How Would Joe Biden Reform Social Security and Supplemental Security Income?

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In August 2020, Social Security, the nation's largest federal program, paid monthly cash benefits worth $90.4 billion to 64.7 million retirees; people with disabilities; and spouses, dependents, and survivors.[1] However, the program faces a long-term financing gap that could within a decade jeopardize its ability to pay full benefits. Democratic presidential nominee Joe Biden, like many of his former rivals for the nomination, has released a plan to shore up the program's finances and increase benefits, especially for beneficiaries facing economic hardship. He has also proposed expanding Supplemental Security Income (SSI), a federal program that provides cash benefits to low-income older adults and people with disabilities with very few financial resources. If enacted, Biden's proposals would improve financial security for many older adults and people with disabilities and close about a quarter of Social Security's long-term financial shortfall.

Social Security's financial situation is becoming increasingly urgent. Before the COVID-19 pandemic plunged the economy into a deep recession, the program's trustees projected that under current benefit and tax rules, Social Security's annual revenues will fall short of annual costs in 2021 and never recover (Board of Trustees 2020). According to the Board of Trustees, trust funds built up over the past four decades, when tax revenues from the large generation of Baby Boomer workers exceeded benefit payments, may cover the shortfall for as much as a decade and a half, but their intermediate projections show that the trust funds will be depleted in 2035.[2] When that happens, the program will be able to cover only about four-fifths of scheduled benefits. Today's high unemployment, which reduces Social Security's payroll tax revenue, will likely worsen the program's financial outlook. After the current recession began, the Congressional Budget Office (2020), which uses different demographic and economic assumptions that the Social Security actuaries, estimated that the trust funds would run out in 2031, one year earlier than its prerecession projection.

Social Security benefits account for about half of the income received by adults age 65 and older overall and about three-quarters of the income received by those in the bottom third of the income distribution (Bee and Mitchell 2017). The average monthly Social Security benefit was only about $1,400 in August 2020.[3] Consequently, many retirees and people with disabilities struggle financially. In 2019, 12.8 percent of adults ages 65 and older had income below the poverty level according to the US Census Bureau's supplemental poverty measure, which is a more accurate indicator of financial need than the official poverty measure (Fox 2020). Economic hardship is more prevalent among certain groups of retirees, including Black people; Latino people; adults who did not complete high school; and widowed, divorced, and never-married adults (Johnson 2020). Many people with disabilities also struggle financially. Nearly half of adults ages 31 to 49 who receive Social Security disability benefits are in the bottom fifth of the income distribution (Favreault, Johnson, and Smith 2013). These financial challenges have prompted calls to expand Social Security, including recent Congressional legislation.[4]

SSI is designed to help adults age 65 and older and people with disabilities with low incomes and limited assets, but it provides only limited benefits and enrolls relatively few people. The 2020 federal SSI benefit for an individual is $783 a month, although many states supplement those payments.[5] Recipients without any earnings who do not collect a state supplement are left with an income that falls $280 below the federal poverty level (FPL). In 2019, only 1.2 million adults age 65 and older— just 2 percent of the US population in that age group—received SSI benefits (Social Security Administration 2020). Between 1975 and 2019, the number of older SSI beneficiaries fell by 1.1 million as the number of adults age 65 and older increased by more than 30 million.

In this brief, we examine Biden's Social Security reform plan and estimate its potential impact on beneficiaries, program revenues, and program costs. We also examine how Biden's SSI proposals might reduce poverty for older adults and people with disabilities. President Trump has not released a Social Security reform plan, but without some adjustments, the program cannot pay full benefits after the trust funds are exhausted. Biden's campaign website describes his Social Security and SSI reform plans, and we corresponded with campaign staff to ensure that we interpreted his proposed policies correctly.[6] We assume his plans would be implemented in 2021. Because some of Biden's Social Security benefit enhancements, such as the earnings credits he would provide to the caregivers of younger children, would not materialize for decades, we focus on outcomes for 2065.

The analysis uses the Dynamic Simulation of Income Model 4 (DYNASIM4), the Urban Institute's unique dynamic microsimulation tool. The current version of DYNASIM4 uses the 2019 Social Security trustees' intermediate demographic and economic assumptions (Board of Trustees 2019), which do not incorporate the potential effects of the COVID-19 pandemic. Details about our methods and additional results not reported in this brief can be found in a companion report by Smith, Johnson, and Favreault (2020) that compares the Social Security reforms plans developed by five candidates for the 2020 Democratic presidential nomination.

Our projections show that Biden's Social Security plan would significantly increase program revenues by taxing high earners and would devote much of that additional income to expanding benefits, especially for beneficiaries with limited income. His plan would close about a quarter of Social Security's long-term funding shortfall and extend the life of the trust funds by about five years. Considering both his Social Security and SSI benefit expansions, we project that Biden's proposals would cut the poverty rate for adult Social Security beneficiaries over the coming decades by more than half.

How Would Biden Reform Social Security?

Biden's Social Security plan would increase program revenue and benefits. It would raise revenue by increasing payroll contributions from high-earning taxpayers. Currently, most of Social Security's revenue comes from a 12.4 percent payroll tax that is split evenly between workers and their employers and levied on annual earnings up to $137,700 in 2020.[7] That contribution base, which also determines future benefit payments, generally increases over time with wage growth. Biden's plan would create a second contribution base consisting of earnings above $400,000. Those earnings would be subject to the same 12.4 percent payroll tax as lower earnings, but workers would not accrue benefits on those higher earnings. Payroll contributions from high earners would stop temporarily after their earnings exceed the first contribution base and resume once their earnings exceed the threshold for additional contributions. Biden's plan would not index the second-contribution-base threshold, so all covered earnings would be taxed once wage growth increases the limit for the first contribution base to $400,000 in about three decades.

Biden would use much of the additional revenue collected to increase benefits. He would replace Social Security's existing minimum benefit, which is too low to help many beneficiaries (Feinstein 2013), with a meaningful minimum benefit equal to 125 percent of the FPL for a single adult, or $15,950 annually in 2020. His plan would index the minimum benefit to the average national wage, which generally grows faster than inflation. Beneficiaries must have completed 30 years of covered employment to qualify for the full minimum, but beneficiaries with at least 10 years of covered employment could qualify for a prorated share of the minimum. However, the minimum would cover only new beneficiaries (those who begin collecting benefits or die after 2020), so its full impact would not be felt for years.

Biden's plan would further enhance benefits by changing the way cost-of-living adjustments (COLAs) are computed. Currently, these adjustments are based on changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Biden would instead tie them to changes in the consumer price index for the elderly (CPI-E), which is based on spending by adults age 62 and older and their families, weights health care spending more, and generally increases faster than the CPI-W (Bureau of Labor Statistics 2012). The Social Security actuaries assume this change would increase COLAs 0.2 percentage points each year.[8]

Some of Biden's benefit enhancements would target particular types of beneficiaries. He would extend Social Security earnings credits to workers who care for children younger than age 12 and for family members with disabilities. Because Social Security benefits depend on how much workers earned during their career, these earnings credits would generally raise future benefit payments. Under Biden's plan, for every month that caregivers provide at least 80 hours of care, Social Security would credit them with earnings equal to half the average national monthly wage in addition to whatever they earned in covered employment that month. However, his plan would reduce the caregiver credit by 50 cents for every $1 a caregiver earns until the credit is eliminated for workers earning the average wage. In 2017, the average wage was $50,322.

