

# Discussion of “How Does Personal Income Tax Affect the Progressivity of OASDI Benefits?”

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SSA Retirement Research Consortium

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Paper by Coe/Karamcheva/Kopcke/Munnell

Discussant Goss

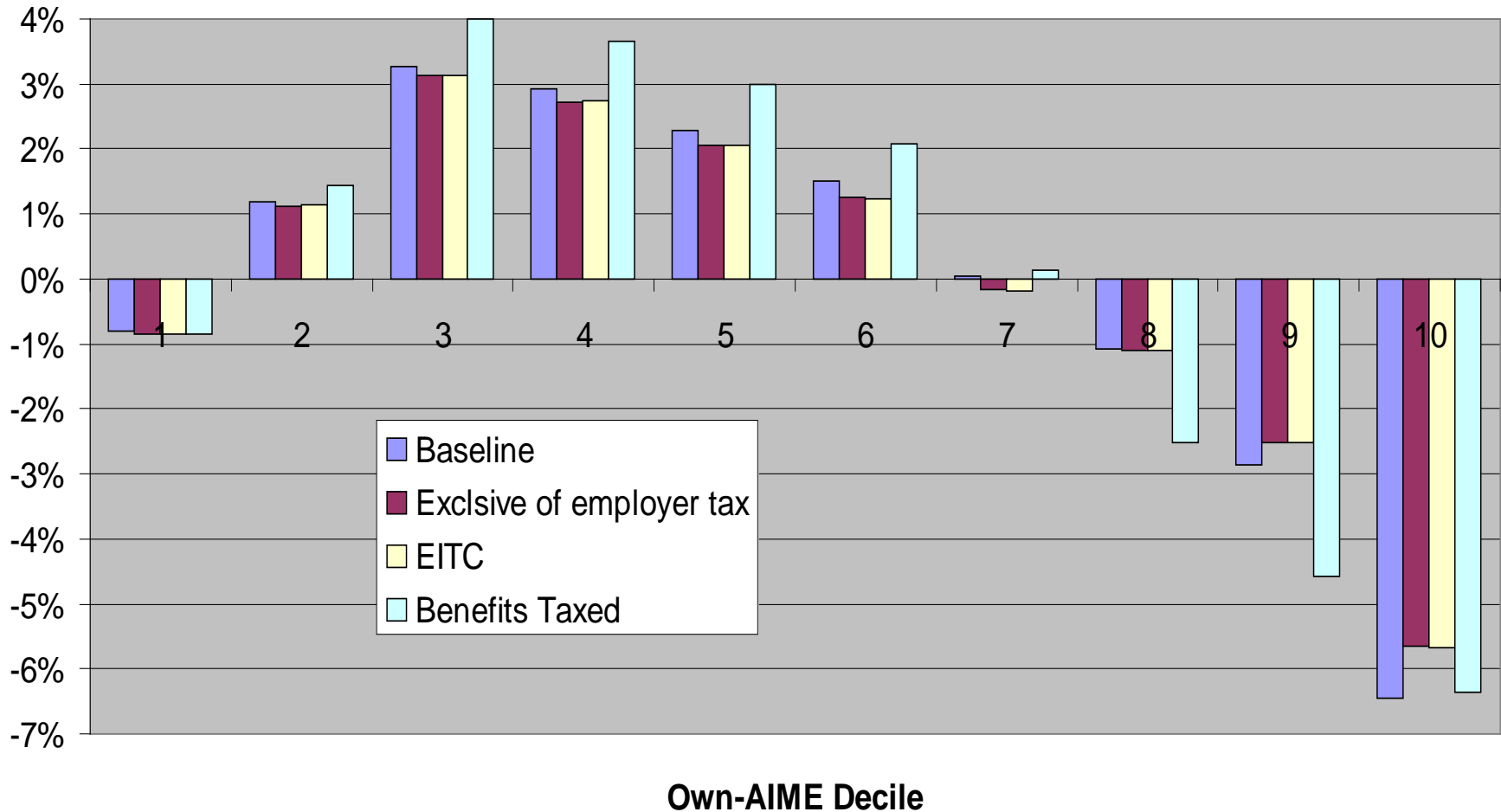
# What I love about this paper

- Distributions by AIME Decile
  - For both individual and family-unit basis
  - More informative than a single summary measure (GINI)
- Breaks new ground
  - Mixing income tax and payroll tax aspects
  - Attempts to adjust payroll tax for
    - Tax treatment of employer payroll tax
    - Incidence of EITC
    - Income Tax on Benefits

