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**INTRODUCED BY SENIOR ASSEMBLY MEMBER TUCKER**

(COAUTHORS: SENIOR SENATORS BORTEL AND MUKOYAMA)

Legislative Counsel’s Digest

AFP 1: SOCIAL SECURITY BENEFITS SUBJECT TO FEDERAL INCOME TAX.

UNDER EXISTING LAW, SOCIAL SECURITY BENEFITS ARE SUBJECT TO INCOME TAX ON ADJUSTED GROSS INCOMES STARTING AT $25,000 OR $32,000 FOR INDIVIDUALS WHO ARE MARRIED FILING JOINTLY.

THIS MEASURE WOULD MEMORIALIZE THE CONGRESS AND THE PRESIDENT TO ENACT LEGISLATION THAT WOULD ELIMINATE SOCIAL SECURITY AND MEDICARE PAYROLL TAXES AFTER THE AGE OF 65 ON THE FIRST $50,000 OF EARNED INCOME AND ELIMINATE INCOME TAXES ON SOCIAL SECURITY BENEFITS.

VOTE MAJORITY.

AFP : RELATING TO SOCIAL SECURITY BENEFITS SUBJECT TO FEDERAL INCOME TAX

WHEREAS, CONGRESS IS SERIOUSLY CONSIDERING INCOME TAX REFORM AND SHOULD ADOPT TWO SIMPLE CHANGES TO HELP MILLIONS OF OLDER AMERICANS WHO GENERALLY HAVE MODEST INCOMES. THOSE CHANGES WOULD BE AN EXEMPTION FROM SOCIAL SECURITY AND MEDICARE PAYROLL TAXES FOR THOSE OLDER THAN 65 YEARS OF AGE ON THE FIRST $50,000 OF EARNED INCOME AND THE ELIMINATION OF INCOME TAXES ON SOCIAL SECURITY BENEFITS; AND

WHEREAS, THESE OLDER AMERICANS HAVE ALREADY CONTRIBUTED WHILE WORKING TO THESE TWO PROGRAMS AND MOST LIKELY, IN THE CASE OF SOCIAL SECURITY, HAVE QUALIFIED FOR THE MAXIMUM BENEFIT BASED ON PAST EARNINGS. ADDITIONAL PAYROLL TAXES DO NOT INCREASE THE BENEFIT PAYMENTS UNLESS IN THE EXCEPTIONAL CASE WHERE AN INDIVIDUAL EARNS MORE AFTER 65 YEARS OF AGE THAN BEFORE; AND

WHEREAS, OLDER AMERICANS WHO QUALIFY FOR MEDICARE BENEFITS RECEIVE THESE BENEFITS BASED UPON THE MEDICAL EXPENSE INCURRED AND NOT WHETHER ANY INCOME WAS EARNED; AND

WHEREAS, PROVIDING SENIORS WITH FURTHER INCENTIVES TO CONTINUE WORKING IS CONSISTENT WITH LONGER LIFE EXPECTATIONS, LOW-RETIREMENT SAVINGS, AND THE DEMAND FOR EXPERIENCED WORKERS; AND

WHEREAS, EXEMPTING OLDER WORKERS FROM PAYING THESE PAYROLL TAXES WOULD INCREASE DISPOSABLE INCOMES BY NEARLY 9 PERCENT ANNUALLY. THIS INCREASE IN SPENDING POWER WOULD IMPROVE THE QUALITY OF LIFE OF OLDER AMERICANS AND STIMULATE THE NATION’S ECONOMY THROUGH THE MULTIPLIER EFFECT; AND

WHEREAS, SOCIAL SECURITY BENEFITS ARE SUBJECT TO INCOME TAX DESPITE RECIPIENTS INITIALLY PAYING PAYROLL TAXES TO FUND THE PROGRAM. UNLIKE OTHER RETIREMENT SAVINGS PROGRAMS, SUCH AS 401K PLANS AND PENSION PLANS WHERE THE CONTRIBUTIONS ARE DEDUCTED BEFORE THE CALCULATION OF TAXABLE INCOME, THE PAYROLL TAX IS NOT SUCH A DEDUCTION. TO TAX THE FUNDS DEPOSITED INTO SOCIAL SECURITY AND TO TAX THE BENEFITS FROM THE PROGRAM IS DOUBLE TAXATION AND IN THE SPIRIT OF FAIRNESS SUCH TAXATION SHOULD NOT APPLY TO SENIORS WHO CONTINUE TO WORK; AND

WHEREAS, SOCIAL SECURITY BENEFITS ARE SUBJECT TO INCOME TAX ON ADJUSTED GROSS INCOMES OF ONLY $25,000 OR ABOVE ($32,000 IF MARRIED FILING JOINTLY). THIS LEVEL OF TAXATION WAS SET IN 1983 AND WAS NEVER INDEXED FOR INFLATION. THIS TAXATION LEVEL WAS INTENDED TO TAX “THE RICH,” BUT TODAY SENIORS WITH MODEST INCOMES ARE SUBJECT TO THE TAX; NOW, THEREFORE, BE IT

RESOLVED, BY THE SENIOR ASSEMBLY AND THE SENIOR SENATE, JOINTLY, THAT THE SENIOR LEGISLATURE OF THE STATE OF CALIFORNIA AT ITS 2017 REGULAR SESSION, A MAJORITY OF THE MEMBERS VOTING THEREFOR, HEREBY PROPOSES THAT THE CONGRESS AND THE PRESIDENT OF THE UNITED STATES ENACT LEGISLATION THAT WOULD LIMIT SOCIAL SECURITY AND MEDICARE PAYROLL TAXES FOR THOSE OVER 65 YEARS OF AGE AND STOP TAXING SOCIAL SECURITY BENEFITS; AND BE IT FURTHER

RESOLVED, THAT THE SENIOR LEGISLATURE OF THE STATE OF CALIFORNIA RESPECTFULLY MEMORIALIZES THE CONGRESS AND THE PRESIDENT TO ENACT APPROPRIATE LEGISLATION THAT WOULD ADDRESS THE CONCERNS SET FORTH IN THIS MEASURE; AND BE IT FURTHER

RESOLVED, THAT A COPY OF THIS MEASURE BE TRANSMITTED TO THE PRESIDENT AND VICE PRESIDENT, THE SENATE MAJORITY LEADER, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE CHAIRPERSONS OF THE HOUSE AND SENATE COMMITTEES ON TAXATION AND AGING, AND TO EACH SENATOR AND REPRESENTATIVE FROM CALIFORNIA IN THE CONGRESS OF THE UNITED STATES.