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ON THE

2026 ECONOMIC REPORT OF
THE PRESIDENT

CHAPTER 1 OF THE
CHAIRMAN'S VIEWS

The Intergenerational Imbalance and Growing
Dependence on a Shrinking Workforce

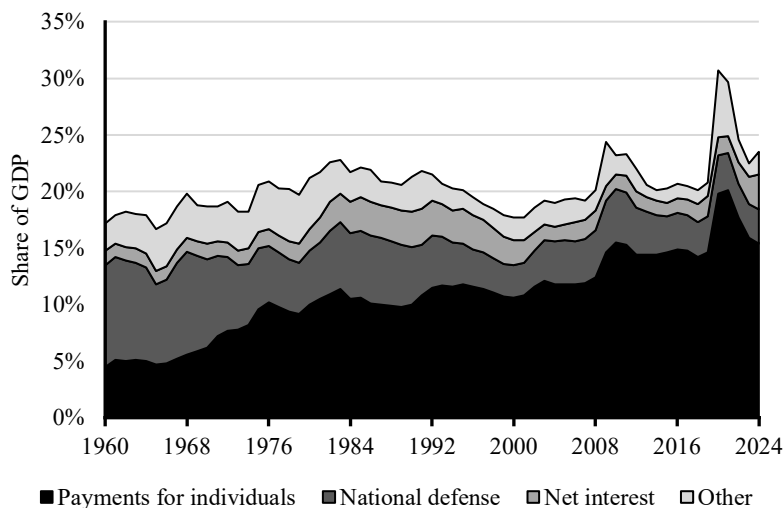


MAY 13, 2026
CHAIRMAN DAVID SCHWEIKERT

CHAPTER 1: THE INTERGENERATIONAL IMBALANCE AND GROWING DEPENDENCE ON A SHRINKING WORKFORCE

A significant driver of increased outlays in recent decades is the fundamental shift in the core focus of the Federal government. Although it was originally primarily focused on national security and infrastructure, the majority of Federal spending now consists of transfers to individuals. While the number of government agencies and initiatives has multiplied over time, the primary upward pressure on outlays stems from the growing populations eligible for these benefits. The most significant expansions have occurred within Social Security and Medicare. As a result, it is projected that over half of Federal non-interest spending will be directed toward seniors within a decade.

Figure 1-1: Composition of Federal Outlays as a Share of GDP



Source: Office of Management and Budget¹

Transfers to individuals are heavily dominated by these retirement and healthcare programs. However, it is important to note that not all associated outlays are spent exclusively on the 65-and-older demographic. For example, Old-Age, Survivors, and Disability Insurance (OASDI) allocates a significant portion of its funds to early retirees, as well as to the widows and children of deceased beneficiaries. Similarly, roughly 18 percent of Medicare funding flows to the under-65 population.² At the same time, there are additional Federal programs that primarily benefit seniors (for example, civil service and military pensions), and this age group retains a substantial share of the broader safety net. Approximately

¹ Office of Management and Budget, “Historical Tables, Budget of the United States Government, Fiscal Year 2026,” Table 6.1, June 20, 2025, <https://www.govinfo.gov/app/details/BUDGET-2026-TAB>.

² Centers for Medicare and Medicaid Services, “Health Expenditures by Age and Sex,” Table 9: Medicare Spending by Sex and Age Group and Type of Service, updated September 10, 2024, <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/age-and-sex>.

20 percent (\$450 billion in 2024) of support for seniors consists of transfers from programs other than Social Security or Medicare, such as Medicaid, government retirement funds, and anti-poverty initiatives.³

Table 1-1: Share of Payments for Individuals by Age Group and Tax Group, Excluding Education

Payments for individuals (excluding education)	Under 18	18 to 44	45 to 64	65 and over	Other
Social insurance	1%	3%	13%	83%	0%
General funds	13%	19%	24%	40%	5%
Total	8%	11%	19%	59%	3%

Source: Office of Management and Budget;⁴ U.S. Treasury;⁵ JEC calculations⁶

Table 1-1 shows that almost three out of every five dollars transferred to individuals ultimately go to seniors, but the proportion varies by the type of tax receipts. Critically, the concentration is even more pronounced in programs funded by

³ JEC calculations; Office of Management and Budget, “Historical Tables,” Table 11.3. For each line, a breakdown by age bracket was imputed from publicly available data and reports. Based on the breakdown of spending by age and the outlays for each provision, the \$450 billion value comes from the outlays on the 65-and-older group that are neither Medicare nor Old Age and Survivors Insurance.

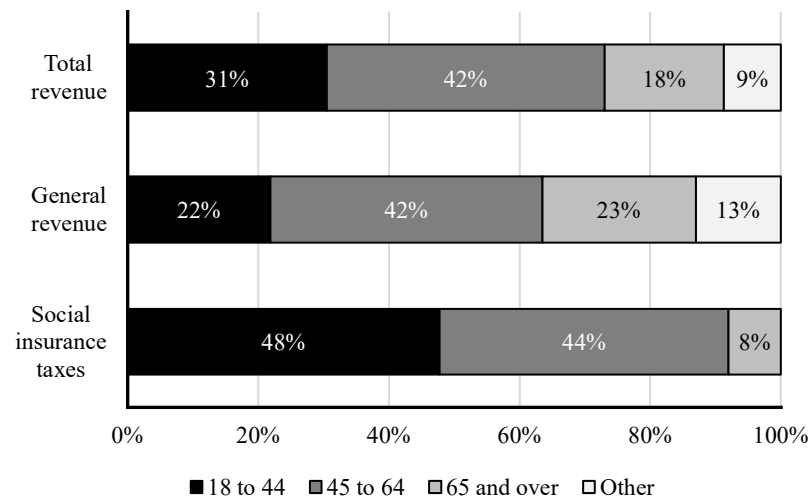
⁴ Office of Management and Budget, “Historical Tables,” Table 11.3.

⁵ U.S. Department of the Treasury, FiscalData, “Monthly Treasury Statement (MTS),” accessed April 17, 2026, <https://fiscaldata.treasury.gov/datasets/monthly-treasury-statement/>.