# OASI Worker Benefit Share – OASI Payroll Tax Share Net Benefit Concept-----Adds across deciles

## A: Individual----Measure of Redistribution by Own-AIME Decile

*Own Share of Retired Worker Benefits - Own Share of OASI Payroll Taxes*

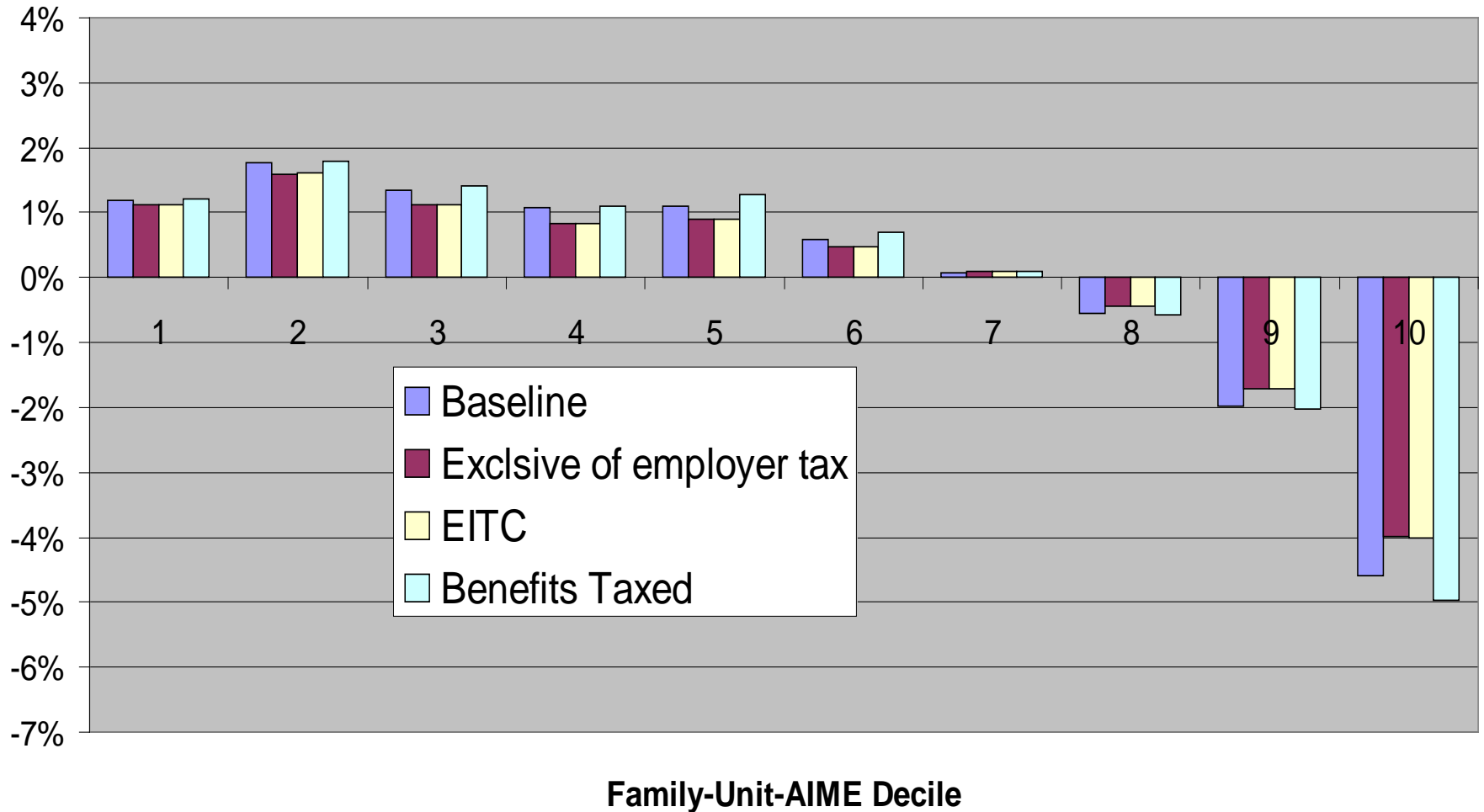


# Individual Distribution

- Lowest decile negative because of uninsured workers
- Treatment of employer payroll tax and EITC slightly compresses distribution
- Effect of income tax on benefits seems most relevant---
  - Expands the distribution, as expected

# OASI TOTAL Benefit Share – OASI Payroll Tax Share Net Benefit Concept-----Adds across deciles

**B: Family---Measure of Redistribution by Family-Unit-AIME Decile**  
*Family-unit Share of Total OASI Benefits - Family-unit Share of OASI Payroll Taxes*



