



Office of Tax Policy
November 2024

Report on the Taxation of
Social Security and Railroad Retirement Benefits in
Calendar Years 2015 through 2020

Report to Congress, the Secretary of Health and Human Services, the
Social Security Administration, and the Railroad Retirement Board

Section 121 of the Social Security Amendments of 1983 (P.L. 98-21), directs the Secretary of the Treasury to transfer from the general fund of the Treasury to the Social Security and Railroad Retirement trust funds amounts equivalent to the tax liabilities attributable to the taxation of Social Security and Railroad Retirement benefits. Section 121 further provides that the Secretary of the Treasury shall submit annual reports concerning (1) the transfers made that year, and the methodology used in determining the amount of such transfers and the funds of accounts to which made, and (2) the anticipated operation of the transfers during the next five years. This report fulfills this requirement for Calendar Years 2015 through 2020.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 3, 2024

The Honorable Kamala D. Harris
President of the Senate
Washington, DC 20510

Dear Madam President:

Section 121 of the Social Security Amendments of 1983 (P.L. 98-21), directs the Secretary of the Treasury to transfer from the general fund of the Treasury to the Social Security and Railroad Retirement trust funds amounts equivalent to the tax liabilities attributable to the taxation of Social Security and Railroad Retirement benefits. Section 121 further provides that the Secretary of the Treasury shall submit annual reports concerning (1) the transfers made that year, and the methodology used in determining the amount of such transfers and the funds of accounts to which made, and (2) the anticipated operation of the transfers during the next five years.

Pursuant to Section 121, I am pleased to submit the “Report on the Taxation of Social Security and Railroad Retirement Benefits in Calendar Years 2015 through 2020.”

This report is also being transmitted to the Speaker of the House, the Secretary of the Department of Health and Human Services, the Commissioner of the Social Security Administration, and the Chairman of the Railroad Retirement Board.

Sincerely,

Corey Tellez
Acting Assistant Secretary
Office of Legislative Affairs

cc: The Honorable Amit Bose
Administrator, Federal Railroad Administration



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WASHINGTON, D.C. 20220

December 3, 2024

The Honorable James Michael Johnson
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 3, 2024

The Honorable Xavier Becerra
Secretary
Department of Health and Human Services
200 Independence Ave., SW
Washington, DC 20201

Dear Secretary Becerra:

Section 121 of the Social Security Amendments of 1983 (P.L. 98-21), directs the Secretary of the Treasury to transfer from the general fund of the Treasury to the Social Security and Railroad Retirement trust funds amounts equivalent to the tax liabilities attributable to the taxation of Social Security and Railroad Retirement benefits. Section 121 further provides that the Secretary of the Treasury shall submit annual reports concerning (1) the transfers made that year, and the methodology used in determining the amount of such transfers and the funds of accounts to which made, and (2) the anticipated operation of the transfers during the next five years.

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The Honorable Martin O'Malley
Commissioner
Social Security Administration
Altmeyer Building
6401 Security Blvd.
Baltimore, MD 21235

Dear Commissioner O'Malley:

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Chairman Erhard R. Chorlé
Railroad Retirement Board
844 North Rush Street
Chicago, IL 60611-1275

Dear Chairman Chorlé:

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November 2024

TABLE OF CONTENTS

INTRODUCTION AND SUMMARY	1
CHAPTER 1: METHODOLOGY AND ESTIMATES OF THE TAX LIABILITY ATTRIBUTABLE TO THE TAXATION OF BENEFITS FOR CALENDAR YEARS 2015 THROUGH 2020	6
I. Methodology for Estimating Tax Liability	6
II. Estimates of Tax Liability Attributable to the Taxation of Benefits in Calendar Years 2015 through 2020	7
CHAPTER 2: METHODOLOGY FOR ESTIMATING TRANSFERS AND CALCULATING ADJUSTMENTS TO TRANSFERS FOR LIABILITY IN CALENDAR YEARS 2015 through 2020	15
I. Methodology for Estimating Quarterly Transfer Amounts	15
II. Methodology for Adjustments to Transfers of Estimated Amounts	16
III. Transfers of Estimated Amounts and Adjustments to Transfers for Liability in Calendar Years 2015 through 2020	17
CHAPTER 3: FORECAST OF TRANSFERS TO TRUST FUNDS FOR CALENDAR YEARS 2021 THROUGH 2025	19
I. Forecasting Methodology	19
II. Forecasts of Transfers to the Trust Funds	19

INTRODUCTION AND SUMMARY

I. Introduction

Since January of 1984, the Treasury Department has been required to estimate the individual income tax liabilities attributable to the inclusion of Social Security (Federal Old Age and Survivors and Federal Disability Insurance) and Railroad Social Security Equivalent benefits in adjusted gross income (AGI) for each liability year. These estimated tax liabilities are transferred from the general fund to the Federal Old Age and Survivors Insurance (FOASI), Federal Disability Insurance (FDI), and Railroad Social Security Equivalent Benefit Account (SSEBA) trust funds on a quarterly basis. Since 1994, transfers have also been made to the Federal Hospital Insurance (Medicare) trust fund (FHI). Both the taxation of benefits and the transfers to the trust funds are required by the Social Security Amendments of 1983 (SSA 83) (P.L. 98-21), as amended by the Railroad Retirement Solvency Act of 1983 (P.L. 98-76), the Consolidated Budget Reconciliation Act of 1985 (P.L. 99-272), and the Omnibus Budget and Reconciliation Act of 1993 (OBRA 93) (P.L. 103-66). P.L. 98-21 also requires that correcting adjustments be made to the amounts transferred to the trust funds if the estimates of the tax liability attributable to the benefits are subsequently shown to differ from final amounts.

In addition, P.L. 98-21 requires the Treasury Department to submit annual reports to the Congress, the Secretary of Health and Human Services, and the Railroad Retirement Board containing both a description of the methodology used to estimate the transfers to the trust funds and a forecast of transfers over the five subsequent years. The Treasury Department's Office of Tax Analysis (OTA) is responsible for estimating the original transfers to the trust funds, calculating the correcting adjustments when final amounts of liability become available, and preparing these mandated reports. This report covers a six-year period and describes (1) the original liability estimates and transfers to the trust funds for calendar years 2015 through 2020, (2) the necessary correcting adjustments to the transfers for those same calendar years, and (3) the forecast of liability and transfers for calendar years 2021 through 2025.

To determine if any benefits were taxable in calendar years 2015 through 2020, taxpayers were required to add both tax-exempt interest income and one-half of Social Security and Railroad Social Security Equivalent benefits to AGI (calculated before including any Social Security or Railroad Social Security Equivalent benefits). This AGI concept is referred to as provisional income. If provisional income exceeded thresholds of \$25,000 for single filers and \$32,000 for joint filers, taxpayers were required to include in AGI the lesser of:

- (1) one-half of the taxpayer's Social Security or Railroad Social Security Equivalent benefits
- or
- (2) one-half of the excess of provisional income over the thresholds.