⁶ Social Security Administration, “Annual Statistical Supplement to the Social Security Bulletin, 2024,” accessed April 21, 2026, <https://www.ssa.gov/policy/docs/statcomps/supplement/2024/index.html>; Centers for Medicare and Medicaid Services, “Health Expenditures by Age and Sex,” U.S. Census Bureau, “Annual Social and Economic Supplements,” accessed April 21, 2026, <https://www.census.gov/data/datasets/time-series/demo/cps/cps-asec.html>; National Institutes of Health, Agency for Healthcare Research and Quality, “Chartbook on Healthcare for Veterans, National Healthcare Quality and Disparities Report,” Pub. no. 21-0003 (November 2020), <https://www.ncbi.nlm.nih.gov/books/NBK578553/>; Internal Revenue Service, *SOI Tax Stats – Individual income tax returns complete report, part 3*, Publication 1304, updated March 26, 2026, <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-complete-report-publication-1304-basic-tables-part-3>; U.S. Census Bureau, “Survey of Income and Program Participation (SIPP),” accessed April 21, 2026, <https://www.census.gov/programs-surveys/sipp.html>.

social insurance taxes, which are largely payroll taxes. Seniors are also the principal recipients of provisions funded by general revenues.⁷

Figure 1-2: Share of Revenue Collection by Age Group



Source: U.S. Treasury;⁸ JEC calculations⁹

⁷ This is because of Medicare Parts B and D. Office of Management and Budget, “Historical Tables,” Tables 3.2, 13.1.

⁸ U.S. Department of the Treasury, “Monthly Treasury Statement (MTS).”

⁹ Internal Revenue Service, *SOI Tax Stats – Individual income tax returns complete report, part 1*, Publication 1304, updated March 26, 2026, <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-complete-report-publication-1304-basic-tables-part-1>; Social Security Administration, “Annual Statistical Supplement;” Board of Governors of the Federal Reserve System, “Survey of Consumer Finances (SCF),” accessed April 21, 2026, <https://doi.org/10.17016/8799>; U.S. Bureau of Labor Statistics, “Labor Force Statistics from the Current Population Survey,” last modified February 20, 2026, <https://www.bls.gov/cps/cpsaat03.htm>; U.S. Bureau of Labor Statistics, “Consumer Expenditure Survey,” last modified January 5, 2026, <https://www.bls.gov/cex/tables.htm>; Internal Revenue Service, “SOI Tax Stats – Excise tax statistics,” accessed April 21, 2026, <https://www.irs.gov/statistics/soi-tax-stats-excise-tax-statistics>; Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2025 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (2025), <https://www.ssa.gov/oact/TR/2025/tr2025.pdf>.

Tables 1-2 and 1-3 show that the proportion of tax contributions transferred to seniors decreases with age. Younger workers are more likely to derive most of their income from wages and pay nearly a majority of payroll taxes. This cohort's contribution to general revenue is disproportionately smaller, notably, than that of seniors.¹⁰ Because younger workers generally earn less and rely more heavily on wage income, a larger share of their total tax burden directly funds senior-oriented initiatives. As individuals advance into higher tax brackets and derive a greater portion of their income from passive, non-wage sources, the taxes collected from them are transferred more evenly distributed across age groups.¹¹ Due to their higher income, middle-aged workers serve as the largest net contributors funding these transfers.¹²

¹⁰ General revenue includes personal income tax, corporate taxes and all other taxes besides social insurance. The author apportioned corporate tax revenue by age bracket by using relative ownership (direct and indirect) of stocks. "Other" corresponds to revenues that are too difficult to attribute to any age group and taxes paid by foreigners and other revenues. Additionally, the 65-and-over group has the largest share of stocks in private companies. They report the highest taxable incomes from dividends and pensions, and they account for almost 40 percent of all (net) capital asset sales.

¹¹ Internal Revenue Service, *SOI Tax Stats – Individual income tax returns complete report, part 1*, Tables 1.4, 1.5. The tables contain data for filing year 2023. The data breaks down different incomes declared in Form 1040 by age bracket, which is clear once the incomes are grouped by type. For reasons of brevity, this was excluded from this chapter.

¹² This chapter focuses on net outlays, which are about 10 percent smaller than the gross outlays. Net outlays are the most common measure for government spending, which is net of offsetting receipts such as Medicare premiums. Given the large number of offsetting receipts beside premiums, breaking them down by age group would be impossible. Nevertheless, the author believes that the gross measure is appropriate for expressing the real size of the Federal government in the economy. For FY 2025, the difference between net and gross was approximately \$750 billion. Medicare's offsetting receipts alone are projected by CBO to reach 1.4 percent of GDP by the early 2050s. U.S. Department of the Treasury, *Financial Report of the United States Government, FY 2025* (2026), <https://fiscal.treasury.gov/accounting/us-financial-report/2025-report>; Congressional Budget Office, *The Long-Term Budget Outlook Data: 2026 to 2056* (February 2026), <https://www.cbo.gov/publication/62044>.

Table 1-2: Transfers as a Share of Cohort's Revenue Collection, Non-Interest

		Recipient					
		Under 18	18 to 44	45 to 64	65 and over	Other	Nat'l defense
Revenue	18 to 44	6%	9%	16%	53%	6%	
	45 to 64	7%	11%	15%	44%	8%	15%
	65 and over	9%	14%	15%	33%	10%	19%
	Other ¹³	10%	15%	15%	25%	12%	23%

Table 1-3: Transfers From Revenue Collection, Non-Interest (Billions)

		Recipient						Total
		Under 18	18 to 44	45 to 64	65 and over	Other	Nat'l def.	
Revenue	18 to 44	\$89	\$150	\$250	\$843	\$92	\$173	\$1,598
	45 to 64	\$159	\$248	\$339	\$974	\$176	\$329	\$2,224
	65 and over	\$86	\$130	\$144	\$314	\$99	\$186	\$958
	Other ¹⁴	\$47	\$69	\$67	\$113	\$55	\$103	\$455
	Total	\$381	\$597	\$799	\$2,244	\$422	\$791	\$5,235

Source for Tables 1-2 and 1-3: Office of Management and Budget;¹⁵ U.S. Treasury;¹⁶ JEC calculations¹⁷

¹³ Row "other" and column "other" are not the same groups. The former is the portion of revenues and non-interest spending that did not correspond to the groups listed in the table.

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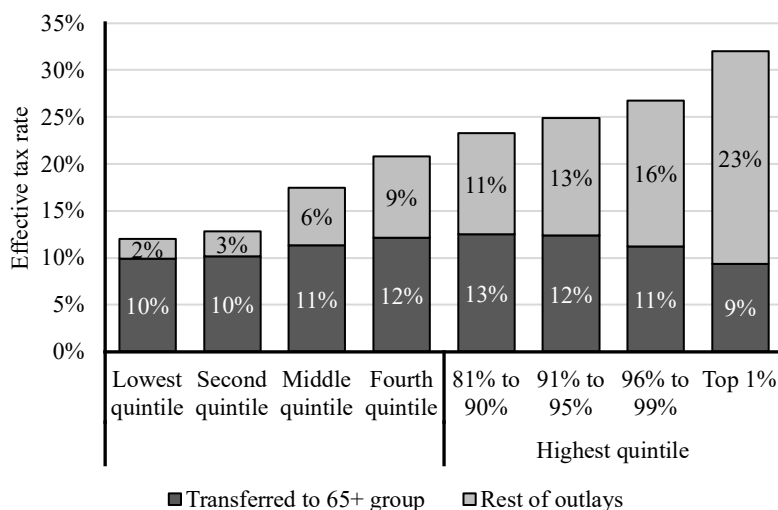
¹⁵ Office of Management and Budget, "Historical Tables," Table 11.3.