# Family-Based OASI Benefits

—All received by the individual

- Including spouse and survivor benefits
  - Boosts lowest deciles
  - Makes lowest decile positive
  - Compresses distribution
- Taxation of benefits again expands the distribution

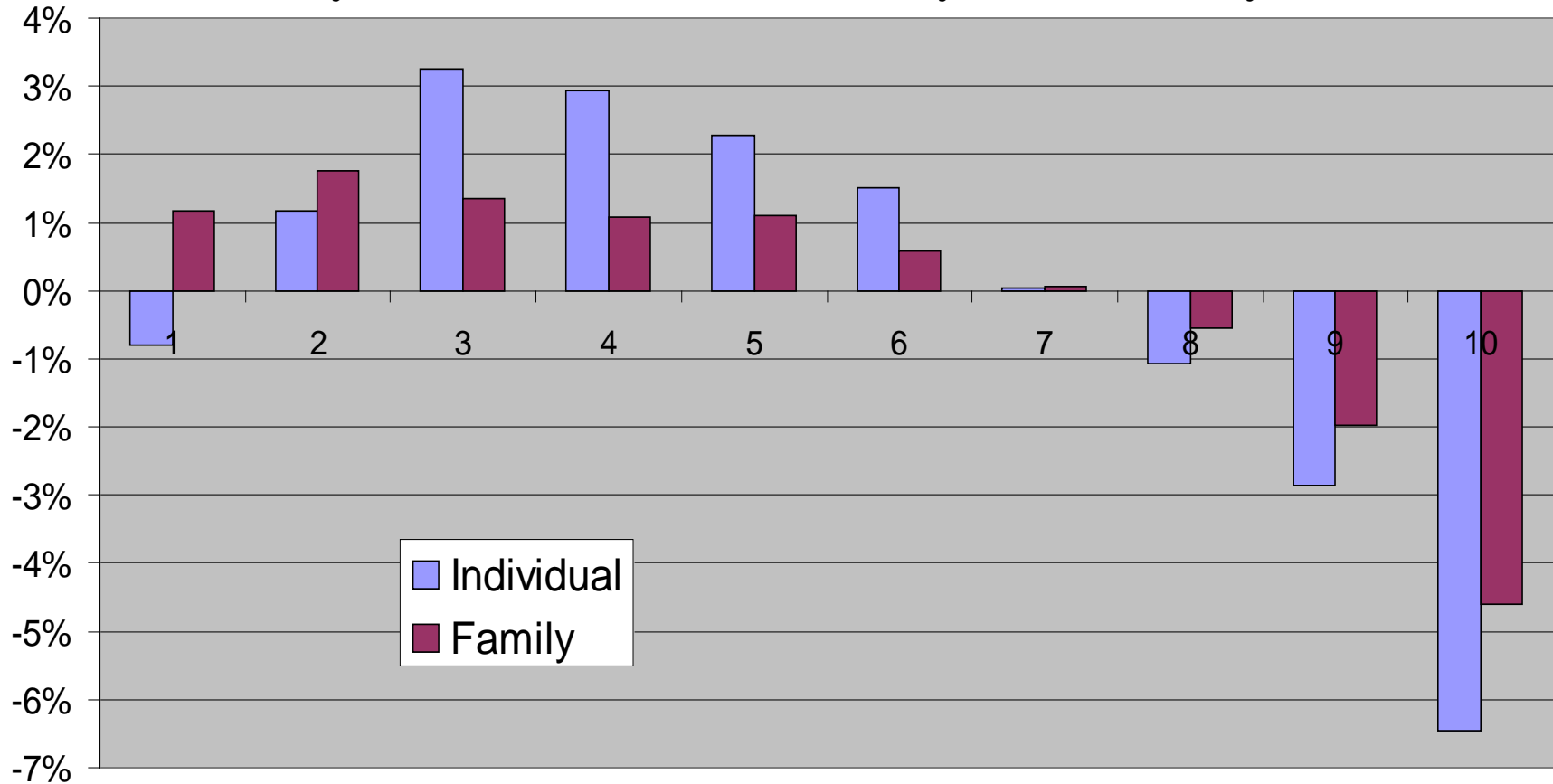
# A couple of Issues with Deciles

- Individual Deciles are OWN AIME
- Family Deciles combine spouses AIME
- So—individual/family not consistent
- and family units inconsistent
  - If 20% of elderly are “individuals, then
    - They are 33% of family-units
    - ½-person unite inconsistent.
  - COULD—do ownOASIfbenefits-own taxes
    - Deciles by own AIME