If provisional income exceeded \$34,000 for single filers and \$44,000 for joint filers, taxpayers were required to include in AGI the lesser of:

- (1) 85 percent of the taxpayer's Social Security or Railroad Social Security Equivalent benefit
- or
- (2) the sum of
 - (a) the smaller of
 - (i) the amount included under the lower thresholds or
 - (ii) \$4,500 (for single filers) or \$6,000 (for joint filers)
 - Plus
 - (b) 85 percent of the excess of the recipient's provisional income over the applicable second provisional income threshold.

None of the provisional income thresholds are indexed for inflation. Certain married beneficiaries not filing joint returns had provisional income thresholds of zero. The AGI of these individuals included the lesser of 85 percent of the beneficiary's Social Security or Railroad Social Security Equivalent benefit or 85 percent of the recipient's provisional income. Overall, for the highest income beneficiaries, a maximum of 85 percent of Social Security or Railroad Social Security Equivalent benefits was includable in AGI.

Taken together, SSA 83 and OBRA 93 specify the rules for determining the amount of Social Security and Railroad Social Security Equivalent benefits includable in AGI and the transfers of tax liability attributable to those benefits to the FOASI, FDI, SSEBA and FHI trust funds. The first thresholds were enacted under SSA 83, which directed that the resulting increase in tax liability be transferred to the trust funds from which the benefits are paid (FOASI, FDI, and SSEBA). The inclusion rules apply to benefits received after December 31, 1983, in taxable years ending after that date. The second thresholds were enacted under OBRA 93, which directed that the additional tax liability resulting from such inclusion (in excess of any liability resulting from the first inclusion thresholds) be transferred to the FHI trust fund. The OBRA 93 inclusion rules apply to taxable years beginning after December 31, 1993.

For example, assume a non-married taxpayer with income of \$26,000 (including any tax-exempt interest, but excluding any Social Security or Railroad Social Security Equivalent benefits). Further assume this taxpayer has \$4,000 in FOASI benefits. This taxpayer has \$28,000 in provisional income (\$26,000 plus one-half \$4,000), above the first inclusion threshold, but below the second threshold. Therefore, this taxpayer must include the lesser of one-half of his or her FOASI benefit (\$2,000) or one-half the excess of provisional income over the first threshold (one-half of \$28,000 minus \$25,000, or \$1,500). Thus, this taxpayer must include \$1,500 of FOASI benefits in AGI, and the tax on this

amount would be transferred to the FOASI trust fund.

Now assume that this taxpayer's income is \$36,000 (again including any tax-exempt interest but excluding any Social Security or Railroad Social Security Equivalent benefits). As before, assume that this taxpayer has \$4,000 in FOASI benefits. This taxpayer's provisional income is now \$38,000, above the second inclusion threshold of \$32,000. If the second set of inclusion rules had not been enacted, the taxpayer would include the lesser of one-half of his or her FOASI benefit (\$2,000) or one-half the excess of provisional income over the first threshold (one-half of \$38,000 minus \$25,000, or \$6,500). However, under the second set of inclusion rules, the taxpayer must include the lesser of 85 percent of his or her FOASI benefit (\$3,400) or the sum of the smaller of the amount included due to the first thresholds (\$2,000) or \$4,500, plus 85 percent of the excess of provisional income over the second threshold (85 percent of \$38,000 minus \$32,000, or \$5,100). Since \$3,400 is less than \$2,000 plus \$5,100, the taxpayer must include \$3,400 in AGI. The tax on the additional amount attributable to the second set of inclusion rules, \$1,400 (\$3,400 total minus \$2,000 attributable to the first set of inclusion rules) would be transferred to the FHI trust fund while the tax on the total amount less the tax on the additional amount would be transferred to the FOASI trust fund.

To summarize, the Office of Tax Analysis estimates the income tax liability attributable to the partial inclusion of FOASI, FDI and SSEBA benefits in adjusted gross income and estimates the amounts to be transferred to the corresponding trust funds plus the FHI trust fund.¹ Subsequently, OTA makes adjustments to correct the amounts put into each fund. Throughout the report, some tables will show benefits and/or tax liability by income source (FOASI, FDI or SSEBA benefits) while others will show the amounts transferred to the various trust funds (FOASI, FDI, SSEBA or FHI).

II. Summary

The Summary Table shows OTA's original tax liability estimates by benefit source and the transfers made to the trust funds based on those estimates, the adjusting transfers subsequently made, and the resulting net amounts transferred to each trust fund for each calendar year. For example, for calendar year 2015, OTA initially estimated that the tax liability attributable to partial inclusion of Social Security and Railroad Social Security Equivalent benefits was \$56,112 million. Of this amount, \$52,760 million was attributable to the inclusion of FOASI benefits, \$2,921 million was attributable to the inclusion of FDI benefits, and \$431 million was attributable to the inclusion of SSEBA benefits.

Based on these estimates, transfers of \$31,432 million, \$1,800 million, \$22,617 million, and \$263 million were made from the general fund to the FOASI, FDI, FHI, and SSEBA trust funds, respectively. OTA subsequently determined that the amount of tax liability calculated from actual 2015 tax return data was \$3,668 million less than the amount originally transferred. Transfers to the FOASI, FDI, FHI, and SSEBA trust funds were overstated by \$1,752 million, \$459 million, \$1,452 million, and \$5 million respectively. Correcting adjustments to the FOASI, FDI, FHI, and SSEBA trust funds were made in January 2021. The resulting net amount transferred for calendar year 2015 liability

was \$52,444 million. Of this amount, \$29,680 million was transferred to the FOASI trust fund, \$1,341 million was transferred to the FDI trust fund, \$21,165 million was transferred to the FHI trust fund, and \$258 million was transferred to the SSEBA trust fund.

This report provides the detail supporting the tax liability and transfer amounts. Chapter 1 presents OTA's methodology for estimating the tax liability attributable to the inclusion of benefits in AGI and presents a comparison of estimates to actual amounts of income tax liability calculated from tax return data for calendar years 2015 through 2020. Chapter 2 presents the methodologies for estimating the initial amounts to be transferred to the trust funds and the subsequent correcting adjustments. The chapter also presents those initial transfer amounts and the correcting adjustments for 2015 through 2020. Chapter 3 presents the forecast of transfers of estimated amounts to the trust funds for calendar years 2021 through 2025.