¹⁶ U.S. Department of the Treasury, "Monthly Treasury Statement (MTS)."

¹⁷ Social Security Administration, "Annual Statistical Supplement;" Centers for Medicare and Medicaid Services, "Health Expenditures by Age and Sex;" U.S. Census Bureau, "Annual Social and Economic Supplements;" National Institutes of Health, Agency for Healthcare Research and Quality, "Chartbook on Healthcare for Veterans;" Internal Revenue Service, *SOI Tax Stats – Individual income tax returns complete report, part 1 and part 3*; U.S. Census Bureau, "SIPP," Tables 1.5, 1.6; Board of Governors of the Federal Reserve System, "SCF;" U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey;" U.S. Bureau of Labor Statistics, "Consumer Expenditure Survey;" Board of Trustees, Federal Old-Age and Survivors Insurance, *The 2025 Annual Report*, Table II.B1, p. 8.

A similar pattern emerges when analyzing the destination of revenues collected across income quintiles. Higher-income individuals contribute more due to their larger tax bases and progressive effective tax rates. Conversely, most—if not all—net tax liabilities paid by lower-income individuals take the form of payroll taxes.¹⁸ As a result, over 80 percent of the taxes paid by the bottom 40 percent of households function mostly as direct transfers to seniors.

Figure 1-3: Distribution of Transfers from Non-Senior Childless Households by Market Income Quintile



Source: Congressional Budget Office;¹⁹ Office of Management and Budget;²⁰ U.S. Treasury;²¹ JEC calculations²²

¹⁸ On average, the lowest two quintiles have negative income tax liabilities. The figure only counts non-negative tax liabilities values for each group. See Congressional Budget Office, *The Distribution of Household Income, 2022* (January 2026), <https://www.cbo.gov/publication/61911>.

¹⁹ Congressional Budget Office, *The Distribution of Household Income, 2022*, Additional Data for Researchers.

²⁰ Office of Management and Budget, “Historical Tables.”

²¹ U.S. Department of the Treasury, “Monthly Treasury Statement (MTS).”

²² Distribution from non-senior childless households using non-negative liabilities only.

While the preceding analysis focuses on revenue transfers, total Federal outlays consistently exceed these revenues, thereby driving annual increases in the public debt. Attributing specific portions of this debt increase to distinct age brackets presents a methodological challenge. Just as Federal initiatives rely on diverse revenue streams, they also operate with varying deficit levels. For instance, although Medicare Part A consumes substantial fiscal resources, it actually ran a surplus in 2025, whereas the general fund operated at a deficit.²³

There are two primary methods for estimating how each age group contributed to the national debt in 2025.²⁴ The first approach assumes that net interest is funded exclusively through public borrowing, leaving approximately \$1 trillion to be distributed among primary spending components. The second approach assumes that net interest is paid out of general revenues at the same rate as other obligations, which increases the primary spending deficit by \$400 billion. Depending on the methodology used, the deficit generated by transfers to seniors falls between \$350 billion and \$520 billion for 2025.²⁵

²³ Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (February 2026), Appendix B, <https://www.cbo.gov/publication/61882>. While public discourse of Medicare's finances focuses on the Hospital Insurance (HI) Trust Fund, spending on Medicare Parts B and D, which are not outlays of that fund, constitute most of the program's costs.

²⁴ For both approaches, the deficits for the social insurance components are calculated first. The remaining deficit corresponds to general revenue and net interest. Each approach differs on the apportionment of this part of the deficit.

²⁵ While net interests are a standalone component in government outlays, they originate in increases in the national debt, which are a consequence of non-interest spending as well. That is, net interest spending is attributable to previous deficits and, therefore, to different government programs.

Table 1-4: Estimated Contributions to the Deficit, FY2025

Recipient	Approach 1 Net interest is only paid with debt		Approach 2 Net interest is partially paid with taxes	
	Value (billions)	Share of deficit	Value (billions)	Share of deficit
Under 18	\$66	4%	\$135	8%
18 to 44	\$89	5%	\$190	11%
45 to 64	\$75	4%	\$173	10%
65 and over	\$364	21%	\$529	30%
Other	\$72	4%	\$153	9%
National defense	\$135	8%	\$286	16%
Net interest	\$974	55%	\$309	17%
Total	\$1,775		\$1,775	

Sources: Congressional Budget Office;²⁶ U.S. Treasury;²⁷ Boards of Trustees;²⁸ JEC calculations²⁹

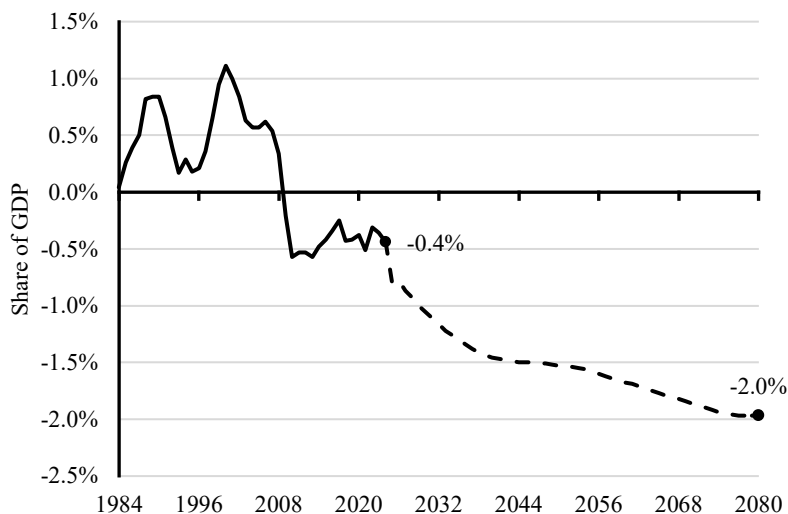
²⁶ Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*, Appendix B.

²⁷ U.S. Department of the Treasury, "Monthly Treasury Statement (MTS)."