# Individual vs. Family-based Benefits at Baseline— Seems to tell much more than GINI

## C: Measures of Redistribution by AIME Decile

*Own/Family Share of OASI Benefits - Own/Family Share of OASI Payroll Taxes*

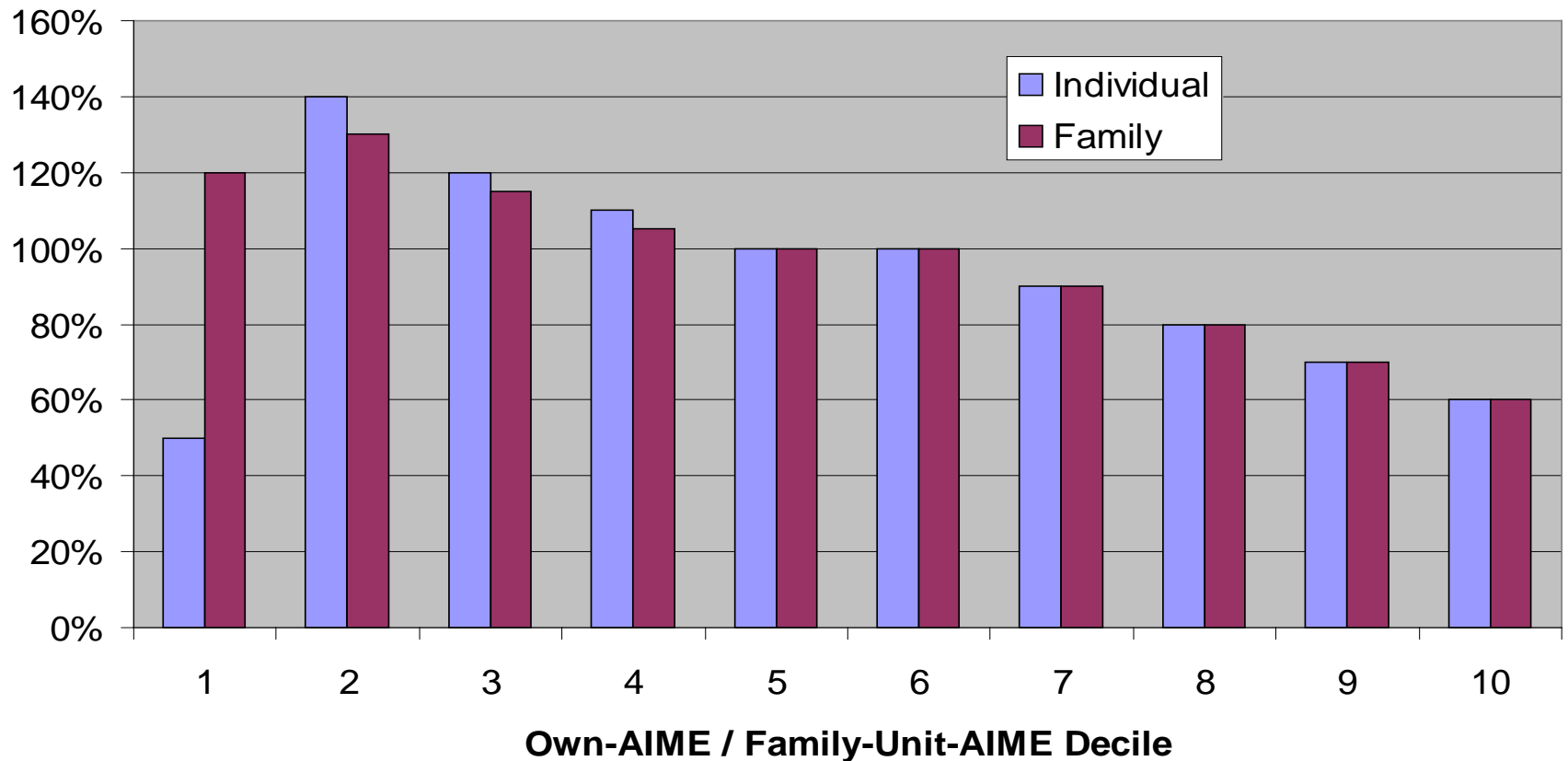


Own-AIME / Family-Unit-AIME Decile



More I would love to see---  
Ratios would eliminate bias at higher  
deciles. More even comparison?

**D: Ratio of PV RetWkr/FamilyOASI Benefits  
to PV Own/Family OASI Payroll Taxes ??????????**



# A few additional thoughts

- Simulate effect of taxes on benefits for lower future thresholds---ultimately zero
- Consider that about 10% of OASI tax is for DI conversions, not considered here
- Consider relatively higher probability of disability for lower AIME workers---Hard to really evaluate OASDI “moneysworth” separately by OASI and DI
- Consider changing future marginal income tax brackets---will there be bracket creep?