



Who's Above the Social Security Payroll Tax Cap?

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When most workers look at their pay stubs, they can see that the Social Security payroll tax rate is 12.4 percent – with the employee and employer each paying 6.2 percent. But many workers do not know that any annual wages above \$106,800 are not taxed by Social Security. In other words, a worker who makes twice the Social Security wage cap – \$213,600 per year – pays Social Security tax on only half of his or her earnings, and one who makes just over a million dollars per year pays the tax on only about a tenth.

Raising the Social Security cap – which would make some or all earnings above \$106,800 subject to the Social Security tax – has gotten some attention as a way to help alleviate Social Security's long-term budget shortfall. U.S. Senator Bernie Sanders plans to introduce legislation to keep the current cap at \$106,800, but to also apply the Social Security payroll tax to earnings over \$250,000. It is similar to previous bills and echoes a proposal by then-Senator Obama on the campaign trail in 2008. While this would leave those making between the current cap of \$106,800 and the proposed cap of \$250,000 paying the lowest rates, it would help secure the solvency of the program and avoid an increase in taxes on the middle class.

To help inform this policy debate, we examined Census Bureau data from the most recently available American Community Survey and found that less than 6 percent of workers would be affected if the Social Security cap were eliminated entirely and only slightly more than 1 percent would be affected if the current tax were applied to earnings over \$250,000 (but not between the current cap and the \$250,000 level). However, the share of workers that would pay more varies widely by gender, race or ethnicity, age, and state of residence.

For example, less than 3 percent of female workers would be affected if the Social Security wage cap were eliminated entirely, and less than one half of one percent would pay more if the tax were applied to earnings over \$250,000 per year. Similarly, only about 2 percent of black and Latino workers would be affected if the cap were lifted entirely, and an even smaller portion – less than one-third of 1 percent – would be affected if earnings above \$250,000 were included in the tax. See the figures below for detailed breakdowns.



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TABLE 1
Workers with Annual Earnings over \$106,800 and \$250,000,
by Race/Ethnicity

Race/Ethnicity	\$106,800		\$250,000	
	Percent	Number	Percent	Number
All	5.8	8,655,519	1.2	1,790,602
White	7.1	7,175,155	1.5	1,555,835
Black	2.1	348,648	0.3	53,863
Latino	1.9	399,028	0.3	63,894
Asian	9.3	702,081	1.5	112,247
Other	2.8	30,607	0.4	4,763

Source: Authors' analysis of American Community Survey (ACS), 2009.

Notes: In order to focus on working with significant attachment to work, calculations exclude those who are younger than 16, or who worked fewer than 14 weeks in the preceding 12 months, or usually worked fewer than 10 hours per week. This has the effect of making these estimates conservative—without these exclusions the percentages shown would be smaller.

TABLE 2
Workers with Annual Earnings over \$106,800 and \$250,000, by Race/Ethnicity and Gender

Race/Ethnicity	\$106,800				\$250,000			
	Male		Female		Male		Female	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
All	8.5	6,711,851	2.8	1,943,668	1.9	1,513,166	0.4	277,436
White	10.5	5,660,503	3.2	1,514,652	2.5	1,331,951	0.5	223,884
Black	2.8	216,290	1.5	132,358	0.5	37,113	0.2	16,750
Latino	2.5	307,741	1.1	91,287	0.4	53,380	0.1	10,514
Asian	12.5	503,659	5.6	198,422	2.2	86,669	0.7	25,578
Other	4.2	23,658	1.3	6,949	0.7	4,053	0.1	710

Source and notes: See Table 1.

TABLE 3
Workers with Annual Earnings over \$106,800 and \$250,000,
by Age Group

Age Group	\$106,800		\$250,000	
	Percent	Number	Percent	Number
All	5.8	8,655,519	1.2	1,790,602
16-24	0.1	22,348	0.0	4,561
25-34	2.4	770,387	0.3	96,973
35-44	7.4	2,475,160	1.4	466,199
45-54	8.9	3,107,496	1.9	670,596
55-64	8.6	1,882,051	2.0	441,112
65+	6.7	398,077	1.9	111,161