²⁸ Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *The 2025 Annual Report of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds* (Centers for Medicare and Medicaid Services, 2025), <https://www.cms.gov/data-research/statistics-trends-and-reports/trustees-report-trust-funds>.

²⁹ Social Security Administration, "Annual Statistical Supplement;" Centers for Medicare and Medicaid Services, "Health Expenditures by Age and Sex;" U.S. Census Bureau, "Annual Social and Economic Supplements;" National Institutes of Health, Agency for Healthcare Research and Quality, "Chartbook on Healthcare for Veterans;" Internal Revenue Service, *SOI Tax Stats – Individual income tax returns complete report, part 3*, Table 3.7; U.S. Census Bureau, "SIPP."

Figure 1-4: Combined Deficit in OASDI and HI Trust Funds as a Share of GDP



Source: Social Security Administration³⁰

Future trend

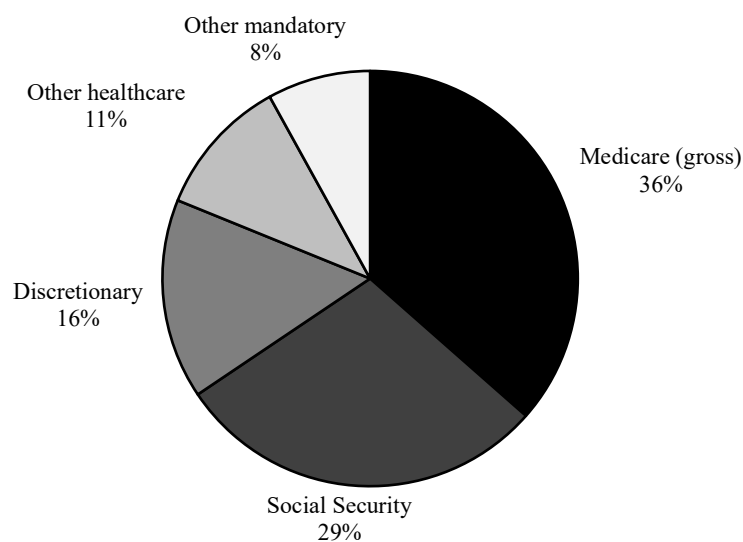
The trajectory of transfers is problematic. Deficits for Social Security and Medicare Hospital Insurance (HI) are projected to expand over time, compounding the growing share of general spending already consumed by Medicare Parts B and D. Together, Social Security and Medicare account for roughly two-thirds of the expected nominal growth in non-interest Federal spending over the next three decades (using 2026 as a baseline).³¹ This fiscal pressure is driven by two demographic realities: the 65-and-older cohort is expanding rapidly (growing from about 8 percent of the population in 1950 to 17 percent today, with projections reaching

³⁰ Social Security Administration, Office of the Chief Actuary, “OASDI and HI Annual Income, Cost, and Balance as a Percentage of GDP, Calendar Years 1970-2100,” in *The 2025 OASDI Trustees Report* (2025), <https://www.ssa.gov/OACT/TR/2025/lr6g4.html>. See the historical data and intermediate estimates.

³¹ The author uses gross values for Medicare, including the portion offset by premiums. Congressional Budget Office, *The Long-Term Budget Outlook: 2026 to 2056*.

nearly 25 percent in 65 years), and lifespans are lengthening.³² Actuaries estimate that by 2090, the percentage of the population aged 80 and over will be nearly as large as the entire 65-and-older cohort was in 1985.³³

Figure 1-5: Projected Cumulative Increase in Spending from 2027 to 2056 in Current Dollars



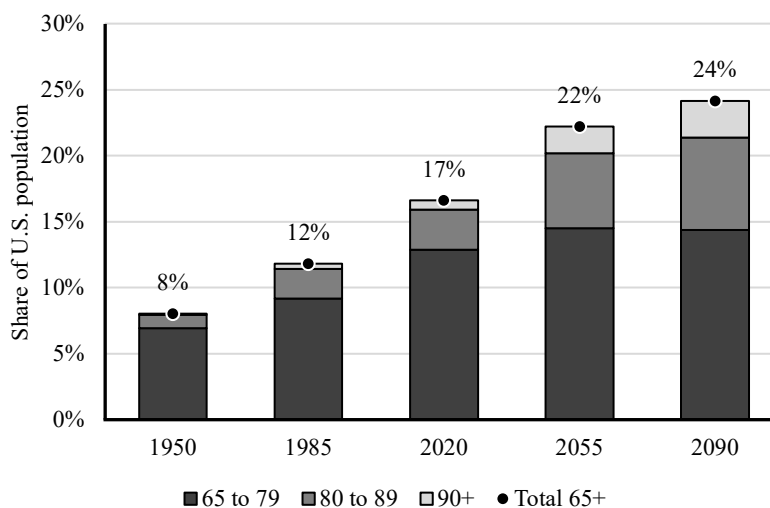
Source: Congressional Budget Office³⁴

³² These trends are not unique to the United States. Several countries are expected to have dire fiscal issues due to aging populations. Benedict J. Clements et al., “The Fiscal Consequences of Shrinking Populations,” *International Monetary Fund* 021 (2015), <https://doi.org/10.5089/9781513544885.006>.

³³ Social Security Administration, Office of the Chief Actuary, *The 2025 OASDI Trustees Report*, <https://www.ssa.gov/oact/Downloadables/CY/index.html>. See the Area Population Tables, Midyear 1941–2100, Alternative II. For example, life expectancy at 65 for women in 1950 was 15 years, and by the end of this century it will rise to 25, which affects the ratio of lifetime benefits to taxes significantly.

³⁴ Congressional Budget Office, *The Long-Term Budget Outlook: 2026 to 2056*.