Summary Table

Calendar Years; Millions of Dollars

	2015	2016	2017	2018	2019	2020
Original Liability Estimate Attributable To						
FOASI Benefits	52,760	56,042	59,351	53,570	58,961	64,385
FDI Benefits	2,921	3,037	2,992	2,404	2,562	2,578
SSEBA Benefits	431	456	476	420	450	478
Total Original Liability Estimates	56,112	59,535	62,819	56,394	61,973	67,441
Original Transfers Made To						
FOASI Trust Fund	31,432	33,960	35,670	32,105	34,662	38,794
FDI Trust Fund	1,800	1,904	1,969	1,505	1,579	1,700
FHI Trust Fund	22,617	23,390	24,888	22,529	25,465	26,658
SSEBA Trust Fund	263	281	292	255	267	289
Total Original Transfers	56,112	59,535	62,819	56,394	61,973	67,441
Subsequent Correcting Adjustments Made To						
FOASI Trust Fund Transfers	-1,752	-3,319	-2,269	1,548	1,478	-4,277
FDI Trust Fund Transfers	-459	-571	-598	-227	-259	-458
FHI Trust Fund Transfers	-1,452	-1,566	-923	1,429	263	-1,397
SSEBA Trust Fund Transfers	-5	-16	-5	28	24	-11
Total Trust Fund Transfers	-3,668	-5,472	-3,795	2,778	1,506	-6,143
Net Amounts Transferred To						
FOASI Trust Fund	29,680	30,641	33,401	33,653	36,140	34,517
FDI Trust Fund	1,341	1,333	1,371	1,278	1,320	1,242
FHI Trust Fund	21,165	21,824	23,965	23,958	25,728	25,261
SSEBA Trust Fund	258	265	287	283	291	278
Total Net Amounts	52,444	54,063	59,024	59,172	63,479	61,298

Department of the Treasury
Office of Tax Analysis

CHAPTER 1: METHODOLOGY AND ESTIMATES OF THE TAX LIABILITY ATTRIBUTABLE TO THE TAXATION OF BENEFITS FOR CALENDAR YEARS 2015 THROUGH 2020

I. Methodology for Estimating Tax Liability

The Office of Tax Analysis (OTA) is responsible for estimating the annual tax liability attributable to the partial inclusion of Social Security and Railroad Social Security Equivalent benefits in AGI, making quarterly transfers from the general fund to the trust funds based on these estimates, and calculating correcting adjustments to amounts initially transferred. OTA provides this information to the Treasury Department's Bureau of the Fiscal Service, which has the authority to transfer funds between the general revenue fund and the trust funds as necessary.

OTA estimated the amount of tax liability attributable to the inclusion of Social Security benefits in AGI for calendar years 2015 through 2020 using results from OTA's Individual Income Tax Model (ITM).^{2,3} The ITM is OTA's primary tool for preparing revenue estimates and analyzing taxpayer behavior. For this application, the ITM was used to account fully for changes in all individual income tax provisions resulting from the inclusion of benefits in AGI. That is, in addition to the direct effect on tax liability of including benefit income, the use of deductions and credits, as well as the calculations of alternative minimum tax liabilities, can be affected by the inclusion of benefits in AGI.⁴

The ITM is built on a stratified random sample of a base-year's individual income tax returns contained in the Internal Revenue Service's Statistics of Income (SOI) file. A file of information returns including Forms SSA-1099 (which show total Social Security benefits paid to a beneficiary) and Forms RRB-1099 (which show Railroad Social Security Equivalent benefits paid to a beneficiary) are matched to the tax returns in the SOI file to determine the total benefits received by each individual on the tax return. The information returns are also used to impute to the ITM benefits paid to individuals who are not required to file a tax return and are thus not in the SOI sample. The Social Security Administration and the Railroad Retirement Board provide information on the total amounts of benefits paid to all recipients in the base year. Using the total amounts, the sample observations are then weighted to produce results that are representative of the entire population of taxpayers and non-filers. Records on the ITM are extrapolated to future years in accordance with the Administration's macroeconomic forecast in use at the time of the extrapolation. In general, the ITM is extrapolated twice per calendar year: once as part of the production of the Administration's budget, submitted to Congress each February, and once as part of the production of the Administration's mid-session review, submitted to Congress each summer.⁵ As part of each extrapolation, total Social Security and Railroad Social Security Equivalent benefits are projected to grow at the rates indicated in benefits forecasts provided by the Social Security Administration and the Railroad Retirement Board.

The base year for the ITM extrapolation is updated approximately every three years. The estimates for calendar year 2015 were made using a 2010-based ITM. That is, OTA

extrapolated sample tax returns, SSA-1099 forms and RRB-1099 forms for tax year 2010. The estimates for calendar year 2016 were made using both a 2010-based ITM and a 2014-based ITM⁶. The estimates for calendar year 2017 and 2018 were made using the 2014-based ITM. The estimates for calendar year 2019 were made using both the 2014-based ITM and a 2016-based ITM. The estimates for calendar year 2020 were made using the 2016-based ITM.

The ITM uses the tax and information return data and extrapolations to estimate the amount of Social Security and Railroad Social Security Equivalent benefits included in AGI and the Federal income tax liability attributable to the inclusion of those benefits for all of the filing units in the model. To do this, each tax unit's liability is estimated with and without the inclusion of benefits received by that tax unit. The difference between those two levels of income tax liability equals the tax liability attributable to the inclusion of benefits. The ITM results are used to calculate both the percentage of total benefits included in AGI and the average effective marginal tax rates applicable to the taxable benefits. Final estimates of tax liability attributable to the partial inclusion of benefits are produced using a spreadsheet-based model. This model blends the estimates of the percent of benefits in AGI and the average effective marginal tax rates with more recent tax return information (not available when the ITM is extrapolated) and the most current tax collection information.

The Social Security Amendments of 1983 require adjustments to the trust funds if actual tax return data subsequently reveal that the initial transfers were incorrect. To determine if adjustments are required, it is necessary to determine the actual tax liability attributable to the inclusion of benefits in AGI. To calculate this actual tax liability, the IRS created data files based on Form 1040 records for calendar years 2015 through 2020. All filers who reported taxable Social Security or Railroad Social Security Equivalent benefits on their Form 1040 were included in these data files (as opposed to the data used to determine the original transfer estimates, which are sample data). The methodology for determining the adjustments to the estimated transfers is discussed in Chapter 2, Section II.

II. Estimates of Tax Liability Attributable to the Taxation of Benefits in Calendar Years 2015 through 2020

Tables 1.A, through 1.E compare the assumptions and parameters used to determine the estimates of tax liability with the parameters calculated from actual tax return and benefit data for calendar years 2015 through 2020. As noted above, the parameters used in the estimates are determined from a base year of SOI sample data, other data sources, and an extrapolation algorithm while the parameters used to calculate actual liabilities are based on IRS population data.