Certain widowed beneficiaries would receive higher benefits under Biden's plan. Social Security currently offers survivor benefits equal to 100 percent of the deceased spouse's benefit, and this replaces the surviving spouse's existing benefit if the deceased spouse's benefit generates a larger payment. The death of a spouse, then, could reduce household Social Security payments as much as 50 percent if the spouses received similar benefits, as is the case when both spouses worked and received similar earnings. Biden's plan would provide survivors with the option of collecting 75 percent of the total benefit received by the household before their deceased spouse died, as long as the new payment does not exceed the benefit received by a two-earner couple with average career earnings.

Other benefit enhancements under Biden's plan would target long-term beneficiaries and certain state and local government employees. The plan would provide a bonus equal to 5 percent of the average benefit to beneficiaries who had collected payments for 20 years; the bonus would phase in, beginning with a 1 percent boost for beneficiaries who had collected for 16 years. Biden's plan would also repeal Social Security's Windfall Elimination Provision and Government Pension Offset, which reduce Social Security benefits for workers receiving significant government pensions from jobs not covered by Social Security and their spouses and survivors.[9]

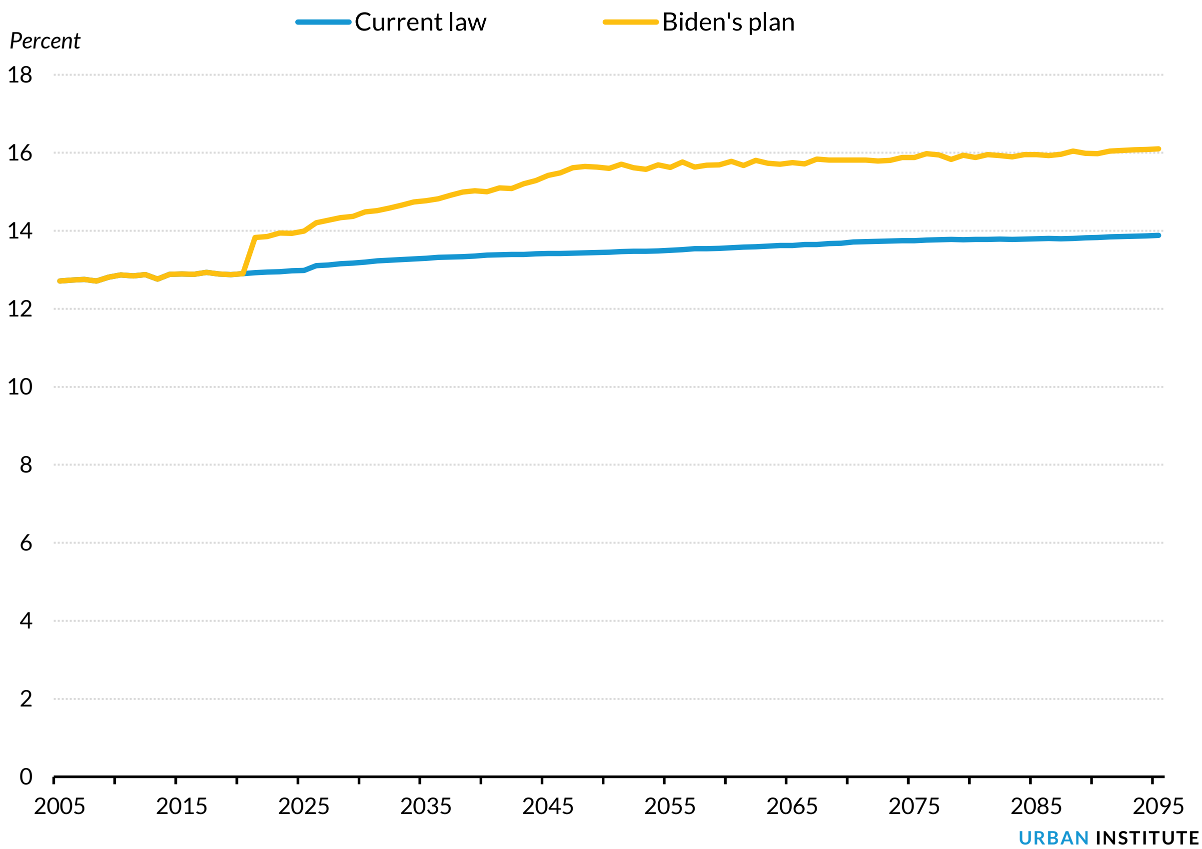
Estimated Impact on Social Security's Finances

Biden's plan would increase Social Security revenue (figure 1). We project that expanding the payroll tax to include earnings above $400,000 would boost program revenue 7 percent in 2021; that year, revenue would increase from 12.9 percent of taxable payroll under current law to 13.8 percent. Less than 1 percent of workers would earn enough in 2021 to pay any additional payroll tax. Because the additional Social Security payroll tax on earnings above $400,000 accounts for only a small portion of the nation's total federal and state income and payroll tax collections, Biden's plan would increase total taxes paid only 1.1 percent. The impact of the payroll tax expansion would increase over time as wage growth boosts the share of workers earning more than $400,000. Our projections show that Social Security would collect 12 percent more revenue under Biden's plan than the current law would in 2040 and 16 percent more in 2065.[10] Biden's plan would increase total projected federal and state income and payroll tax collections 2.4 percent in 2065; total income and payroll taxes collected from taxpayers with incomes between $500,000 and $1 million (in 2018 inflation-adjusted dollars) would increase 4.1 percent.

FIGURE 1

Social Security Revenue Would Increase under Biden's Plan

Noninterest income as a percentage of taxable payroll, 2005–95



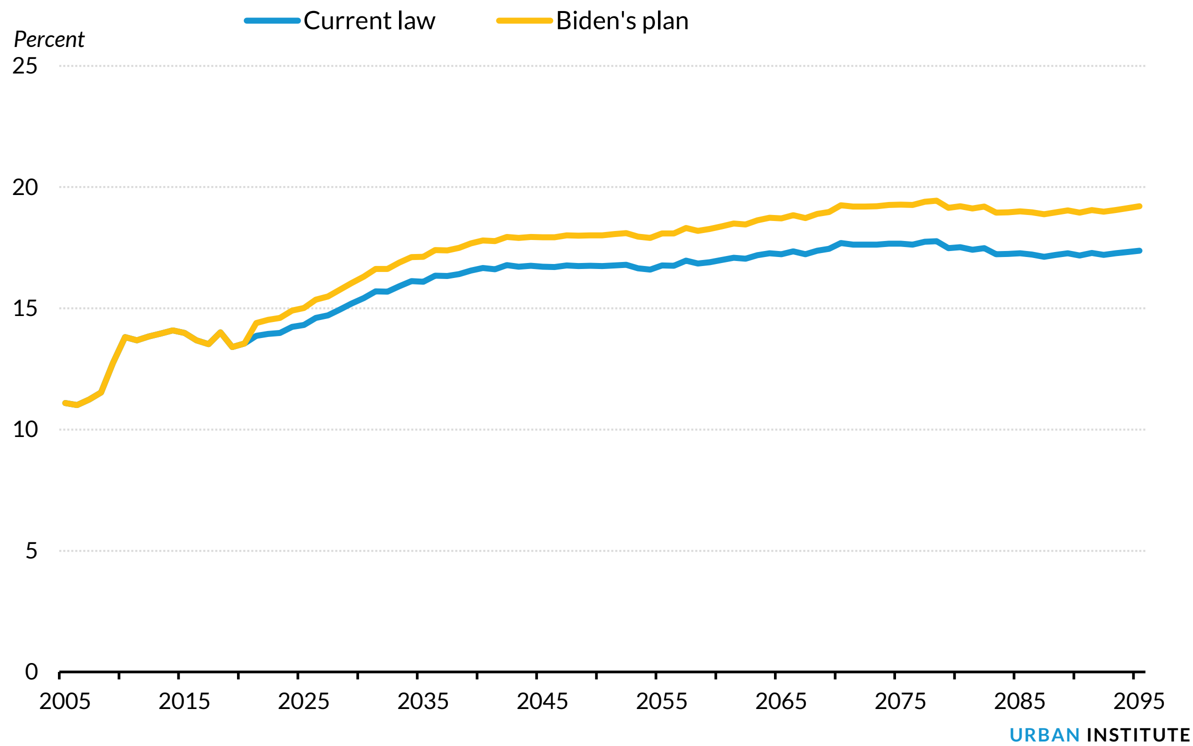
Source: DYNASIM4 ID980.

