

FINAL BILL REPORT

SJM 8014

As Passed Legislature

Brief Description: Requesting that the privatization of social security be rejected.

Sponsors: Senators Thibaudeau, Jacobsen, Fairley, Brown, Prentice, McAuliffe, Regala, Rockefeller, Fraser, Rasmussen, Weinstein, Kline, Keiser and Kohl-Welles.

Senate Committee on Ways & Means

House Committee on Children & Family Services

Background: Social Security is a social insurance system established in 1935 to provide benefits to workers and their family members upon retirement, disability, or death. It is an earned benefit insurance program, which means that only those who work and pay taxes are eligible for Social Security benefits. According to the most recent data, Social Security provides monthly benefits to 47 million beneficiaries. In 2001, Social Security paid a total of \$471 billion to retired workers, disabled workers, and to the surviving family members of deceased workers.

Social Security offers mainly retirement benefits, but workers can receive four different types of benefits under Social Security: retirement, early retirement, disability, and survivorship benefits. Workers are entitled to retirement benefits if they have contributed to Social Security for at least 10 years, and if they have reached 65 years of age, or 67 years of age for those born after 1959. Early retirement benefits are available to workers, at a reduced benefit rate if they have contributed to Social Security for at least 10 years and have reached the earliest age at which benefits can be paid, which is currently 62 years of age. Workers are also insured in case they become disabled and can no longer work. The number of years that are required to receive disability benefits varies with the age of a worker. Social Security offers life-insurance type benefits to workers. If a worker dies, that worker's family receives benefits from Social Security. Survivorship benefits are paid if the deceased worker has, on average, worked at least one quarter for each year after the worker reached 21 years of age.

The social security program is funded by a payroll tax equal to 6.2 percent of wages. The employee tax is matched by the employer. Self-employed persons are subject to a tax equal to 12.4 percent of their income, which is both the employee and employer contribution. There is a ceiling on the amount of wages subject to the tax. The ceiling is adjusted annually for inflation. For 2005, the ceiling is \$90,000.

Because of the declining number of persons expected to be subject to the payroll tax in the future and the increasing number of persons who will be entitled to benefits under the program, funding of the social security program will be an issue at some point in the future. President Bush has proposed a modification of the social security program that would replace a portion of the current payroll tax with privately managed investment accounts.

Summary: Congress and the Administration are requested to reject the current effort to privatize Social Security and instead to engage in a dialogue with the American public to

arrive at a solution that preserves the original intent of making Social Security an insurance fail-safe for the aged and disabled and a complement to an individual's private investments.

Votes on Final Passage:

Senate	25	23
House	56	41