Figure 1-6: Share of Population Aged 65 and Over in Total Population



Sources: Social Security Administration;³⁵ JEC calculations

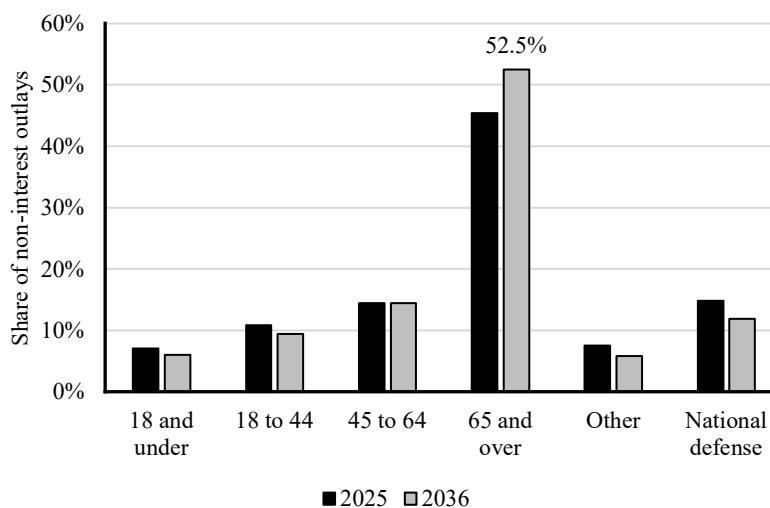
Using projections by the Congressional Budget Office (CBO) from 2026, Figure 1-7 illustrates a simplified projection of outlay shares for the year 2036.³⁶ This exercise assumes that the distribution of spending categories across age groups remains constant, updating only aggregate outlay shares based on projected growth (and assuming Social Security and HI benefits are paid as scheduled). Under these simplified conditions, the share of total outlays directed to the 65-and-older population climbs from 45 percent to 52 percent. Given long-term demographic forecasts, this increase does not represent a peak, but rather a step in a continued upward trajectory. While extending this projection out 30 years is analytically tempting, the anticipated demographic shifts would

³⁵ Social Security Administration, Office of the Chief Actuary, *The 2025 OASDI Trustees Report*. See the Area Population Tables, Midyear 1941–2100, Alternative II.

³⁶ Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*, Table 3-1.

render these static assumptions too unrealistic to produce reliable long-term estimates.

Figure 1-7: Estimated Share of Non-Interest Outlays by Group



Sources: Congressional Budget Office;³⁷ Office of Management and Budget;³⁸ JEC calculations³⁹

Raising taxes is not the solution

The challenge of rising intergenerational transfers is compounding as trust funds for senior benefits rapidly deplete. The financing mechanisms for these systems were established in an era characterized by lower post-retirement life expectancies and a

³⁷ Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*, Table 3-1.

³⁸ Office of Management and Budget, “Historical Tables.”

³⁹ Social Security Administration, “Annual Statistical Supplement to the Social Security Bulletin;” Centers for Medicare and Medicaid Services, “Health Expenditures by Age and Sex;” U.S. Census Bureau, “Annual Social and Economic Supplements;” National Institutes of Health, Agency for Healthcare Research and Quality, “Chartbook on Healthcare for Veterans;” Internal Revenue Service, *SOI Tax Stats – Individual income tax returns complete report, part 3*, Table 3.7; U.S. Census Bureau, “SIPP.”

significantly higher ratio of workers to beneficiaries.⁴⁰ However, attempting to stabilize these funds by extracting more revenue from prime-age workers, effectively increasing taxes on labor, would only deepen the structural imbalance of intergenerational transfers.

A frequent policy proposal involves raising or eliminating the *Federal Insurance Contributions Act* (FICA) wage cap.⁴¹ This approach carries significant, often overlooked, unintended consequences. First, current payroll tax rates are already nearly eight times higher than they were at their inception.⁴² Furthermore, these levies do not exist in a vacuum; wage and self-employment earnings are also subject to personal income taxes. If the cap is removed, marginal tax rates for individuals earning \$184,500 or more would jump by 6.2 percent.⁴³

Another frequently ignored consequence of removing the FICA cap is its detrimental impact on the labor market, particularly

⁴⁰ U.S. Congress Joint Economic Committee, *The 2025 Joint Economic Report*, H. Rep. 119-9 (2025), p. 15, <https://www.govinfo.gov/app/details/CRPT-119hrpt9/CRPT-119hrpt9-pt1>. The depletion of the OASDI trust fund has been projected relatively accurately by the Social Security Administration since 1992. Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 1992 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (1992), p. 5, <https://www.ssa.gov/OACT/TR/historical/1992TR.pdf>.

⁴¹ The limit on the amount of income subject to OASDI taxation. In calendar year 2026, the cap was set at \$184,500. Social Security Administration, "Contribution and Benefit Base," accessed April 21, 2026, <https://www.ssa.gov/oact/cola/cbb.html>.

⁴² Social Security Administration, "Annual Statistical Supplement to the Social Security Bulletin, 2024," Table 2.A3, accessed April 21, 2026, <https://www.ssa.gov/policy/docs/statcomps/supplement/2024/index.html>. On top of the income tax, the Medicare HI trust fund is financed by the Additional Medicare tax of 0.9 percent on incomes above \$200,000.

⁴³ However, the incidence is undetermined. Some studies state that raises in payroll taxes are mostly paid by consumers of the product sold by the firm. Felipe Lobel, "Who Benefits from Payroll Tax Cuts? Market Power, Tax Incidence, and Efficiency," working paper (Cowles Conference on Labor & Public Economics, Yale University, June 2024), https://cowles.yale.edu/sites/default/files/2024-05/Lobel-lobel_jmp.pdf.

concerning highly experienced professionals. Many of these older workers possess substantial savings, granting them the flexibility to retire early or transition to non-labor income streams if their employment taxes spike.⁴⁴ Consequently, firms would lose not only critical technical skills but also the invaluable spillover benefits of senior staff mentoring younger employees. According to 2024 Census ACS data, approximately 400,000 workers in STEM fields between the ages of 44 and 64 earned wages that would have been subjected to higher taxes had the cap been removed that year.⁴⁵

⁴⁴ Gayle L. Reznik, David A. Weaver, and Andrew G. Biggs, “Social Security and Marginal Returns to Work Near Retirement,” Social Security Administration Issue Paper no. 2009-02 (April 1, 2009), <https://www.ssa.gov/policy/docs/issuepapers/ip2009-02.html>; Annette Alstadsæter, “The Dual Income Tax and Firms’ Income Shifting through the Choice of Organizational Form and Real Capital Investments,” CESifo Working Paper no. 1018 (August 2003), https://www.ifo.de/DocDL/cesifo1_wp1018.pdf; Abby Alpert and David Powell, “Estimating Intensive and Extensive Tax Responsiveness: Do Older Workers Respond to Income Taxes?,” RAND Corporation Working Paper WR-987-1 (June 18, 2014), https://www.rand.org/pubs/working_papers/WR987-1.html. Conversely, changes reducing future retirement income have the opposite effect on labor supply of near-retirement workers. See Eric French and John Jones, “Public Pensions and Labor Supply Over the Life Cycle,” *International Tax and Public Finance* 19 (2012): 268–87, <https://doi.org/10.1007/s10797-011-9184-x>.