For example, the top section of Table 1.A shows that OTA estimated that \$288,806 million of \$897,189 million in total benefits (32.19 percent) would be included in AGI for calendar year 2015. The estimated tax liability attributable to those benefits was \$56,112 million, for an average effective marginal tax rate of 19.43 percent. The bottom section of

the table shows that, based on calendar year 2015 tax return and benefits data, \$272,272 million of \$892,519 million in total benefits (30.51 percent) were included in AGI. The actual tax liability attributable to those benefits was \$52,444 million, for an average effective marginal tax rate of 19.26 percent.

Continuing the example, the estimate of total liability for calendar year 2015 was the sum of the estimates of the tax liability attributable to the partial inclusion of FOASI, FDI, and SSEBA benefits. The top section of Table 1.A shows that OTA estimated that \$269,245 million of \$744,816 million in FOASI benefits (36.15 percent) would be included in AGI. The estimated tax liability attributable to those benefits was \$52,760 million, for an average effective marginal tax rate of 19.60 percent. The bottom section of the table shows that, based on calendar year 2015 tax return and benefits data, \$256,552 million of \$742,190 million in FOASI benefits (34.57 percent) were included in AGI. The actual tax liability attributable to those benefits was \$49,843 million, for an average effective marginal tax rate of 19.43 percent.

In 2015, the estimated inclusion rates for benefits in AGI and average effective marginal tax rates for FDI beneficiaries are lower than those for FOASI recipients. The top section of Table 1.A shows that OTA estimated that \$17,104 million of \$145,322 million in FDI benefits (11.77 percent) would be included in AGI. The estimated tax liability attributable to those benefits was \$2,921 million, for an average effective marginal tax rate of 17.08 percent. The bottom section of the table shows that, based on calendar year 2015 tax return and benefits data, \$13,274 million of \$143,266 million in FDI benefits (9.27 percent) were included in AGI. The actual tax liability attributable to those benefits was \$2,184 million, for an average effective marginal tax rate of 16.45 percent.

The estimated inclusion rates for benefits in AGI for Railroad SSEBA beneficiaries are slightly lower than for FOASI beneficiaries but higher than for FDI recipients. The top section of Table 1.A shows that OTA estimated that \$2,457 million of \$7,051 million in SSEBA benefits (34.85 percent) would be included in AGI. The estimated tax liability attributable to those included benefits was \$431 million, for an average effective marginal tax rate of 17.54 percent. The bottom section of the table shows that, based on calendar year 2015 tax return and benefits data, \$2,447 million of \$7,064 million in SSEBA benefits (34.64 percent) were included in AGI. The actual tax liability attributable to included SSEBA benefits was \$417 million, for an average effective marginal tax rate of 17.04 percent.

Table 1.A
Comparison of Parameters Used to Estimate Tax Liability Attributable to the
Partial Inclusion of Benefits in AGI with Parameters Calculated from Actual Amounts
Calendar Year 2015 /1

Benefit Source	Total Benefits Paid /2	Benefits Includable in AGI /2	Percent of Total Benefits Includable in AGI	Tax Liabilities on Benefits Includable In AGI /2	Average Effective Marginal Tax Rate on Benefits Includable In AGI
<hr/> Estimate Parameters /3 <hr/>					
Federal Old-Age and Survivors Insurance	744,816	269,245	36.15%	52,760	19.60%
Federal Disability Insurance	145,322	17,104	11.77%	2,921	17.08%
Railroad Social Security Equivalent Benefits	7,051	2,457	34.85%	431	17.54%
Total	897,189	288,806	32.19%	56,112	19.43%
<hr/> Actual Parameters /4 <hr/>					
Federal Old-Age and Survivors Insurance	742,190	256,552	34.57%	49,843	19.43%
Federal Disability Insurance	143,266	13,274	9.27%	2,184	16.45%
Railroad Social Security Equivalent Benefits	7,064	2,447	34.64%	417	17.04%
Total	892,519	272,272	30.51%	52,444	19.26%

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1/ Estimated tax liabilities were updated on a semi-annual basis to conform with updates to the Administration's macroeconomic forecast. The table compares the parameters used in the final estimates of tax liability with the parameters derived from actual tax return and benefits data. Rounding of results may prevent exact matching of total. Benefits paid to non-resident aliens are not included in the FOASI or FDI benefits paid figures.

2/ Benefits amounts and tax liabilities in millions of dollars, excluding benefits paid to non-resident aliens.

3/ The total benefits paid data are estimates provided by the Social Security Administration and the Railroad Retirement Board. The other data are estimated from the Office of Tax Analysis Individual Income Tax Model.

4/ The total benefits paid data are derived from the 2021 Annual Statistical Supplement to the Social Security Bulletin and information supplied by the Railroad Retirement Board; the Benefits in AGI and tax liability data are derived from the Internal Revenue Service's Individual Master File.

Table 1.B
Comparison of Parameters Used to Estimate Tax Liability Attributable to the
Partial Inclusion of Benefits in AGI with Parameters Calculated from Actual Amounts
Calendar Year 2016 /1

Benefit Source	Total Benefits Paid /2	Benefits Includable in AGI /2	Percent of Total Benefits Includable in AGI	Tax Liabilities on Benefits Includable In AGI /2	Average Effective Marginal Tax Rate on Benefits Includable In AGI
<hr/> Estimate Parameters /3 <hr/>					
Federal Old-Age and Survivors Insurance	769,399	286,880	37.29%	56,042	19.53%
Federal Disability Insurance	143,785	17,796	12.38%	3,037	17.07%
Railroad Social Security Equivalent Benefits	7,101	2,597	36.58%	456	17.56%
Total	920,285	307,274	33.39%	59,535	19.38%
<hr/> Actual Parameters /4 <hr/>					
Federal Old-Age and Survivors Insurance	767,851	265,630	34.59%	51,462	19.37%
Federal Disability Insurance	142,688	13,200	9.25%	2,173	16.46%
Railroad Social Security Equivalent Benefits	7,089	2,523	35.59%	428	16.97%
Total	917,628	281,352	30.66%	54,063	19.22%

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1/ Estimated tax liabilities were updated on a semi-annual basis to conform with updates to the Administration's macroeconomic forecast. The table compares the parameters used in the final estimates of tax liability with the parameters derived from actual tax return and benefits data. Rounding of results may prevent exact matching of total. Benefits paid to non-resident aliens are not included in the FOASI or FDI benefits paid figures.

2/ Benefits amounts and tax liabilities in millions of dollars, excluding benefits paid to non-resident aliens.

3/ The total benefits paid data are estimates provided by the Social Security Administration and the Railroad Retirement Board. The other data are estimated from the Office of Tax Analysis Individual Income Tax Model.