Biden's plan would devote a significant portion of these new revenues to expanding Social Security benefits. The benefits scheduled under Biden's plan would boost Social Security's projected spending to 17.1 percent of taxable payroll in 2035 (figure 2). Spending under his plan would grow over time as some of his benefit enhancements phase in. His minimum benefit would cover only new beneficiaries, so it would not significantly affect program spending for many years. Most parents who receive caregiver credits under Biden's plan would not retire and begin collecting benefits for decades, and the proposed COLA increases cumulate over time. We project that the benefits scheduled under Biden's plan would increase Social Security's spending to 18.7 percent of taxable payroll in 2065, 9 percent more than scheduled under current law.

FIGURE 2

Biden's Plan Offers More Social Security Benefits than Current Law

Scheduled costs as a percentage of taxable payroll, 2005–95



Source: DYNASIM4 ID980.

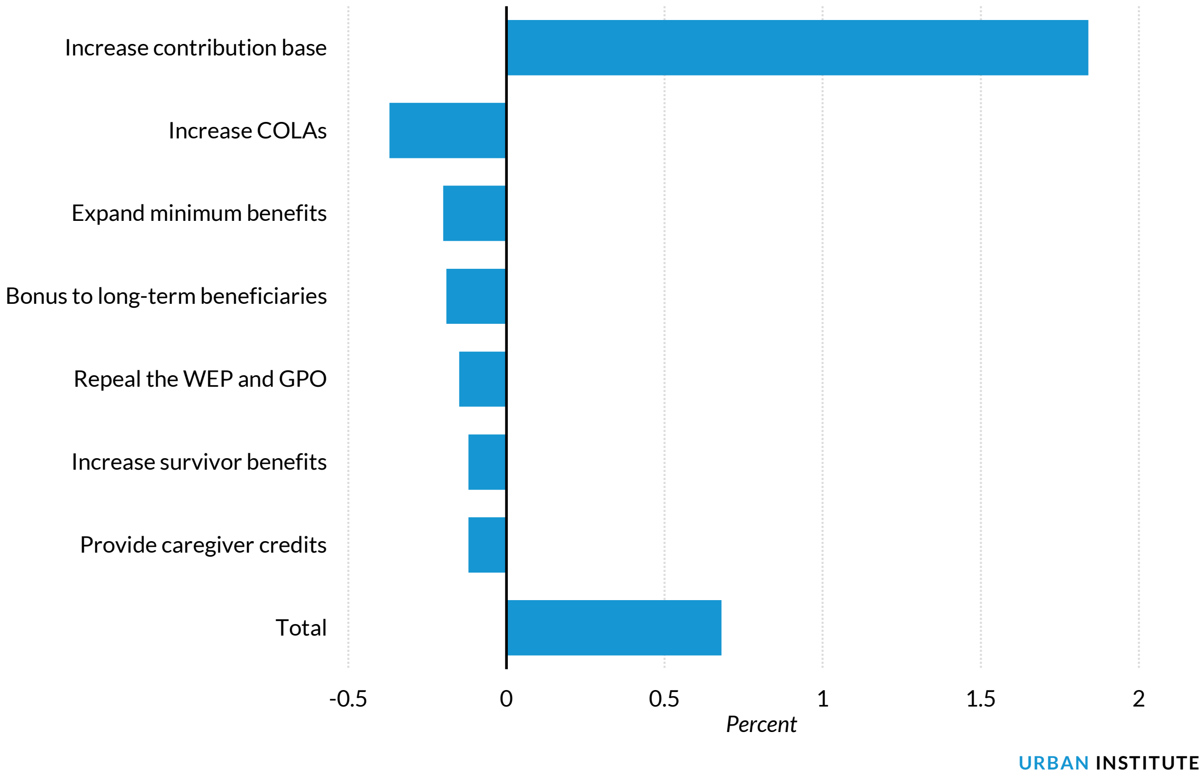
Note: The analysis considers all Social Security benefits scheduled under Biden's plan and current law, regardless of the program's capacity to finance them.

Projected revenue increases would outstrip scheduled cost increases under Biden's plan, improving Social Security's finances. We project, however, that his plan would not raise enough revenue to cover all scheduled benefits. Social Security would still run a deficit every year under his plan, but not as much as it would under current law. Following the Social Security actuaries, we estimate the program's 75-year actuarial balance, a common measure of the program's long-term financial stability, for Biden's plan and current law.[11] Our projections, which do not account for the economic and demographic effects of the pandemic and associated recession, show that Social Security's 75-year financing gap equals 2.59 percent of taxable payroll.[12] We project that Biden's payroll tax expansion would reduce the long-range deficit by 1.84 percent of taxable payroll, closing about 70 percent of the shortfall (figure 3). Biden's benefit enhancements, however, would offset part of that gain. Increasing COLAs by changing the index used to track inflation would raise scheduled spending most: it would cost nearly twice as much as expanding the minimum benefit or increasing payments to long-term beneficiaries. Combining his revenue and benefit increases and accounting for interactions between different provisions, we project that Biden's plan would reduce Social Security's long-term financing gap by 0.68 percent of taxable payroll, about a quarter of the total deficit under the current law. His plan would extend the life of the program's trust funds by five years, to 2040.

FIGURE 3

Biden's Plan Would Close, but Not Eliminate, Social Security's Long-Term Financing Deficit

Impact of Biden's plan on Social Security's 75-year actuarial balance as a percentage of taxable income



Source: DYNASIM4 ID980.

Notes: COLA = cost-of-living adjustment; GPO = Government Pension Offset; WEP = Windfall Elimination Provision. Figure shows the change in the 75-year actuarial balance under Biden's plan relative to current law. The 75-year actuarial balance is the present discounted value of noninterest revenues over the period plus the value of the trust funds at the start of the period, minus the present discounted value of projected costs over the period and the present discounted value of projected costs in the 76th year. These values are expressed as a percentage of the present discounted value of taxable payroll projected over the period. Components do not sum to the total because many plan provisions interact with each other.

Estimated Impact on Beneficiary Income

Because Biden's plan does not eliminate Social Security's long-term financing gap, the program would not be able to pay all the benefits scheduled under the plan after the trust fund is projected to run out in 2040. Our analysis of how Biden's plan might affect the income and financial security of beneficiaries is based on the benefits that the plan could afford to pay with the revenue it collects, not the benefits scheduled under the plan. We compare those benefits to the benefits that Social Security could afford to pay under current law.

Social Security could provide more benefits under Biden's plan than under current law. In 2065, after the projected depletion of the program's trust funds, the benefits that Social Security could finance are projected to equal 15.8 percent of taxable payroll, 18 percent more than under the current law, which could finance benefits worth only 13.3 percent of taxable payroll.