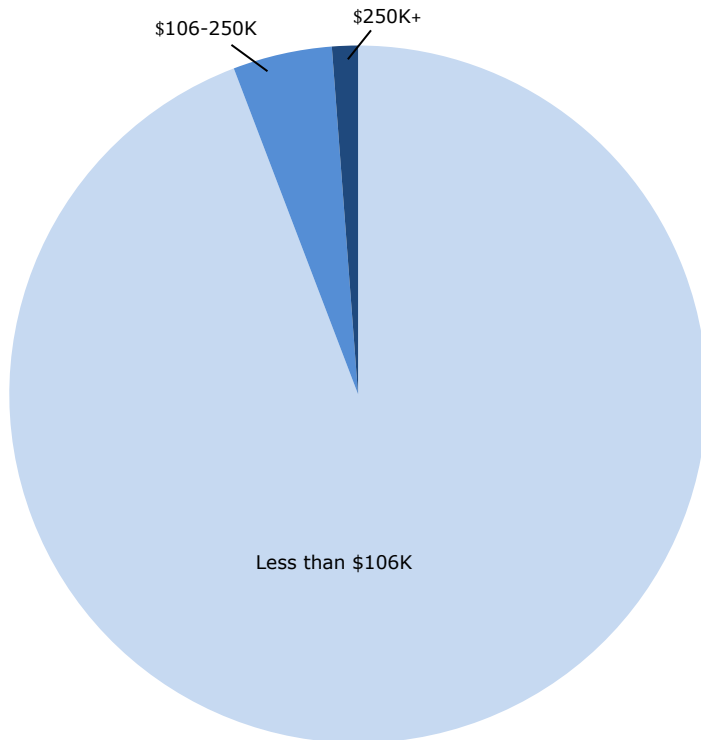
Source and notes: See Table 1.

TABLE 4
Workers with Annual Earnings over \$106,800 and \$250,000, by Age Group and Gender

Age Group	\$106,800				\$250,000			
	Male		Female		Male		Female	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
All	8.5	6,711,851	2.8	1,943,668	1.9	1,513,166	0.4	277,436
16-24	0.2	17,756	0.0	4,592	0.0	3,238	0.0	1,323
25-34	3.2	560,272	1.4	210,115	0.4	79,108	0.1	17,865
35-44	10.5	1,895,082	3.8	580,078	2.1	387,315	0.5	78,884
45-54	13.2	2,389,959	4.3	717,537	3.1	558,866	0.7	111,730
55-64	13.2	1,504,358	3.6	377,693	3.4	384,146	0.5	56,966
65+	10.4	344,424	2.1	53,653	3.0	100,493	0.4	10,668

Source and notes: See Table 1.

FIGURE 1
Workers Earning Less than \$106K, \$106-250K, and \$250K+



Source and notes: See Table 1.

TABLE 5
Workers with Annual Earnings over \$106,800 and \$250,000, by State

State	\$106,800		\$250,000	
	Percent	Number	Percent	Number
All	5.8	8,655,519	1.2	1,790,602
AL	3.7	78,150	1.1	23,949
AK	5.8	20,931	0.9	3,433
AZ	4.7	140,913	1.0	30,627
AR	3.3	43,616	0.9	12,399
CA	7.9	1,365,882	1.3	228,815
CO	6.6	174,334	0.9	23,421
CT	9.5	172,189	2.4	43,151
DE	5.9	26,105	1.1	5,000
DC	15.8	49,007	2.5	7,625
FL	4.5	383,094	1.0	83,104
GA	5.4	245,903	0.9	40,922
HI	4.0	26,715	1.0	6,675
ID	3.2	23,216	0.9	6,162
IL	6.5	410,798	1.3	81,200
IN	3.4	106,321	1.1	33,699
IA	3.2	50,283	0.9	14,559
KS	4.5	65,559	1.4	19,619
KY	3.4	65,827	0.9	16,774
LA	4.3	90,159	1.1	22,061
ME	3.6	23,884	0.8	5,398
MD	9.4	278,842	1.3	37,695
MA	8.5	292,984	1.6	55,479
MI	4.5	203,993	1.0	45,727
MN	5.6	157,799	0.9	25,787
MS	3.1	38,806	1.2	15,653
MO	3.9	114,218	1.9	34,780
MT	2.9	14,205	0.1	268
NE	3.2	30,813	1.0	9,192
NV	4.5	58,101	1.2	15,411
NH	6.6	47,194	1.2	8,329
NJ	10.6	458,772	2.0	88,040
NM	3.9	35,272	1.0	9,193
NY	8.1	760,752	1.9	179,856
NC	4.5	200,925	1.0	42,683
ND	3.9	14,286	1.4	5,173
OH	3.9	217,925	1.0	53,135
OK	3.3	57,975	0.9	15,632
OR	4.6	85,145	1.4	24,895
PA	5.3	326,577	1.2	73,777
RI	5.4	29,330	1.0	5,223
SC	3.5	73,113	0.9	19,710
SD	3.1	13,492	0.8	3,335
TN	4.0	119,297	1.3	37,650
TX	5.7	674,665	1.2	140,338
UT	4.5	60,110	0.9	11,342
VT	3.8	12,899	0.8	2,594
VA	8.8	356,262	1.1	46,057
WA	6.4	211,607	1.1	37,370
WV	3.0	24,096	1.2	9,437
WI	3.8	113,596	0.9	27,642
WY	3.2	9,582	0.2	606