4/ The total benefits paid data are derived from the 2021 Annual Statistical Supplement to the Social Security Bulletin and information supplied by the Railroad Retirement Board; the Benefits in AGI and tax liability data are derived from the Internal Revenue Service's Individual Master File.

Table 1.C
Comparison of Parameters Used to Estimate Tax Liability Attributable to the
Partial Inclusion of Benefits in AGI with Parameters Calculated from Actual Amounts
Calendar Year 2017 /1

Benefit Source	Total Benefits Paid /2	Benefits Includable in AGI /2	Percent of Total Benefits Includable in AGI	Tax Liabilities on Benefits Includable In AGI /2	Average Effective Marginal Tax Rate on Benefits Includable In AGI
<hr/> Estimate Parameters /3 <hr/>					
Federal Old-Age and Survivors Insurance	805,794	305,339	37.89%	59,351	19.44%
Federal Disability Insurance	144,440	18,532	12.83%	2,992	16.15%
Railroad Social Security Equivalent Benefits	7,223	2,732	37.83%	476	17.42%
Total	957,457	326,603	34.11%	62,819	19.23%
<hr/> Actual Parameters /4 <hr/>					
Federal Old-Age and Survivors Insurance	797,909	286,825	35.95%	56,309	19.63%
Federal Disability Insurance	142,725	13,524	9.48%	2,248	16.62%
Railroad Social Security Equivalent Benefits	7,119	2,696	37.87%	467	17.32%
Total	947,753	303,045	31.98%	59,024	19.48%

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1/ Estimated tax liabilities were updated on a semi-annual basis to conform with updates to the Administration's macroeconomic forecast. The table compares the parameters used in the final estimates of tax liability with the parameters derived from actual tax return and benefits data. Rounding of results may prevent exact matching of total. Benefits paid to non-resident aliens are not included in the FOASI or FDI benefits paid figures.

2/ Benefits amounts and tax liabilities in millions of dollars, excluding benefits paid to non-resident aliens.

3/ The total benefits paid data are estimates provided by the Social Security Administration and the Railroad Retirement Board. The other data are estimated from the Office of Tax Analysis Individual Income Tax Model.

4/ The total benefits paid data are derived from the 2021 Annual Statistical Supplement to the Social Security Bulletin and information supplied by the Railroad Retirement Board; the Benefits in AGI and tax liability data are derived from the Internal Revenue Service's Individual Master File.

Table 1.D
Comparison of Parameters Used to Estimate Tax Liability Attributable to the
Partial Inclusion of Benefits in AGI with Parameters Calculated from Actual Amounts
Calendar Year 2018 /1

Benefit Source	Total Benefits Paid /2	Benefits Includable in AGI /2	Percent of Total Benefits Includable in AGI	Tax Liabilities on Benefits Includable In AGI /2	Average Effective Marginal Tax Rate on Benefits Includable In AGI
<hr/> Estimate Parameters /3 <hr/>					
Federal Old-Age and Survivors Insurance	843,692	320,775	38.02%	53,570	16.70%
Federal Disability Insurance	144,803	17,223	11.89%	2,404	13.96%
Railroad Social Security Equivalent Benefits	7,286	2,881	39.55%	420	14.58%
Total	995,781	340,879	34.23%	56,394	16.54%
<hr/> Actual Parameters /4 <hr/>					
Federal Old-Age and Survivors Insurance	844,075	317,417	37.61%	56,596	17.83%
Federal Disability Insurance	143,641	14,210	9.89%	2,120	14.92%
Railroad Social Security Equivalent Benefits	7,277	2,929	40.25%	448	15.30%
Total	994,993	334,556	33.62%	59,164	17.68%

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1/ Estimated tax liabilities were updated on a semi-annual basis to conform with updates to the Administration's macroeconomic forecast. The table compares the parameters used in the final estimates of tax liability with the parameters derived from actual tax return and benefits data. Rounding of results may prevent exact matching of total. Benefits paid to non-resident aliens are not included in the FOASI or FDI benefits paid figures.

2/ Benefits amounts and tax liabilities in millions of dollars, excluding benefits paid to non-resident aliens.

3/ The total benefits paid data are estimates provided by the Social Security Administration and the Railroad Retirement Board. The other data are estimated from the Office of Tax Analysis Individual Income Tax Model.

4/ The total benefits paid data are derived from the 2021 Annual Statistical Supplement to the Social Security Bulletin and information supplied by the Railroad Retirement Board; the Benefits in AGI and tax liability data are derived from the Internal Revenue Service's Individual Master File.

Table 1.E
Comparison of Parameters Used to Estimate Tax Liability Attributable to the
Partial Inclusion of Benefits in AGI with Parameters Calculated from Actual Amounts
Calendar Year 2019 /1

Benefit Source	Total Benefits Paid /2	Benefits Includable in AGI /2	Percent of Total Benefits Includable in AGI	Tax Liabilities on Benefits Includable In AGI /2	Average Effective Marginal Tax Rate on Benefits Includable In AGI
<hr/> Estimate Parameters /3 <hr/>					
Federal Old-Age and Survivors Insurance	900,450	348,504	38.70%	58,961	16.92%
Federal Disability Insurance	146,988	18,160	12.35%	2,562	14.11%
Railroad Social Security Equivalent Benefits	7,448	3,055	41.01%	450	14.73%
Total	1,054,887	369,718	35.05%	61,973	16.76%
<hr/> Actual Parameters /4 <hr/>					
Federal Old-Age and Survivors Insurance	901,938	342,771	38.00%	60,837	17.75%
Federal Disability Insurance	145,034	14,570	10.05%	2,166	14.87%
Railroad Social Security Equivalent Benefits	7,471	3,111	41.65%	476	15.30%
Total	1,054,443	360,452	34.18%	63,479	17.61%

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1/ Estimated tax liabilities were updated on a semi-annual basis to conform with updates to the Administration's macroeconomic forecast. The table compares the parameters used in the final estimates of tax liability with the parameters derived from actual tax return and benefits data. Rounding of results may prevent exact matching of total. Benefits paid to non-resident aliens are not included in the FOASI or FDI benefits paid figures.

2/ Benefits amounts and tax liabilities in millions of dollars, excluding benefits paid to non-resident aliens.

3/ The total benefits paid data are estimates provided by the Social Security Administration and the Railroad Retirement Board. The other data are estimated from the Office of Tax Analysis Individual Income Tax Model.

4/ The total benefits paid data are derived from the 2021 Annual Statistical Supplement to the Social Security Bulletin and information supplied by the Railroad Retirement Board; the Benefits in AGI and tax liability data are derived from the Internal Revenue Service's Individual Master File.