⁴⁵ Nine percent of workers in the 50–59 age range are subject to the cap and 20 percent of workers with a graduate degree (all ages). Zhe Li, *Social Security: Raising or Eliminating the Taxable Earnings Base*, Congressional Research Service Report RL32896 (December 22, 2021), <https://www.congress.gov/crs-product/RL32896>; U.S. Census Bureau, “American Community Survey Public Use Microdata Sample (PUMS),” March 5, 2026, <https://www.census.gov/programs-surveys/acs/microdata.html>. The most recent available data at the time of publication was from 2024; JEC calculations.

Table 1-5: Estimate of Older Professionals Affected by the Elimination of Taxable Maximum

Occupation	Ages 45 to 64		Ages 55 to 64	
	Number affected	Share of total	Number affected	Share of total
Computer	417,097	19%	148,792	16%
Life sciences	14,519	14%	5,873	14%
Engineering	223,070	22%	102,217	20%
Physics and chemistry	46,649	23%	21,145	25%
Physicians	315,674	58%	139,223	55%
Data and math	40,212	18%	16,218	17%
Total	1,057,221		433,468	

Sources: U.S. Census Bureau;⁴⁶ JEC calculations

Chasing rising costs with higher taxes to balance the budget would raise the cost of employment, discourage labor, and harm economic growth.⁴⁷ Conversely, structural reforms to these benefit systems could restore fiscal balance without increasing senior poverty.⁴⁸

⁴⁶ U.S. Census Bureau, “American Community Survey Public Use Microdata Sample (PUMS).”

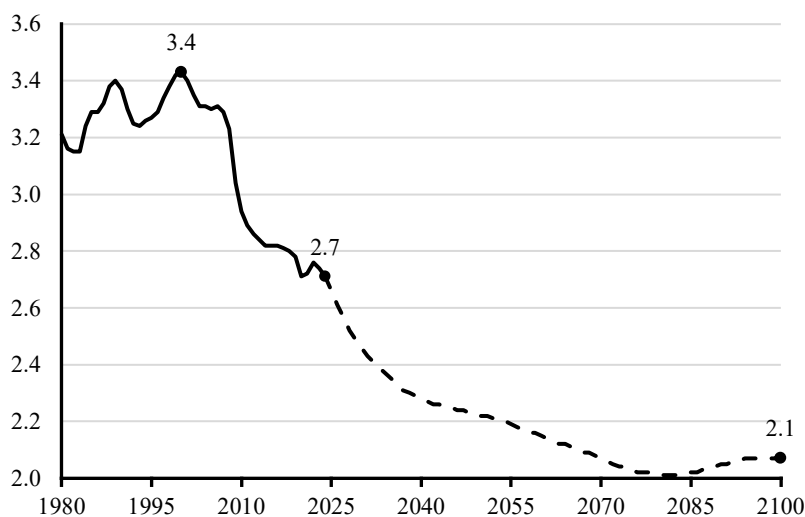
⁴⁷ U.S. Congress Joint Economic Committee, “Tax Increases Harm Growth,” chap. 3 in *The 2024 Joint Economic Report*, S. Rep. 118-183 (2024), <https://www.govinfo.gov/app/details/CRPT-118srpt183/CRPT-118srpt183>.

⁴⁸ These policies, which are outside the scope of this chapter, aim at reducing the regressivity of benefits. Some of these would also allow for automatic changes that stabilize the trust funds. Andrew G. Biggs finds that President Bush’s Social Security plan would have had increased scheduled payments for the bottom 60 percent and extended the trust fund’s life for another ten years. Andrew G. Biggs, *What If George W. Bush’s Social Security Reforms Had Passed?* AEI Economic Perspectives (2025), p. 12, <https://www.aei.org/research-products/report/what-if-george-w-bushs-social-security-reforms-had-passed/>. Antos et al. proposed means tested benefits and fixing benefits to a percentage of national average wages. Joseph Antos et al., “A Balanced Plan for Fiscal Stability and Economic Growth,” in *Solutions Initiative 2024: Charting a Brighter Future*, Peter G. Peterson Foundation, (2024), p. 60, <https://solutions2024.pgpf.org/plans/aei/>. Boccia and Nachkebia propose reforms to our current system using the examples of other countries to reform the program’s cost. Romina Boccia and Ivane Nachkebia, “Rethinking Social Security from a Global Perspective: What Congress Can Learn from the Experiences of Canada, Germany, New Zealand, and Sweden,” Cato Institute Policy Analysis no. 998 (June 23, 2025), <https://www.cato.org/policy-analysis/rethinking-social-security-global-perspective>;

Increasing the tax base as a solution

An alternative approach involves bolstering revenues by expanding the taxable base. Over the past decade, the under-65 population has stagnated, precipitating a steep decline in the worker-to-beneficiary ratio. Both of these demographic trends are expected to persist, further elevating the level of wealth transferred from younger cohorts to seniors and accelerating the national debt.

Figure 1-8: Covered Workers per Social Security Beneficiary



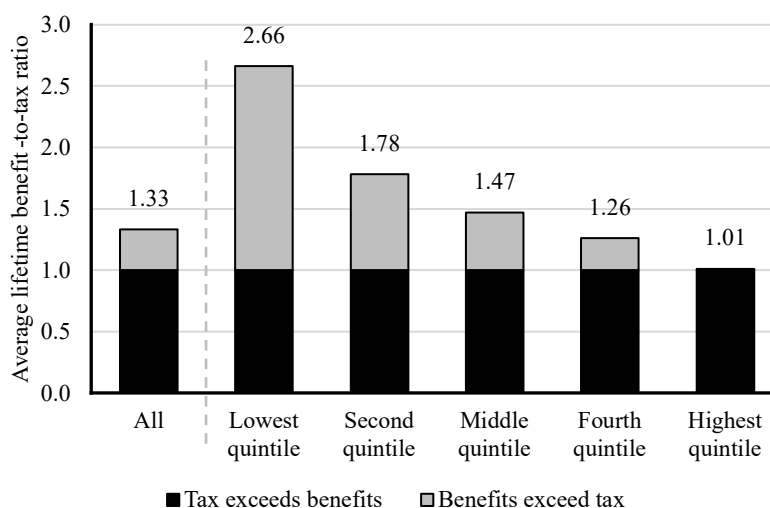
Sources: Board of Trustees⁴⁹

Charles Blahous, “A Guide to Designing Social Security Reforms,” Mercatus Center (October 1, 2025), <https://www.mercatus.org/research/policy-briefs/guide-designing-social-security-reforms>. Closing the gap would not only require removing the cap but also raising the payroll tax for all workers and employers. Jessica Riedl, “Don’t Bust the Cap: Problems with Eliminating the Social Security Tax Cap,” Manhattan Institute (April 11, 2024), <https://manhattan.institute/article/problems-with-eliminating-the-social-security-tax-cap>.