The projected 2065 median annual Social Security benefit under the current law is $18,100 (in 2018 inflation-adjusted dollars; table 1). Median benefits are lower for women, Black people, Hispanic people, never-married and divorced people, and people with limited lifetime earnings. Outcomes also vary sharply by educational attainment. Median benefits for college graduates are about twice as high as for adults who did not complete high school and about 50 percent higher than for adults who completed high school but never attended college.

TABLE 1

Biden's Plan Would Increase Social Security Benefits, Especially for Lower-Income Beneficiaries

Median annual Social Security benefits paid under current law and Biden's plan, 2065

	Current law (2018 dollars)	Biden's plan (2018 dollars)	Increase (2018 dollars)	Increase (%)
All	18,100	20,700	2,600	14
Sex				
Male	19,300	21,700	2,400	12
Female	17,000	19,800	2,800	16
Race and Hispanic origin				
White non-Hispanic	19,700	22,700	3,000	15
Black non-Hispanic	15,800	18,600	2,800	18
Hispanic	15,300	17,600	2,300	15
Other	18,800	21,300	2,500	13
Marital status				
Married	17,800	20,100	2,300	13
Widowed	20,800	24,900	4,100	20
Divorced	17,100	19,800	2,700	16
Never married	16,700	19,000	2,300	14
Age				
Younger than 62	17,300	20,100	2,800	16
62–69	15,700	17,800	2,100	13
70–74	18,900	21,200	2,300	12
75–79	18,700	21,300	2,600	14
80–84	19,100	22,300	3,200	17
85 and older	19,700	23,600	3,900	20
Educational attainment				
Not high school graduate	11,100	13,700	2,600	23
High school graduate	15,200	17,900	2,700	18
College, no bachelor's degree	17,600	20,400	2,800	16
Bachelor's degree or more	22,500	25,700	3,200	14
Lifetime earnings quintile				
Bottom	11,200	14,200	3,000	27
Second	14,600	17,200	2,600	18
Third	18,200	20,800	2,600	14
Fourth	22,100	25,300	3,200	14
Top	26,200	29,900	3,700	14

Source: DYNASIM4 ID980.

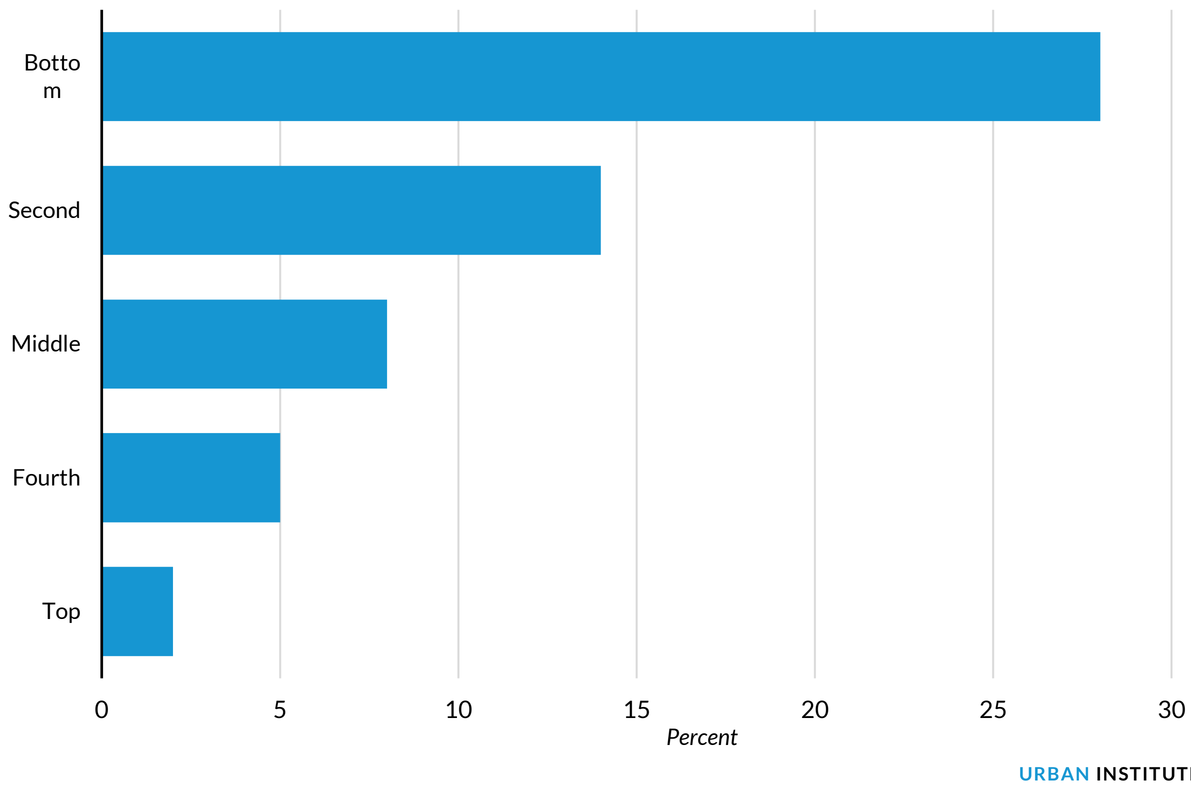
Notes: Table shows annual Social Security benefits minus any income taxes paid on those benefits, reported in 2018 inflation-adjusted dollars, for all adults receiving Social Security benefits. The analysis considers only benefits that Social Security could afford to pay under Biden's plan and current law.

Our projections indicate that Biden's plan would increase 2065 median annual Social Security benefits 14 percent, to $20,700 (in 2018 inflation-adjusted dollars). His plan would increase benefits across all demographic groups, but the largest percentage gains would generally go to beneficiaries with the smallest benefits. Biden's plan would boost median benefits 27 percent for beneficiaries in the bottom fifth of the lifetime earnings distribution compared with only 14 percent for beneficiaries in the top three-fifths of the lifetime earnings distribution. Widowed beneficiaries, who would gain from Biden's proposed changes to how Social Security survivor benefits are computed, and beneficiaries age 85 and older, who would gain from Biden's proposed bonus to long-term beneficiaries and his proposed COLA increases that cumulate over time, would also receive sizable benefit increases. When we measure benefit increases in dollars instead of percentages, however, we find that groups receiving larger benefits would generally experience larger gains than groups receiving smaller benefits, because relatively small percent changes on a large base can generate substantial dollar increases.

FIGURE 4

Low-Income Beneficiaries Would Gain Most under Biden's Social Security Plan

Impact of Biden's plan on median net income relative to the current law, by income quintile, 2065 (%)



Source: DYNASIM4 ID980.

Notes: Estimates include all adults age 62 and older and Social Security disability beneficiaries. Net family income is calculated on a per capita basis and includes earnings, partnership and S-corporation income, Social Security benefits, Supplemental Security Income, defined-benefit pension income, other cash benefits, interest, dividends, rental and royalty income, capital gains, and taxable retirement account withdrawals, less federal and state income tax, worker Social Security and Medicare payroll taxes (including the additional Medicare tax and the net investment income surtax), and income-related Medicare Part B and Part D premiums above the base premium. The analysis considers only benefits that Social Security could afford to pay under Biden's plan and current law and do not account for Biden's proposed Supplemental Security Income enhancements.