Source and notes: See Table 1

TABLE 6
Workers with Annual Earnings over \$106,800 and \$250,000, by State and Gender

State	\$106,800				\$250,000			
	Male		Female		Male		Female	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
All	8.5	6,711,851	2.8	1,943,668	1.9	1,513,166	0.4	277,436
AL	5.8	65,092	1.3	1,3058	1.8	20,692	0.3	3257
AK	8.9	17,614	2.0	3,317	1.3	2,617	0.5	816
AZ	6.7	110,171	2.3	3,0742	1.6	25,784	0.4	4843
AR	5.2	36,516	1.2	7,100	1.4	9,886	0.4	2,513
CA	10.7	1,021,262	4.4	344,620	2.0	189,735	0.5	39,080
CO	9.6	137,475	3.1	36,859	1.4	19,761	0.3	3,660
CT	14.2	133,262	4.5	38,927	3.8	35,406	0.9	7,745
DE	9.1	20,421	2.6	5,684	1.6	3,687	0.6	1,313
DC	20.6	30,858	11.3	18,149	4.0	6,043	1.0	1,582
FL	6.7	301,688	2.0	81,406	1.6	71,792	0.3	11,312
GA	8.0	195,357	2.3	50,546	1.5	36,112	0.2	4810
HI	5.9	21,596	1.7	5,119	1.6	5,920	0.2	755
ID	5.0	19,907	1.0	3,309	1.3	5,155	0.3	1,007
IL	9.4	315,592	3.2	95,206	2.0	67,084	0.5	14,116
IN	5.3	87,753	1.3	18,568	1.8	29,104	0.3	4,595
IA	4.9	41,258	1.2	9,025	1.4	11,990	0.3	2,569
KS	7.3	56,375	1.4	9,184	2.2	17,387	0.3	2,232
KY	5.0	52,090	1.5	13,737	1.4	14,280	0.3	2,494
LA	6.9	76,151	1.4	14,008	1.7	18,971	0.3	3,090
ME	5.6	19,154	1.5	4,730	1.4	4,884	0.2	514
MD	13.4	203,586	5.2	75,256	2.1	32,167	0.4	5,528
MA	12.6	222,293	4.3	70,691	2.6	45,820	0.6	9,659
MI	6.9	161,110	2.0	42,883	1.7	38,871	0.3	6,856
MN	8.1	120,324	2.8	37,475	1.5	22,845	0.2	2,942
MS	4.8	31,662	1.2	7,144	2.0	12,930	0.4	2,723
MO	6.0	90,714	1.7	23,504	2.0	30,077	0.3	4,703
MT	4.7	12,433	0.8	1,772	0.1	230	0.0	38
NE	4.8	24,900	1.3	5,913	1.4	7,094	0.5	2,098
NV	6.3	45,582	2.2	12,519	1.9	14,009	0.2	1,402
NH	10.2	38,469	2.6	8,725	1.9	7,295	0.3	1,034
NJ	15.1	350,110	5.4	108,662	3.1	72,962	0.7	15,078
NM	5.7	27,949	1.7	7,323	1.5	7,420	0.4	1,773
NY	11.0	539,539	4.9	221,213	2.9	144,058	0.7	35,798
NC	6.6	156,748	2.1	44,177	1.5	35,710	0.3	6,973
ND	6.3	12,306	1.2	1,980	2.5	4,763	0.2	410
OH	6.2	177,528	1.5	40,397	1.6	44,796	0.3	8,339
OK	5.2	49,138	1.1	8,837	1.4	13,135	0.3	2,497
OR	6.9	67,199	2.1	17,946	2.2	21,220	0.4	3,675
PA	8.0	260,243	2.3	66,334	2.0	65,297	0.3	8,480
RI	8.1	22,237	2.7	7,093	1.5	4,240	0.4	983
SC	5.4	58,850	1.4	14,263	1.5	16,988	0.3	2,722
SD	5.0	11,277	1.1	2,215	1.4	3,122	0.1	213
TN	6.2	96,796	1.6	22,501	2.1	32,585	0.4	5,065
TX	8.4	546,731	2.4	127,934	1.9	123,062	0.3	17,276
UT	7.4	55,197	0.9	4,913	1.4	10,410	0.2	932
VT	6.3	11,213	1.1	1,686	1.3	2,343	0.2	251
VA	12.6	268,721	4.6	87,541	1.8	38,773	0.4	7,284
WA	9.5	170,979	2.7	40,628	1.7	31,236	0.4	6,134
WV	4.8	20,488	1.0	3,608	2.0	8,314	0.3	1,123
WI	5.7	89,728	1.7	23,868	1.6	24,498	0.2	3,144
WY	4.9	8,209	1.0	1,373	0.4	606	0.0	0

Source and notes: See Table 1