Table 1.F
Comparison of Parameters Used to Estimate Tax Liability Attributable to the
Partial Inclusion of Benefits in AGI with Parameters Calculated from Actual Amounts
Calendar Year 2020 /1

Benefit Source	Total Benefits Paid /2	Benefits Includable in AGI /2	Percent of Total Benefits Includable in AGI	Tax Liabilities on Benefits Includable In AGI /2	Average Effective Marginal Tax Rate on Benefits Includable In AGI
<hr/> Estimate Parameters /3 <hr/>					
Federal Old-Age and Survivors Insurance	951,263	385,017	40.47%	64,385	16.72%
Federal Disability Insurance	146,611	19,287	13.15%	2,578	13.37%
Railroad Social Security Equivalent Benefits	7,594	3,323	43.75%	478	14.39%
Total	1,105,468	407,626	36.87%	67,441	16.54%
<hr/> Actual Parameters /4 <hr/>					
Federal Old-Age and Survivors Insurance	951,456	354,520	37.26%	58,769	16.58%
Federal Disability Insurance	143,472	14,918	10.40%	2,072	13.89%
Railroad Social Security Equivalent Benefits	7,541	3,144	41.69%	457	14.54%
Total	1,102,469	372,583	33.80%	61,298	16.45%

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Office of Tax Analysis

1/ Estimated tax liabilities were updated on a semi-annual basis to conform with updates to the Administration's macroeconomic forecast. The table compares the parameters used in the final estimates of tax liability with the parameters derived from actual tax return and benefits data. Rounding of results may prevent exact matching of total. Benefits paid to non-resident aliens are not included in the FOASI or FDI benefits paid figures.

2/ Benefits amounts and tax liabilities in millions of dollars, excluding benefits paid to non-resident aliens.

3/ The total benefits paid data are estimates provided by the Social Security Administration and the Railroad Retirement Board. The other data are estimated from the Office of Tax Analysis Individual Income Tax Model.

4/ The total benefits paid data are derived from the 2021 Annual Statistical Supplement to the Social Security Bulletin and information supplied by the Railroad Retirement Board; the Benefits in AGI and tax liability data are derived from the Internal Revenue Service's Individual Master File.

CHAPTER 2: METHODOLOGY FOR ESTIMATING TRANSFERS AND CALCULATING ADJUSTMENTS TO TRANSFERS FOR LIABILITY IN CALENDAR YEARS 2015 through 2020

I. Methodology for Estimating Quarterly Transfer Amounts

Taken together, SSA 83 and OBRA 93 specify the rules for determining the amount of Social Security and Railroad Social Security Equivalent benefits includable in AGI and the transfers of tax liability attributable to those benefits to the FOASI, FDI, SSEBA and FHI trust funds. The first thresholds were enacted under SSA 83, which directed the resulting increase in tax liability be transferred to the trust funds from which the benefits are paid (FOASI, FDI, and SSEBA). The second thresholds were enacted under OBRA 93, which directed that the additional tax liability resulting from such inclusion (in excess of any liability resulting from the first inclusion thresholds) be transferred to the FHI trust fund.

OTA uses the ITM to separate the total liability amounts described in Chapter 1 into amounts attributable to the SSA 83 inclusion rules and the additional amounts attributable to the OBRA 93 inclusion rules. To do this, OTA creates an intermediate set of liability estimates which assume that only the first inclusion thresholds enacted under SSA 83 are in place. These intermediate estimates are the pre-OBRA 93 liability estimates and equal the amounts to be transferred to the FOASI, FDI and SSEBA trust funds. The difference between these estimates and the total liability estimates shown in Chapter 1 equal the additional amounts attributable to the OBRA 93 inclusion rules (the post-OBRA 93 liability amounts) and are transferred to the FHI trust fund.

Separate methods were used to transfer the pre-OBRA 93 and post-OBRA 93 amounts due to differences in statutory requirements. With respect to pre-OBRA 93 transfers, statutory requirements dictate that liability should be transferred no less than quarterly as it accrues. Therefore, the transfers are made on the first day of the calendar quarters beginning with the months of January, April, July, and October. As noted in Chapter 1, Section I, the ITM generally is re-extrapolated twice per year, thus for a given liability year, the total amounts transferable to the FOASI, FDI, or SSEBA trust funds are the amounts of liability estimated from the most recent forecast of estimated annual liability (based on the most recent extrapolation), less any amounts of liability already transferred for that year (which were based on prior extrapolations). This net difference is divided over the remaining quarters still available for transfers.

With respect to post-OBRA 93 transfers, statutory requirements dictate that liability should be transferred quarterly as it is collected. Therefore, that calendar year liability is transferred in five installments, representing four quarterly estimated payments and one final payment of liability. Transfers to the FHI trust fund are made on the fifteenth day of the quarter beginning with the months April, June, September, and January. The total April 15 transfer to the FHI trust fund always contains two installments – one estimated payment for the current year’s liability and one final payment for the prior year’s liability. As with

the pre-OBRA 93 transfers, the total amount transferable to the FHI trust fund for a given liability year is the amount of liability estimated from the most recent forecast of estimated annual liability (again based on the most recent extrapolation), less any amounts of liability already transferred for that year (which were based on prior extrapolations). This net difference is divided over the remaining installments still available for transfers.

II. Methodology for Adjustments to Transfers of Estimated Amounts

The Social Security Amendments of 1983 require adjustments to the trust funds if actual tax return data subsequently reveal that the initial transfers differ from totals based on final liabilities. To calculate the actual tax liability for each of the calendar years 2015 through 2020 resulting from the partial taxation of Social Security and Railroad Social Security Equivalent benefits, the IRS created data files for each year based on Form 1040 records. All filers who report taxable Social Security or Railroad Social Security Equivalent benefits on their Form 1040 are included in these data files. Although the Form 1040 provides information on the total amount of benefits includable in taxable income, it does not indicate whether the filer received FOASI, FDI, or SSEBA benefits. Such information is needed to allocate revenues accurately to the trust funds. To obtain this information, the Form 1040 records belonging to those beneficiaries who reported taxable benefits are matched to Form SSA-1099 records provided by the Social Security Administration and Form RRB-1099 records provided by the Railroad Retirement Board.⁷

Using this matched file of Form 1040, Form SSA-1099 and RRB-1099 records, the IRS calculates the tax liability attributable to the taxation of Social Security and Railroad Social Security Equivalent benefits, for both pre-OBRA 93 and post-OBRA 93 liability. For each taxpayer, the total tax liability attributable to the taxation of benefits is calculated as the difference between tax liability with and without benefits included in AGI. The pre-OBRA 93 tax liability is calculated as the difference between tax liability with benefits includable under pre-OBRA 93 law and with no included benefits. The post-OBRA 93 tax liability is the difference between the total tax liability and the pre-OBRA 93 tax liability. The total difference taken over all taxpayers equals the tax liability attributable to the taxation of benefits.