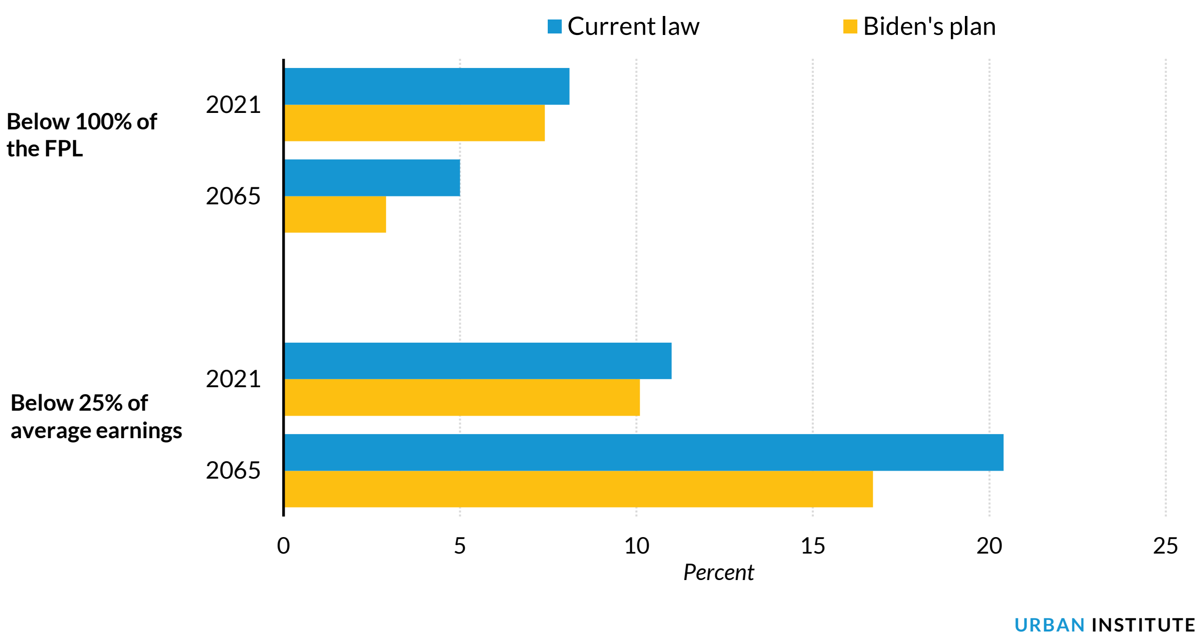
The benefit increases under Biden's plan would raise beneficiary incomes. We project that compared with current law, Biden's Social Security plan would increase median per capita family income in 2065 (minus federal and state income and payroll taxes) 9 percent for adults age 62 and older and people receiving disability benefits. Projected median net income would increase from $36,500 to $39,600 in 2018 inflation-adjusted dollars. Social Security beneficiaries with limited incomes would experience the largest percentage gains because many of Biden's benefit enhancements target low-income people, and Social Security accounts for much of their income. Our projections show that under Biden's plan, median net income would increase 28 percent for older adults and disability beneficiaries in the bottom fifth of the income distribution compared with 2 percent for those in the top fifth of the distribution (figure 4).

Because of the additional benefits Biden's plan would direct to low-income groups, it would reduce the share of Social Security beneficiaries experiencing economic hardship. Under current law, economic growth, which raises lifetime earnings and future Social Security benefits, will reduce the share of Social Security beneficiaries with incomes below the FPL. We project that between 2021 and 2065, the current-law poverty rate for older adults and people receiving disability benefits will shrink from 7.4 percent to 5.0 percent. Under Biden's plan, the projected poverty rate for older adults and people receiving disability benefits would fall even more, to 7.4 percent in 2021 and 2.9 percent in 2065 (figure 5). The Social Security benefit enhancements provided by his plan would pull 360,000 people out of poverty in 2021 and 2.0 million people out of poverty in 2065.

FIGURE 5

Biden's Social Security Plan Would Reduce Economic Hardship

Percentage of older adults and disability beneficiaries experiencing economic hardship, 2021 and 2065



Source: DYNASIM4 ID980.

Notes: FPL = federal poverty level. The analysis considers only benefits that Social Security could afford to pay under Biden's plan and the current law and do not account for Biden's Supplemental Security Income enhancements. The sample includes adults age 62 and older and people receiving Social Security disability benefits.

Another way to assess the economic well-being of Social Security beneficiaries is to compare their income to earnings received by workers and define family income as inadequate if it falls short of 25 percent of average economy-wide earnings. Using this definition, we project that instead of falling over time, the share of older adults and people receiving disability benefits with inadequate income under current law would gradually increase, growing from 11.0 percent in 2021 to 20.4 percent in 2065. Biden's Social Security plan would reduce the projected share with income below 25 percent of average economy-wide earnings to 10.1 percent in 2021, cutting the number of people in economic hardship by 440,000. In 2065, under Biden's plan, the number of older adults and people receiving Social Security disability benefits experiencing economic hardship under this definition is projected to shrink by 3.0 million, and the economic hardship rate would fall to 16.7 percent, lower than it would be under current law but above the current rate.

How Would Benefit and Tax Changes Be Distributed?

The new benefits specified in Biden's Social Security plan would tilt toward low-income beneficiaries. Our projections indicate that in 2065, 29 percent of the total benefit increase scheduled under his plan, relative to benefits scheduled under the current law, would go to beneficiaries in the bottom fifth of the lifetime earnings distribution (figure 6). If benefits were distributed evenly across beneficiaries, the bottom fifth of lifetime earners would receive only 20 percent of the total benefit increase.

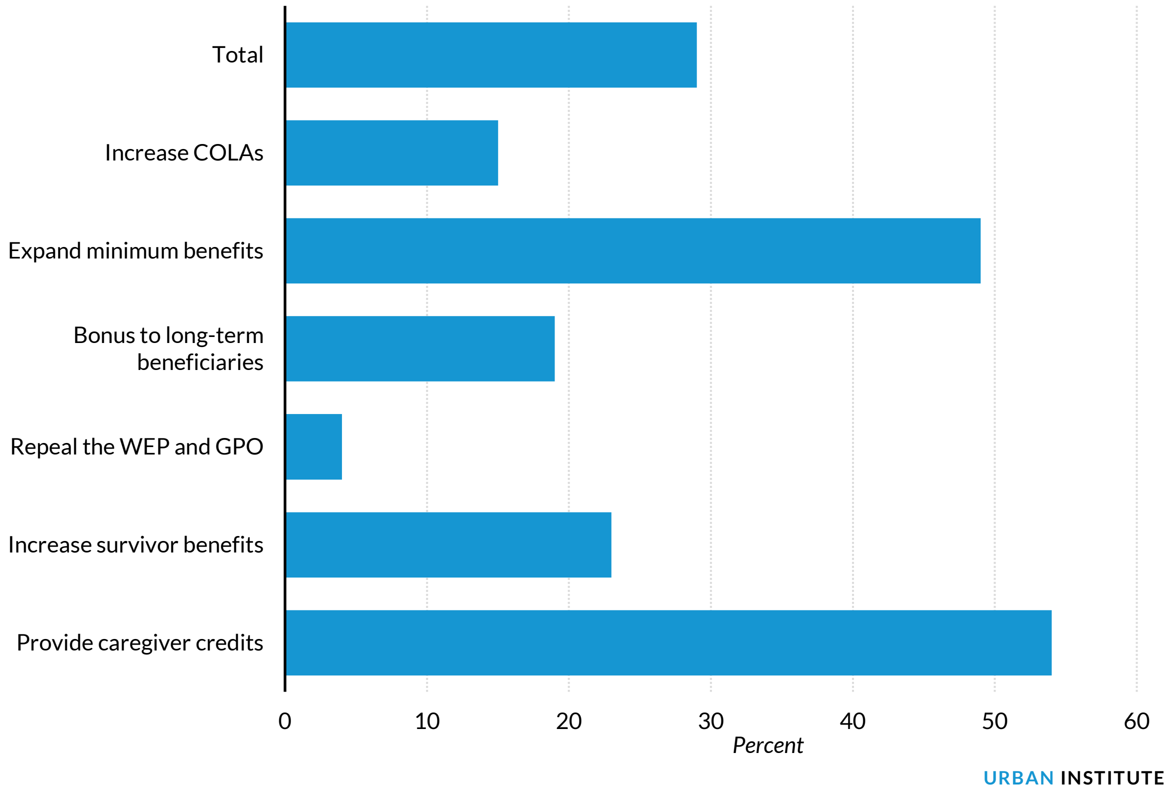
Caregiver credits and the new minimum benefit target beneficiaries with the lowest lifetime earnings; 54 percent of additional payments generated by caregiver credits and 49 percent of additional payments generated by the minimum benefit would go to beneficiaries in the bottom fifth of the lifetime earnings distribution. By increasing earnings that factor into Social Security's benefit formula (up to the average national wage), the caregiver credit would help beneficiaries with limited earnings more than beneficiaries with higher earnings. The minimum benefit would provide the biggest payment boost to beneficiaries with the lowest lifetime earnings. However, the plan guarantees a larger minimum to beneficiaries with at least 30 years of covered earnings, many of whom fall into the top 80 percent of the lifetime earnings distribution.