⁴⁹ Board of Trustees, Federal Old-Age and Survivors Insurance, *The 2025 Annual Report*, Table IV.B3, pp. 66–67.

Simultaneously, while retirement benefits scale with lifetime income, they do so at a much slower rate than the corresponding taxes paid throughout a worker's career. Consequently, the ratio of benefits received to taxes paid shrinks for those in the highest income brackets. As Figure 1-9 demonstrates, individuals born in the 1960s who reach the highest earnings quintile will, on average, receive roughly the same amount in benefits as they contributed in career taxes while, for the lowest quintile, it is almost three times.⁵⁰

Figure 1-9: Average Lifetime Social Security Benefit - to-Tax Ratio for 1960s Cohort



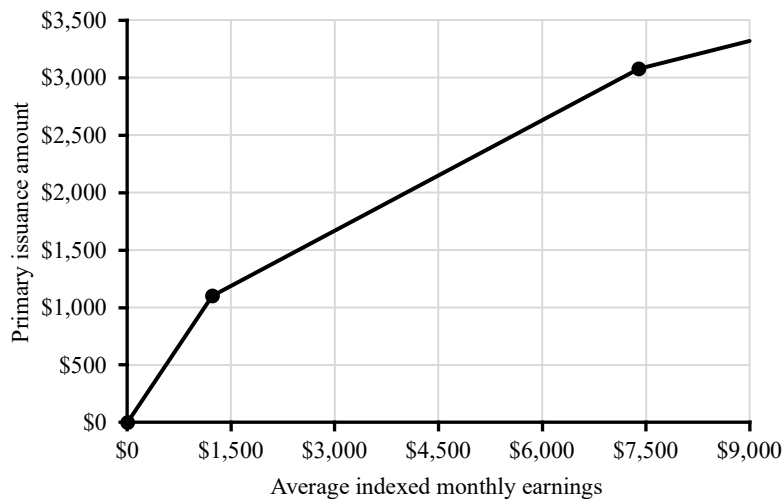
Source: Congressional Budget Office⁵¹

⁵⁰ The figure also shows that, on average, workers receive \$1.33 in benefits for every dollar paid to the Social Security program.

⁵¹ The ratio uses scheduled benefits, which are calculated based on the *Social Security Act*, regardless of trust fund balances. Congressional Budget Office, *CBO's 2025 Long-Term Projections for Social Security* (June 2025), Table 14, <https://www.cbo.gov/publication/61492>.

Because these ratios depend on the absolute value of income rather than relative rank, a clear policy lever emerges: if the program maintains the current primary insurance amount (PIA) formula and successfully increases the absolute proportion of high earners in the broader population, the average fiscal deficit per retiree will naturally decline, both because of a higher workers-to-beneficiary ratio and because of a higher proportion of high-income workers.

Figure 1-10: Primary Issuance Amount Formula for Those Newly Eligible in 2025



Source: Board of Trustees⁵²

Expanding the proportion of highly skilled workers in the economy, particularly in high-demand market sectors, can boost career incomes across the population. While reforming the domestic educational system is the ideal long-term solution, even the most successful initiatives would take decades to yield tangible

⁵² Board of Trustees, Federal Old-Age and Survivors Insurance, *The 2025 Annual Report*, Figure V.C1, p. 126.

fiscal results.⁵³ A more immediate approach involves reforming the immigration system to aggressively attract talent in high-paying fields experiencing labor shortages.⁵⁴ As detailed in Chapter 4, targeting skilled immigration to fill high-skill vacancies minimizes adverse effects on domestic wages while boosting aggregate productivity and reducing the fiscal deficit.⁵⁵ Crucially, in the context of this chapter, an influx of high-earners would alleviate the mounting pressure on American workers to surrender an ever-increasing share of their income to support seniors.⁵⁶

⁵³ Another consequence of the aging population is the negative effect on GDP growth. See Shinichi Nishiyama, “Fiscal Policy Effects in a Heterogeneous-Agent Overlapping-Generations Economy With an Aging Population,” CBO Working Paper 2013-07 (December 6, 2013), <https://www.cbo.gov/publication/44941>.

⁵⁴ Referring to labor demand in terms of skills instead of workers is a much better framework for analyzing the issue. A country could have an excess supply of certain skills but a labor market undersupply for jobs requiring those skills because wages are artificially depressed. Most of the discussions regarding immigration use the number of workers as the parameter of reference. An immigration policy focused on skills would allow for wages to rise matching the domestic demand if such skills are available.

⁵⁵ Not all of these high-skill positions correspond to high-income fields, but there is a certain relation. Logically, a high-paying position would be filled unless there is a scarcity of applicants with the necessary skills to do it. However, there may be some skilled occupations that cannot offer high incomes and, therefore, the excess demand would come either because of the lack of such skills in the area or the skilled workforce working in higher-paying fields.

⁵⁶ Additionally, companies resolving their skill shortages will generate more tax revenue by increasing sales and profits.

Box 1-1: Not All Social Security Cuts are Created Equal

The Social Security trust fund is projected to be fully depleted before the end of the next Presidential term.⁵⁷ This is not a sudden fiscal shock; since 1990, actuaries have consistently warned that depletion would occur between 2030 and 2045.⁵⁸ If the program’s structural budget gap remains unaddressed by the time the fund exhausts its reserves, retirees face an immediate, across-the-board benefit reduction of more than 25 percent.⁵⁹

However, if these cuts are evenly distributed, some households would be affected more than others.⁶⁰ CBO estimates that, for households in 2022, these cuts would represent on average more than 10 percent of their lifetime wealth.⁶¹ Conversely, the financial impact on the top percentiles would be virtually negligible. As noted earlier, a vast portion of this wealth is derived from passive streams, as the 65-and-older cohort currently holds the majority of national stocks and capital assets.⁶²

⁵⁷ Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*, Appendix B.