After comparing the IRS liability calculations with the OTA liability estimates, OTA calculates adjustments to the original transfers. These adjustment amounts are equal to the difference between the IRS liability calculations and OTA's original liability estimates. The adjustment amounts are included as an adjustment to the estimated liability transfers described in Section I. Thus, the net transfer for a quarter reflects the transfer for the current period liability and any amounts attributable to adjustments of prior period liability. Adjustments are generally made in the first quarter after they are known.

III. Transfers of Estimated Amounts and Adjustments to Transfers for Liability in Calendar Years 2015 through 2020

Table 2 shows the estimated liability amounts transferred to the FOASI, FDI, FHI and SSEBA trust funds in calendar years 2015 through 2020. For example, in calendar year 2015, estimated transfers of \$31,432 million, \$1,800 million, and \$263 million were made to the FOASI, FDI, and SSEBA trust funds, respectively, and estimated transfers of \$22,617 million were made to the FHI trust fund. Amounts were transferred quarterly to the FOASI, FDI and SSEBA trust funds between January 1 and October 1 of 2015. Amounts were transferred quarterly to the FHI trust fund between April 15th of 2015 and April 15th of 2016.

Table 2 also shows the IRS calculations of final trust fund amounts, and the resulting adjustments to the trust funds due to the reconciliation of OTA estimates and IRS calculations. For example, due to the reconciliation of estimated and actual 2015 tax liability, adjustments of -\$1,752 million, -\$459 million, -\$1,452 million, and -\$5 million were made, for the FOASI, FDI, FHI, and SSEBA trust funds, respectively. The final column of Table 2 shows the quarter in which each adjustment was made.

Table 2
Comparison of OTA Estimated Transfers, IRS Calculated Transfers, and
Corresponding Adjustments for Calendar Years 2015 through 2020 /1

Year and Trust Fund	OTA Estimated Transfers	IRS Calculated Transfers	Adjustment Amount	Adjustment Date
CY 2015 Liability				
FOASI	31,432	29,680	-1,752	January 1, 2021
FDI	1,800	1,341	-459	January 1, 2021
FHI	22,617	21,165	-1,452	January 15, 2021
SSEBA	<u>263</u>	<u>258</u>	<u>-5</u>	January 1, 2021
Total	56,112	52,444	-3,668	
CY 2016 Liability				
FOASI	33,960	30,641	-3,319	April 1, 2021
FDI	1,904	1,333	-571	April 1, 2021
FHI	23,390	21,824	-1,566	April 15, 2021
SSEBA	<u>281</u>	<u>265</u>	<u>-16</u>	April 1, 2021
Total	59,535	54,063	-5,472	
CY 2017 Liability				
FOASI	35,670	33,401	-2,269	April 1, 2023
FDI	1,969	1,371	-598	April 1, 2023
FHI	24,888	23,965	-923	April 15, 2023
SSEBA	<u>292</u>	<u>287</u>	<u>-5</u>	April 1, 2023
Total	62,819	59,024	-3,795	
CY 2018 Liability				
FOASI	32,105	33,653	1,548	April 1, 2024
FDI	1,505	1,278	-227	April 1, 2024
FHI	22,529	23,958	1,429	April 15, 2024
SSEBA	<u>255</u>	<u>275</u>	<u>28</u>	April 1, 2024
Total	56,394	59,164	2,778	
CY 2019 Liability				
FOASI	34,662	36,140	1,478	July 1, 2024
FDI	1,579	1,320	-259	July 1, 2024
FHI /2	25,465	25,728	263	June 15, 2024
SSEBA	<u>267</u>	<u>291</u>	<u>24</u>	July 1, 2024
Total	61,973	63,479	1,506	
CY 2020 Liability				
FOASI	38,794	34,517	-4,277	July 1, 2024
FDI	1,700	1,242	-458	July 1, 2024
FHI	26,658	25,261	-1,397	June 15, 2024
SSEBA	<u>289</u>	<u>278</u>	<u>-11</u>	July 1, 2024
Total	67,441	61,298	-6,143	

Department of the Treasury
Office of Tax Analysis

1/ Amounts in millions of dollars.

2/ Due to a typographical error in the June 15, 2024 transfer form, \$260 million was transferred at that time, with the remaining \$3 million transferred on September 15, 2024.

CHAPTER 3: FORECAST OF TRANSFERS TO TRUST FUNDS FOR CALENDAR YEARS 2021 TO 2025

I. Forecasting Methodology

The Social Security Amendments of 1983 require that the annual report include a forecast of transfers to the trust funds for the next five years. The forecast years are currently calendar years 2021 to 2025, since no correcting adjustments have been made to those years' liability transfers. This forecast was produced using the same methods that were used to produce the estimates of calendar year 2015 through 2020 liability and trust fund transfers, described in Chapters 1 and 2. The forecasts for calendar year 2021 were made using the 2016-based ITM described in Chapter 1. The forecasts for calendar year 2022 were made using the 2016-based ITM and a 2019-based ITM. The forecasts for calendar years 2023 to 2025 were made using the 2019-based ITM. As noted in Chapter 1, OTA's Individual Tax Model consists of a sample of individual income tax returns matched to Form SSA-1099 and RRB-1099 information returns. The sample data are weighted to simulate the overall tax filing population and extrapolated to future years using a forecast of macroeconomic variables provided by the Administration and total benefit payments forecasts provided by the Social Security Administration and Railroad Retirement Board.

II. Forecast of Transfers to the Trust Funds

Table 3 presents the estimates of liability incurred for calendar years 2021 through 2025 and the amounts transferred to the trust funds. The transfers of estimated liability for calendar years 2021 through 2023 have been completed. The transfers of estimated liability for calendar years 2024 and 2025 have not been completed and may be revised under future extrapolations of OTA's Individual Tax Model. The transfers for calendar year 2021 include adjustments for calendar years 2015 and 2016 liabilities. The transfers for calendar year 2023 include adjustments for calendar year 2017 liabilities. The transfers for calendar year 2024 include adjustments for calendar year 2018, 2019 and 2020.

In total, for liability incurred in calendar years 2021 through 2025, OTA forecasts that \$255,764 million, \$7,942 million, \$185,111 million, and \$1,861 million will be transferred from general revenues to the FOASI, FDI, FHI, and SSEBA trust funds, respectively. The adjustments for prior period liabilities total -\$8,591 million for FOASI, -\$2,572 million for FDI, -\$3,646 million for FHI, and \$7 million for SSEBA. After accounting for those adjustments, the net transfer to the trust funds is estimated to be \$435,877 million.