Other benefit expansions in Biden's plan do not target lower-income people. Only a small share of the benefits generated by increasing COLAs or eliminating the Windfall Elimination Provision and Government Pension Offset would go to beneficiaries in the bottom fifth of the lifetime earnings distribution. Because Biden's COLA change would increase benefits by the same percentage for all beneficiaries, those with the highest benefits would receive the largest dollar-amount increases. The Windfall Elimination Provision and Government Pension Offset reduce Social Security payments to some retired government workers and their spouses and survivors receiving significant pensions, and few retirees with a substantial government pension fall within the bottom fifth of lifetime earners (Boyens, Kolasi, and Smalligan 2019).

FIGURE 6

The Caregiver Credits and Minimum Benefit in Biden's Plan Target Lower-Income Beneficiaries

Percentage of total benefit increase going to the bottom fifth of lifetime earners, 2065



Source: DYNASIM4 ID980.

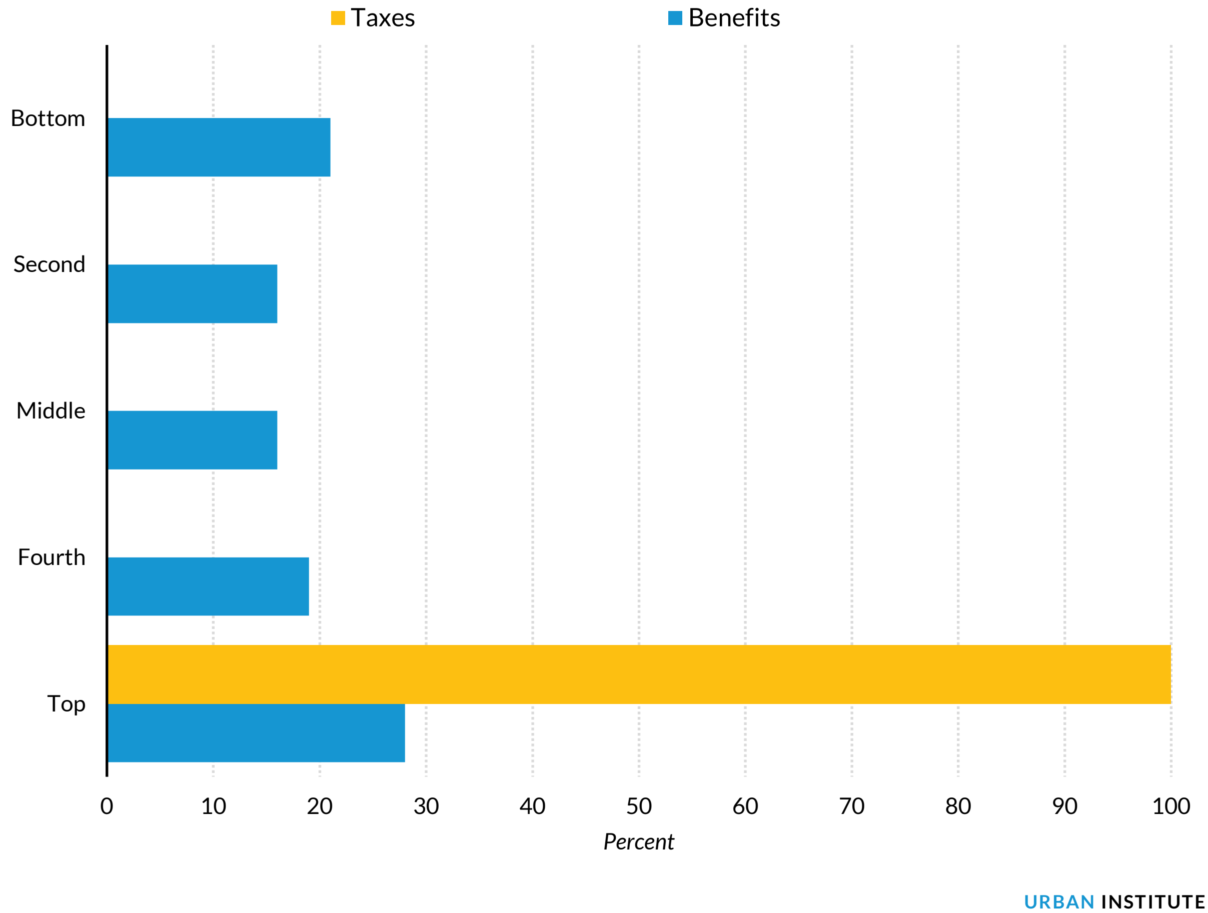
Notes: COLA = cost-of-living adjustment; GPO = Government Pension Offset; WEP = Windfall Elimination Provision. The analysis compares benefits scheduled under Biden's plan with benefits scheduled under current law, regardless of whether Social Security would have enough funding to provide them.

So far, our analysis of how benefits specified in Biden's plan would be distributed across beneficiaries in 2065 has ignored Social Security's capacity to finance those benefits, under either Biden's plan or current law. We project, however, that under both Biden's plan and current law, the trust funds would be depleted in 2065 and Social Security would not collect enough revenue to pay scheduled benefits. When we consider only benefits that Social Security will be able to pay, we find that only 21 percent of the new benefits generated under Biden's plan would go to beneficiaries in the bottom fifth of the lifetime earnings distribution, while 28 percent would go to beneficiaries in the top fifth of the distribution (figure 7). Although many of the new benefits that Biden would provide target low-income beneficiaries, a disproportionate share of all new benefits would go to high-income beneficiaries because his plan would limit the solvency-related benefit cuts that would become necessary after Social Security's trust funds run out. We assume that such benefit cuts would reduce payments by the same percentage for all beneficiaries, meaning those receiving a larger payment would lose more benefits than those receiving a smaller payment. Limiting those payment cuts, then, would disproportionately benefit higher-income beneficiaries.

