality goods they had previously chosen. For example, if the price of steak increases due to inflation, the Bureau of Labor Statistics ("BLS") now assumes people will buy hamburger or chicken.

Economists term this as maintaining a "constant level of satisfaction." The BLS has modified the CPI-W data set so that it no longer measures true price inflation, allowing COLAs which increase only enough to adjust to a lower standard of living. For example, when under the new methodology CPI was reported to have increased 1.7 percent in 2014, it is estimated that the increase would have been 5.2 percent using the methodology that was in place in 1990, and a 9.4 percent increase using the methodology in place in 1980. *See* TSCL White Paper at 21.

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[1] https://www.ssa.gov/OACT/COLA/colaseries.html.

In fact, **since 2000**, seniors relying on Social Security benefits for their retirement have **lost 36 percent of their buying power** due to a combination of: (i) increased prices for the categories of items seniors purchase and (ii) the low increase in COLAs.[2] In short, retiree living costs are increasing at a substantially faster pace than the CPI. For example, since 2000, average prescription drug out-of-pocket costs have risen 311 percent.[3] Similarly, Medicare Part B premiums have increased 262 percent. And there are other categories of expenditures that impact seniors more than the average population and thus are not reflected in the changes to the CPI-W. However, during that time, benefits have only been increased by 78 percent, woefully insufficient to maintain the purchasing power over that time.

The first step to correcting this unfairness would be to require the Bureau of Labor Statistics to calculate inflation to reflect a more consistent market basket of goods to better reflect the actual change of prices that consumers face at the grocery store. A complete correction would require looking back two or more decades to correct the compounding effect of undervaluing inflation throughout those years.

B. Calculate COLAs for Social Security Based on the Spending Patterns of Senior Citizens.

Currently, the annual COLAs are based on the CPI-W, which measures the spending of "urban wage earners." However, the CPI-W does not reflect the actual spending of senior citizens, which spend significantly more on housing and medical expenses than urban wage earners. The spending of seniors is measured by a separate index called **"Consumer Price Index for the Elderly**" ("CPI-E"). However, curiously, the Social Security Administration does not rely on that CPI-E index to set the Social Security COLA.

TSCL has long supported implementation of CPI-E as the index for COLAs. Due to effects of compounding, if the CPI-E had been used for COLAs over the past 10 years, Social Security benefits would be about 2 percentage points higher than they are now. Accordingly, TSCL urges tying Social Security COLAS to CPI-E rather that CPI-W.

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[2] https://seniorsleague.org/assets/LOBP-Study-2023.pdf.

[3] https://seniorsleague.org/press-briefing-5-10-23/.

III. SENIORS MUST BE PROTECTED AGAINST THE NEGATIVE FINANCIAL EFFECTS OF ILLEGAL IMMIGRATION

A. Illegal Immigration Threatens the Value of the Earned Benefits of Social Security Retirees.

Illegal immigration has been a problem for the country for many years, but it has worsened significantly in recent years. Although illegal immigration declined during COVID, the past two years have more than made up for that decline, seeing the numbers of illegal border crossings far surpass any other year. It is said by many that illegal immigration has some positive effect on the Social Security Trust Fund,[4] with the use of fraudulent Social Security numbers, but that positive effect is more than offset by the enormous drain on government resources.

On November 13, 2023, the House Committee on Homeland Security issued a report on the costs of illegal immigration. Although exact figures are difficult to come by, the report estimated:

> the **annual cost** just to care for and house the known gotaways and illegal aliens who have been released into the country [in the past three years] could cost an astounding **$451 billion.**[5]
>
> In particular, researchers found that illegal immigration imposes around **$182 billion in federal, state, and local costs**, while illegal aliens pay approximately $31 billion in total tax contributions.[6] The federal government is responsible for more than $66 billion in expenditures, an increase of 45 percent from 2017, while the states foot the bill for more than $115 billion in additional spending on illegal aliens, a 30-percent increase from 2017.[7] [Committee on Homeland Security, Majority Report (Nov. 13, 2023) (emphasis added).]

The financial integrity of the Social Security system cannot be viewed in isolation, but must be considered in terms of the financial drain on government at all levels. The more money spent on undocumented immigrants, the less money available for government to pay

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[4] https://cis.org/Report/Impact-Immigration-Social-Security-and-Medicare-Conceptual-Primer.

[5] Andrew Arthur, "Biden's Border Fiasco Costing Local Taxpayers Billions," The Center for Immigration Studies (May 4, 2023).

[6] *Id.*

[7] *Id.* at 33, 62.

earned benefits to seniors. The next administration must address the problem of illegal immigration at the Nation's southern border with urgency.

B. A Social Security Totalization Agreement with Mexico Would Be Disastrous to American Retirees.

At any time, the federal government could finalize an agreement with Mexico that could prove disastrous to the Social Security Trust Funds that has been on the shelf, just waiting for an opportunity to be put into effect. On June 29, 2004, the United States Social Security Administration announced that it had **negotiated a Social Security totalization agreement** with Mexico.

The totalization agreement requires submission to Congress for a period that allows either the Senate or the House of Representatives to pass a **resolution of disapproval**, but each house would have only **60 legislative days** (after submission of the agreement to Congress) within which to act before the agreement would become fully effective and legally binding on the United States. Although the Totalization Agreement with Mexico has never been submitted to Congress in the years since it was signed, there is nothing keeping the Executive branch from submitting it to Congress, forcing quick action by Congress.

In 2003, the SSA claimed that the U.S./Mexico Agreement would cost the U.S. Social Security system an average of about **$110 million a year**.[8] That estimate was unrealistically low. A September 11, 2003 GAO report stated that, after review of the terms of the yet-unsigned U.S./Mexico Agreement, costs — while uncertain — would appear to begin at $78 million the first year and grow to **$650 million per year** by 2050.[9] Despite the GAO report, the SSA never backed off its rosy forecast. Furthermore, with inflation and the significant influx of undocumented immigrants in recent years, the negative financial impact would probably be immensely worse than projected in 2003.

Thus, due to the negative effect that implementation of this agreement would have on the financial integrity of the Social Security program, as well as the undesired incentive it would create for additional illegal immigration, TSCL urges that the U.S./Mexico Agreement be repudiated, and no further efforts to enter into another totalization agreement with Mexico should be made.

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[8] *See* Testimony by Commissioner Jo Anne B. Barnhart Hearing on International Social Security Agreements Subcommittee On Immigration, Border Security, And Claims (September 11, 2003).

[9] The difference appears to be primarily attributable to the GAO estimate being based upon the assessment that the U.S./Mexico Agreement would "increase the number of **unauthorized** Mexican workers and family members eligible for social security benefits."