Table 3
Forecast of Transfers, Net of Adjustments, to the FOASI, FDI, FHI and SSEB Trust Funds
for Calendar Years 2021 through 2025

Trust Fund	Calendar Years: Millions of Dollars					Totals 2021-2025
	Estimated Transfers Complete			Estimated Transfers Subject to Revision		
	2021	2022	2023	2024	2025	
FOASI						
Estimated Transfer /1	41,978	46,809	51,748	55,207	60,022	255,764
Prior Year Adjustment /2	<u>-5,071</u>	<u>0</u>	<u>-2,269</u>	<u>-1,251</u>	<u>0</u>	<u>-8,591</u>
Net Transfer	36,907	46,809	49,479	53,956	60,022	247,173
FDI						
Estimated Transfer /1	1,485	1,549	1,544	1,614	1,750	7,942
Prior Year Adjustment /2	<u>-1,030</u>	<u>0</u>	<u>-598</u>	<u>-944</u>	<u>0</u>	<u>-2,572</u>
Net Transfer	455	1,549	946	670	1,750	5,370
FHI						
Estimated Transfer /1	29,907	33,029	37,084	40,629	44,462	185,111
Prior Year Adjustment /2	<u>-3,018</u>	<u>0</u>	<u>-923</u>	<u>295</u>	<u>0</u>	<u>-3,646</u>
Net Transfer	26,889	33,029	36,161	40,924	44,462	181,465
SSEBA						
Estimated Transfer /1	327	356	375	390	413	1,861
Prior Year Adjustment /2	<u>-21</u>	<u>0</u>	<u>-5</u>	<u>33</u>	<u>0</u>	<u>7</u>
Net Transfer	306	356	370	423	413	1,868
Totals						
Estimated Transfer /1	73,697	81,743	90,751	97,840	106,648	450,679
Prior Year Adjustment /2	<u>-9,140</u>	<u>0</u>	<u>-3,795</u>	<u>-1,867</u>	<u>0</u>	<u>-14,802</u>
Net Transfer	64,557	81,743	86,956	95,973	106,648	435,877

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Office of Tax Analysis

Notes:

1/ Estimated Transfers are amounts transferred to the trust funds for liability incurred in the year indicated. Note that the final two estimated liability transfers to the FHI trust fund for a given year occur in January and April of the following year.

2/ Prior Year Adjustments are amounts transferred to or from the trust funds that correct the original estimated liabilities transferred for prior years.

Adjustments to the FOASI, FDI, FHI and SSEBA transfers in CY 2021 were to correct estimates of liability incurred in CY 2015 and CY 2016. The adjustments attributable to transfers to the the FOASI, FDI and SSEBA trust funds for CY 2015 and CY 2016 liabilities were made with the January 1, 2021 and April 1, 2021 transfers, respectively. A first adjustment attributable to transfers to the FHI trust fund for CY 2015 liability was made with the January 15, 2021 transfer. However, due to a typographical error a second adjustment was made with the September 15, 2021 transfer. A first adjustment attributable to transfers to the FHI trust fund for CY 2016 liability was made with the April 15, 2021 transfer. However, due to a typographical error, a second adjustment was made with the January 15, 2022 transfer.

Adjustments to the FOASI, FDI, FHI and SSEBA transfers in CY 2023 were to correct estimates of liability incurred in CY 2017. The adjustments attributable to transfers to the FOASI, FDI and SSEBA trust funds for that year were made with the April 1, 2023 transfer. The adjustment attributable to transfers to the FHI trust fund for that year was made with the April 15, 2023 transfer.

Adjustments to the FOASI, FDI, FHI and SSEBA transfers in CY 2024 were to correct estimates of liability incurred in CY 2018, CY 2019, and CY 2020. The adjustments attributable to transfers to the FOASI, FDI, and SSEBA trust funds for CY 2018 liabilities were made with the April 1, 2024 transfer. The adjustment attributable to transfers to the FHI trust fund for CY 2018 liabilities was made with the April 15, 2024 transfer. The adjustments attributable to transfers to the FOASI, FDI and SSEBA trust funds for CY 2019 and CY 2020 liabilities were made with the July 1, 2024 transfer. The adjustments attributable to transfers to the FHI trust fund for CY 2020 liabilities were made with the June 15, 2024 transfer. Due to a typographical error, adjustments attributable to transfers to the FHI trust fund for CY 20219 liabilities were made with the June 15, 2024 and September 15, 2024 transfers.

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ENDNOTES

1. Liability estimates and the associated transfers are updated semi-annually (in December and May) to conform with updates to the Administration's macroeconomic forecast. All transfers are made using the most recently created forecast.
2. A detailed description of the Individual Income Tax Model can be found in Gillette (2023).
3. OTA does not estimate the liability attributable to the receipt of FOASI and FDI benefits by non-resident aliens. Prior to calendar year 1995, one-half of any Social Security benefit received by a non-resident alien was subject to a 30 percent tax rate, and this amount was automatically withheld by the Social Security Administration. For calendar years 1995 and after, the portion of benefits subject to withholding is raised to 85 percent (P.L. 103-465).

Each month, the Social Security Administration sends a certification of the amount withheld to the Treasury Department's Bureau of the Fiscal Service. The withheld amount is transferred to general revenues and then back to the FOASI and FDI trust funds. Since the Social Security Administration has information on the actual amounts withheld, OTA does not estimate these withheld amounts.

Similarly, the Railroad Retirement Board automatically withholds taxes on Railroad Social Security Equivalent benefits received by non-resident aliens. However, a different procedure is used to transfer these amounts to the SSEBA. OTA includes an estimate of the withheld amounts in its initial estimates of transfers to the trust funds and subsequently verifies these estimates with the Railroad Retirement Board.

The tables in this report do not include FOASI or FDI benefits received by non-resident aliens or the taxes attributable to these benefits. However, the tables do show the Railroad Social Security Equivalent benefits received by non-resident aliens.

4. For example, as AGI increases, the amount of deductible medical, casualty and certain miscellaneous expenses may change. Similarly, the increased income tax liability resulting from the inclusion of benefits in AGI may enable some taxpayers to use tax credits that otherwise might not be usable in that year due to insufficient income tax liability.
5. These macroeconomic assumptions include the effects of Administration policy and may differ from assumptions used to produce the annual trustees reports on the FOASDI and FHI trust funds.
6. As is discussed in Chapter 2, the calendar year liability estimates are divided into quarterly amounts and transferred over the course of the year. The final two transfers to the FHI trust fund are made in January and April of the year following the calendar year to which the liability pertains. Prior to making those two transfers for calendar year 2016, OTA updated the ITM to a 2014 base year using an updated set of macroeconomic assumptions. The final two transfers were made using the new model and assumptions.
7. The Form SSA-1099 records provided to the IRS distinguish between retirement and disability benefits, even though the Form SSA-1099s sent to taxpayers do not include this information.