FIGURE 7

Biden's Tax Hike Targets High Earners, but His Benefit Expansions Are More Evenly Distributed

Distribution of Biden's payroll tax and benefit increases relative to current law by earnings quintile, 2065 (%)



Source: DYNASIM4 ID980.

Notes: The analysis considers only benefits that Social Security could afford to pay under Biden's plan and the current law and does not account for Biden's Supplemental Security Income enhancements. Benefit payments are grouped by lifetime earnings quintile among beneficiaries in 2065. Payroll tax payments are grouped by annual earnings quintile in 2065.

All the additional payroll taxes imposed by Biden's Social Security plan, which would be levied only on annual earnings above $400,000, would be paid by workers in the top fifth of the earnings distribution. Eighty-seven percent of the additional payroll taxes generated by Biden's plan in 2065 would be paid by workers in the top 1 percent of the income distribution.

How Would Biden Reform Supplemental Security Income?

In addition to his Social Security plan, Biden has outlined several changes to SSI. His plan would set the federal SSI benefit equal to 100 percent of the FPL for single adults, increase benefits for married SSI beneficiaries, eliminate rules that reduce benefits for people receiving noncash help from family members, and relax the asset test that restricts program eligibility. These reforms would substantially reduce poverty rates for older adults and people with disabilities.

Biden would significantly increase SSI benefits. Under his plan, the 2021 monthly federal SSI benefit for a single adult would increase from $792 under current law to $1,091, a 38 percent increase. He would set benefits for a married couple equal to 200 percent of the single benefit instead of 150 percent as under current law. Consequently, his plan would increase the 2021 federal benefit for married couples 84 percent, to $2,182.[13] Biden's plan would also eliminate SSI's complex "in-kind support and maintenance" benefit reductions, which currently reduce benefits by a third for beneficiaries who live in another person's household without paying for shelter or food (Social Security Advisory Board 2015).

Additionally, Biden's plan would raise the resource limits imposed on SSI beneficiaries. The current law restricts SSI eligibility to people with disabilities and adults age 65 and older with assets worth no more than $2,000 if single or $3,000 if married.[14] These asset limits have not changed since 1989. Biden's plan would increase the 2021 asset limits by the change in the consumer price index since 1989 and adjust them for inflation thereafter. Biden would also set the asset limit for couples equal to twice the limit for single people. Relative to the current law, Biden's plan would increase the 2021 asset limits 114 percent for single people, to $4,289, and 186 percent for couples, to $8,578.

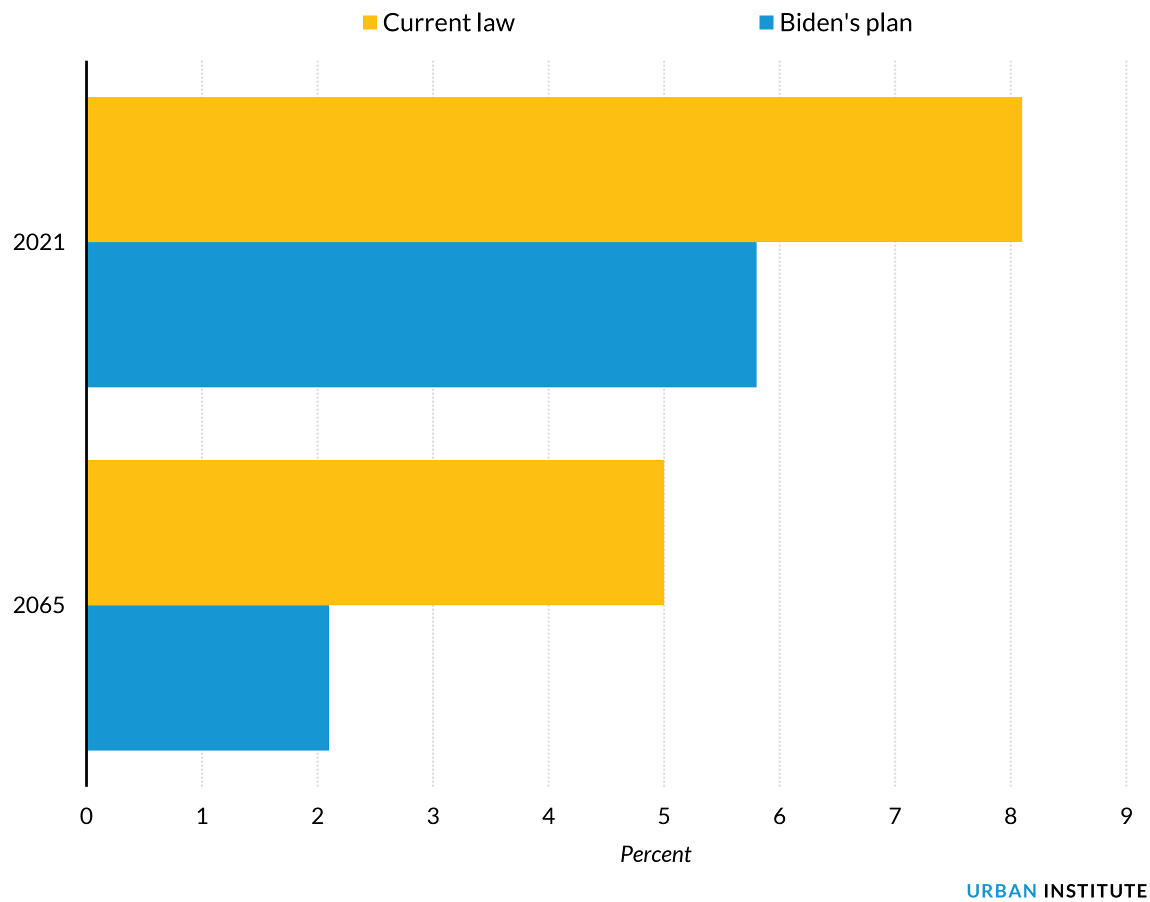
Our stylized projections show that Biden's SSI plan, combined with his Social Security reform plan, would significantly reduce the poverty rate for Social Security beneficiaries (figure 8). In 2021, the projected share of adults age 62 and older and people receiving disability benefits with income below 100 percent of the FPL would fall from 8.1 percent under current law to 5.8 percent under Biden's combined plan.[15] We project that Biden's combined plan would reduce the 2065 poverty rate from 5.0 percent to 2.1 percent. Biden's Social Security and SSI expansions would lift 1.4 million people out of poverty in 2021 and 2.7 million people out of poverty in 2065, according to our projections.

The proposed SSI expansion would also help many people who do not receive Social Security benefits, most of whom are younger than 62. In August 2020, only about a third of SSI beneficiaries were receiving Social Security benefits.[16] Adults younger than 62 who do not collect Social Security disability benefits are excluded from our analysis.

FIGURE 8

Biden's SSI Expansion Would Reduce Poverty Rates for Social Security Beneficiaries

Projected poverty rate for older adults and disability beneficiaries, 2021 and 2065 (%)



Source: DYNASIM4 ID980.

Notes: Figure shows the share of adults age 62 and older and people receiving Social Security disability benefits with income below 100 percent of the federal poverty level under the current law and Biden's combined Social Security and Supplemental Security Income plans. The analysis considers only benefits that Social Security could afford to pay under Biden's plan and current law.

Conclusions

Biden's presidential campaign has developed detailed plans that would improve Social Security's finances, enhance Social Security benefits, and expand SSI. These plans would improve financial security for older adults and people with disabilities, lifting more than 1 million Social Security beneficiaries out of poverty in 2021, according to our projections. Biden's plan would also improve Social Security's finances, but it would not entirely eliminate the program's long-term financial deficit, and future tax increases or benefit cuts would likely be needed to balance the program.

