



## SOCIAL SECURITY

Office of the Chief Actuary

December 6, 2011

The Honorable Timothy F. Geithner  
Secretary of the Treasury  
Washington, D.C. 20220

The Honorable Jacob J. Lew  
Director, Office of Management and Budget  
Washington, D.C. 20503

Dear Mr. Geithner and Mr. Lew:

We have reviewed the language in the "Middle Class Tax Cut Act of 2011" (S. 1944), introduced yesterday by Senator Casey. We estimate that the enactment of this bill would have a negligible effect on the financial status of the Old Age and Survivors Insurance and Disability Insurance (OASDI) program in both the near term and the long term. We estimate that the projected level of the OASI and DI Trust Funds would be unaffected by enactment of this provision.

Section 2 of the bill would make the following changes for payroll tax rates and OASDI financing: (1) for wages and salaries paid in calendar year 2012 and self-employment earnings in calendar year 2012, reduce the OASDI payroll tax rate by 3.1 percentage points, (2) transfer revenue from the General Fund of the Treasury to the OASI and DI Trust Funds so that total revenue for trust funds would be unaffected by this provision, and (3) credit earnings to the records of workers for the purpose of determining future benefits payable from the trust funds so that such benefits would be unaffected by this provision. For wage and salary earnings, the 3.1-percent rate reduction would apply to the employee share of the payroll tax rate. For self-employment earnings, the personal income tax deduction for the OASDI payroll tax would be 66.67 percent of the portion of such taxes attributable to self-employment earnings for 2012. Other sections of the bill would have no direct effects on the OASDI program.

Sincerely,

Stephen C. Goss  
Chief Actuary

**Budgetary Effects of the Amendment in Nature of a Substitute to H.R. 3630, the Temporary Payroll Tax Cut Continuation Act of 2011, as Introduced on December 17, 2011**

(Millions of dollars, by fiscal year)

12/17/2011

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
<b>CHANGES IN REVENUES</b>												
<b>Title I - Payroll Tax Relief</b>												
Extension of payroll tax reduction (on-budget)	176	98	0	0	0	0	0	0	0	0	274	274
Extension of payroll tax reduction (off-budget)	-19,794	-612	0	0	0	0	0	0	0	0	-20,406	-20,406
<b>Title II - Extension of Unemployment Compensation</b>	0	-8	-25	-25	-20	-9	-7	-1	0	0	-78	-95
<b>Total Changes in Revenues<sup>a</sup></b>	<b>-19,618</b>	<b>-522</b>	<b>-25</b>	<b>-25</b>	<b>-20</b>	<b>-9</b>	<b>-7</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>-20,210</b>	<b>-20,227</b>
<i>On-budget revenues</i>	176	90	-25	-25	-20	-9	-7	-1	0	0	196	179
<i>Off-budget revenues<sup>b</sup></i>	-19,794	-612	0	0	0	0	0	0	0	0	-20,406	-20,406
<b>CHANGES IN DIRECT SPENDING (Outlays)</b>												
<b>Title I - Payroll Tax Relief</b>												
Extension of payroll tax reduction (on-budget) <sup>b</sup>	19,794	612	0	0	0	0	0	0	0	0	20,406	20,406
Extension of payroll tax reduction (off-budget) <sup>b</sup>	-19,794	-612	0	0	0	0	0	0	0	0	-20,406	-20,406
<b>Title II - Extension of Unemployment Compensation</b>	8,395	0	0	0	0	0	0	0	0	0	8,395	8,395
<b>Title III - Extension of Health Provisions</b>												
Physician payment update	2,860	-70	-90	40	120	160	160	150	140	130	2,860	3,600
Other Medicare extensions and health provisions	490	60	-20	-20	0	0	0	0	0	0	510	510
<b>Subtotal, Title III</b>	<b>3,350</b>	<b>-10</b>	<b>-110</b>	<b>20</b>	<b>120</b>	<b>160</b>	<b>160</b>	<b>150</b>	<b>140</b>	<b>130</b>	<b>3,370</b>	<b>4,110</b>
<b>Title IV - Mortgage Fees and Premiums</b>	-1,300	-4,600	-4,000	-3,500	-3,300	-3,300	-3,700	-3,900	-4,000	-4,100	-16,700	-35,700
<b>Total Changes in Direct Spending</b>	<b>10,445</b>	<b>-4,610</b>	<b>-4,110</b>	<b>-3,480</b>	<b>-3,180</b>	<b>-3,140</b>	<b>-3,540</b>	<b>-3,750</b>	<b>-3,860</b>	<b>-3,970</b>	<b>-4,935</b>	<b>-23,195</b>
<i>On-budget outlays</i>	30,239	-3,998	-4,110	-3,480	-3,180	-3,140	-3,540	-3,750	-3,860	-3,970	15,471	-2,789
<i>Off-budget outlays</i>	-19,794	-612	0	0	0	0	0	0	0	0	-20,406	-20,406
<b>NET INCREASE OR DECREASE (-) IN DEFICITS FROM REVENUES AND DIRECT SPENDING</b>												
<b>Net Change in the Deficits</b>												
<i>On-budget deficit change</i>	30,063	-4,088	-4,085	-3,455	-3,160	-3,131	-3,533	-3,749	-3,860	-3,970	15,275	-2,968
<i>Off-budget deficit change</i>	0	0	0	0	0	0	0	0	0	0	0	0

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Note: Components may not sum to totals because of rounding.

- a. For revenues, positive numbers indicate a decrease in the deficit; negative numbers indicate an increase in the deficit.
- b. The bill would modify and extend the payroll-tax holiday for two months, causing a reduction in off-budget revenues credited to the Social Security trust funds. The bill also would transfer from the Treasury to the Social Security trust funds an amount equal to that off-budget revenue loss. The off-budget receipt would offset the lost revenue and, thus, section 101 would have no net off-budget effect.