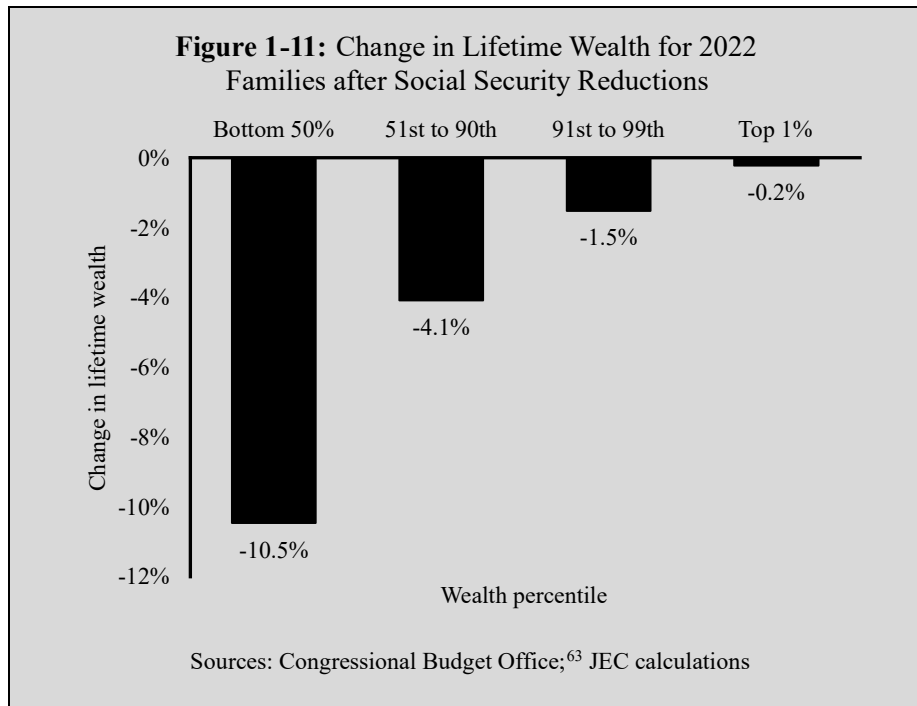
⁵⁸ Board of Trustees, Federal Old-Age and Survivors Insurance, *The 2025 Annual Report*, Table VI.B1, pp. 177–78; Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*, Appendix B.

⁵⁹ Congressional Budget Office, *CBO’s 2025 Long-Term Projections for Social Security*.

⁶⁰ Office of Congressman David Schweikert, “Schweikert: Congress Has a Moral Obligation to Prevent the Doubling of Senior Poverty,” September 14, 2023, <https://schweikert.house.gov/2023/09/14/schweikert-congress-has-a-moral-obligation-to-prevent-the-doubling-of-senior-poverty/>.

⁶¹ That is, if the present value of the expected future payments from Social Security were considered a wealth asset. Congressional Budget Office, *The Distribution of Household Income, 1989 to 2022* (October 2024), Appendix C, Figure C-3, <https://www.cbo.gov/publication/60343>.

⁶² Although the holdings are relatively concentrated.



⁶³ Congressional Budget Office, *The Distribution of Household Income, 1989 to 2022*, Appendix C, Figure C-3.

Box 1-2: Premiums, the Rising Costs of Healthcare, and Seniors' Disposable Income

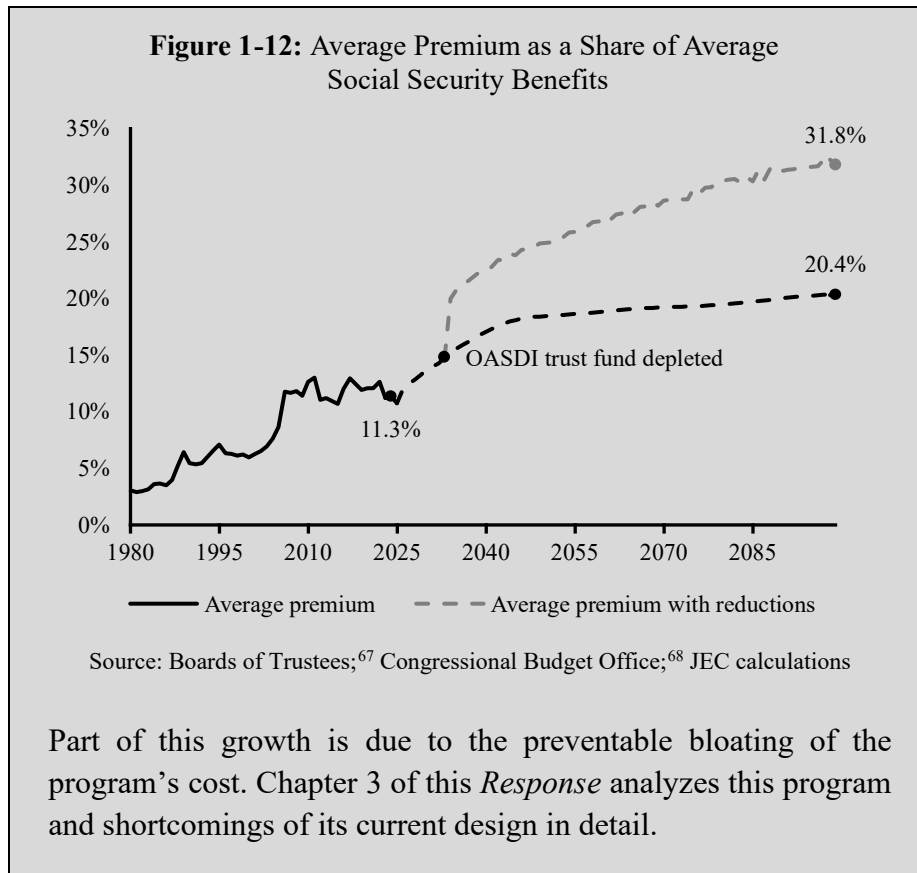
Medicare premiums constitute the largest offsetting receipt for the Federal government.⁶⁴ These premiums are income-adjusted. Medicare Parts B and D are structurally designed to cover approximately 25 percent of total program costs.⁶⁵ Although most seniors are subject to these premiums, from a generational accounting perspective, this mechanism acts as an intra-generational transfer. They redistribute wealth among seniors themselves, with higher-income beneficiaries subsidizing the system through larger fees.

However, the persistent rise in systemic healthcare costs continues to outpace projected Social Security benefit increases. Consequently, the average Medicare premium will consume an increasingly large share of a senior's monthly benefit check, growing from 11 percent in 2025 to over 20 percent by the end of the century. This dynamic worsens dramatically if the Social Security trust fund depletes in the next decade and payable benefits are constrained to incoming tax revenues.⁶⁶ Under that scenario, average Medicare premiums will consume an even larger fraction of the reduced retirement checks, rapidly converging to roughly one-third of a senior's total Social Security income.

⁶⁴ Office of Management and Budget, "Offsetting Collections and Offsetting Receipts," Table 09-1.

⁶⁵ Boards of Trustees, *The 2025 Annual Report of the Boards of Trustees*, p. 90.

⁶⁶ Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*.



⁶⁷ Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *The 2025 Annual Report of the Boards of Trustees*, Figure II.F2, p. 39.

⁶⁸ Congressional Budget Office, *CBO's 2025 Long-Term Projections for Social Security*, Table 6.