By extending the Social Security payroll tax to earnings above $400,000, Biden's Social Security plan would increase the program's revenue, relative to what it would collect under current law, 7 percent in 2021, 12 percent in 2040, and 16 percent in 2065. Only workers earning more than $400,000 a year would pay additional payroll taxes under Biden's plan. These workers would make up less than 1 percent of the workforce in 2021, but that share would edge up over time as wage growth increases the portion of workers earning more than $400,000.

Biden would use much of the additional revenue raised by his plan to enhance benefits, especially for lower-income beneficiaries. He would create a significant minimum benefit, provide Social Security earnings credits to caregivers, improve benefits for some survivors of deceased beneficiaries, increase COLAs by changing the index used to compute them, introduce a bonus for long-term beneficiaries, and eliminate Social Security benefit reductions for retirees collecting a government pension. In 2065, these benefit expansions would raise Social Security spending 18 percent relative to current law. They would increase median 2065 benefits 14 percent and increase median 2065 per capita family income 9 percent for older adults and people receiving disability benefits. All groups would see benefit gains, but lower-income beneficiaries would gain more, with median 2065 income for beneficiaries in the bottom fifth of the income distribution increasing a projected 28 percent. Biden's plan would cut the 2065 poverty rate for Social Security beneficiaries by more than half.

The minimum benefit and caregiver credits included in Biden's Social Security plan would target lower-income beneficiaries. We project that about half of the additional benefits paid through those provisions would go to beneficiaries in the bottom fifth of the lifetime earnings distribution. But other benefit expansions in Biden's plan, such as COLA increases and benefit increases for some retired government workers, do not target low-income beneficiaries. Higher-income beneficiaries would especially benefit from Social Security's improved financial situation, which would limit the solvency-related benefit cuts that would become necessary after the program's trust funds run out.

Biden's plan would not, however, eliminate the program's long-term funding gap. Our projections indicate that Biden's plan would close about a quarter of Social Security's 75-year deficit and extend the life of the trust funds by five years. Additional revenue sources would be needed in the future for Social Security to pay the full benefits scheduled under Biden's plan.

Many of Biden's former rivals for the 2020 Democratic presidential nomination proposed more ambitious Social Security plans. Former mayor Pete Buttigieg, and Senators Amy Klobuchar (D-MN), Bernie Sanders (I-VT), and Elizabeth Warren (D-MA) all proposed extending the payroll tax to earnings above $250,000. Sanders and Warren would also levy a new tax on investment income for high-income investors that would be dedicated to Social Security, and Warren would increase the payroll tax rate on high earnings and tax distributions to active participants in S corporations, partnerships, and limited liability companies. Buttigieg would automatically boost the payroll tax rate for high-earning workers to ensure that Social Security could pay all scheduled benefits each year. Moreover, Sanders and Warren would provide across-the-board benefit increases to all Social Security beneficiaries. Unlike some past center-left Social Security reform plans, none of the Democratic presidential candidates would cut scheduled benefits for any beneficiaries, even those with the highest incomes.[17]

President Trump has not released a formal plan to reform Social Security. In an August 2020 news conference, he suggested eliminating the Social Security payroll tax and financing benefits through transfers from the federal government's general fund.[18] Trump did not specify how the federal government would pay for those transfers, especially in light of the $2.7 trillion deficit the government has run over the first seven months of the year,[19] but he noted that strong economic growth could ease funding concerns. He has not proposed any changes to Social Security benefits.[20]

The decision about how to address Social Security's long-term financing challenges must be made within a larger budgetary context. Expanding Social Security and reducing the program's shortfall solely through increased revenues will leave federal policymakers with fewer resources to address other budgetary shortfalls, such as Medicare's long-term deficit and the broader federal debt, and to meet other public priorities.

Notes

1 "Monthly Statistical Snapshot, August 2020," Social Security Administration, released September 2020. https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/index.html?qs.

2 Social Security maintains two trust funds, one for Old Age and Survivors Insurance and another for Disability Insurance. Our analysis follows the common convention of combing the two trust funds when projecting program solvency.

3 "Monthly Statistical Snapshot, August 2020," Social Security Administration, released September 2020.

4 See, for example, the Social Security 2100 Act, H.R. 860 and S. 269, 116th Cong. (2019).

5 "Federal SSI Payments for 2020," Social Security Administration, accessed September 2, 2020, https://www.ssa.gov/oact/cola/SSI.html.

6 Biden's Social Security provisions are described in "The Biden Plan for Older Americans," and his caregiver and SSI provisions are described in "The Biden Plan for Full Participation and Equality for People With Disabilities," available on the campaign website (https://www.joebiden.com).

7 Social Security also earns revenue from federal income taxes levied on Social Security payments to higher-income beneficiaries.

8 "Description of Proposed Provision: A6: Starting December 2021, Compute the COLA Using the Consumer Price Index for the Elderly (CPI-E)," Social Security Administration, accessed October 6, 2020, https://www.ssa.gov/oact/solvency/provisions/charts/chart_run092.html.

9 The Biden campaign has proposed additional reforms to Social Security Disability Insurance, including eliminating the five-year waiting period for benefits and increasing the amount that disability insurance beneficiaries could earn without forfeiting their benefits. Our analysis does not account for those potential reforms.

10 Biden's plan would tax all earnings by 2048, when inflation and real earnings growth extend the first contribution base above $400,000.

11 We compute the 75-year actuarial balance as the present discounted value of noninterest revenues over the period plus the value of the trust funds at the start of the period, minus the present discounted value of projected costs over the period and the present discounted value of projected costs in the 76th year. These values are expressed as a percentage of the present discounted value of taxable payroll projected over the period.

12 In 2019, the Social Security actuaries projected, based on their intermediate assumptions, that the program faces a 75-year actuarial deficit of 2.78 percent of taxable payroll and the trust funds will run out in 2035 (Board

of Trustees 2019). DYNASIM projects more revenue from taxation of benefits than the actuaries, which generates a smaller actuarial deficit. The trustees' 2020 intermediate projections, based on updated demographic and economic assumptions, show a long-range actuarial deficit of 3.21 percent of taxable payroll (Board of Trustees 2020).

[13] We assume that states that supplement the federal SSI benefit would not reduce those supplemental benefits if the federal benefit were raised.

[14] The asset test excludes the value of a residence, vehicle, burial plot, household goods, and personal effects.

[15] Biden's SSI expansion would not cover some people with disabilities and some adults age 62 and older, including people ages 62 to 64 without disabilities (who are too young to qualify for SSI), nonnaturalized immigrants, and people with assets above the program's resource limit.

[16] "Monthly Statistical Snapshot, August 2020," Social Security Administration, released September 2020.

[17] See, for example, Diamond and Orszag (2004).

[18] "Remarks from President Trump in Press Briefing," the White House, August 13, 2020, https://www.whitehouse.gov/briefings-statements/remarks-president-trump-press-briefing-081320/.

[19] "Monthly Treasury Statement," US Department of the Treasury, Bureau of the Fiscal Service, August 2020, https://fiscal.treasury.gov/reports-statements/mts/current.html.

[20] The Trump administration's 2021 budget proposal, released in February 2020, would tighten eligibility for Social Security disability benefits and require the Social Security Administration to review disability beneficiaries more frequently to ensure that they remain unable to work and eligible for payments (Office of Management and Budget 2020). The Trump administration has also called for simplifying but not eliminating SSI's rules about in-kind support and maintenance.

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