



Committee on Ways and Means Democrats

Representative Charles B. Rangel - Ranking Member

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THE BUSH BENEFIT CUTS: STATE-BY-STATE IMPACT

The Bush privatization plan would cut Social Security guaranteed benefits two ways. First, it imposes a **Middle Class Benefit Cut** which would apply to future beneficiaries whether they had an account or not. Second, it imposes a **Privatization Tax** on private account holders. This would be in addition to the first benefit cut.

Benefit Cut #1: Across-the-Board Benefit Cut for the Middle Class

The President has proposed to change the way the Social Security benefit formula is kept up to date with the economy. This change would reduce benefits for 7 in 10 future workers – or anyone making over \$20,000 in today's terms. This cut would apply to everyone, even people who chose not to have private accounts. Under the Bush plan, benefits would fail to keep up with workers' wage levels and living standards. Eventually, it would break the link between what workers paid into Social Security and what they earned in benefits. Most workers would receive the same, low benefit amount, regardless of the amount of FICA contributions they had made to the system. For middle-class workers, the cuts would eventually reach more than 40 percent.

Benefit Cut #2: Privatization Tax

The Bush plan also includes a "privatization tax" on the accounts. The privatization tax forces those who opt for private accounts to repay the Social Security Trust Fund for the diversion of funds to their private accounts.

The tax is paid by reducing the amount of the account-holder's Social Security benefits (thus saving the Trust Fund money). This represents a second, and very substantial, reduction in the guaranteed Social Security benefit.

The amount of the tax is calculated by adding up all the contributions to a worker's account, plus 3 percent interest on those contributions, plus inflation. This is what the Trust Funds would have earned if the money had been left in the traditional system, and thus is what the account-holder must pay back to the Trust Fund upon retirement, regardless of what the account actually earned in the market. The payback occurs in the form of monthly deductions from his or her Social Security benefit check.

State-by-State Impact

The attached table illustrates the impact of these two benefit cuts in today's terms, if the Bush privatization plan had been in place over a worker's full career.

If the Republican Plan to Cut Social Security Benefits Were in Effect Today...

	<i>Beneficiaries Subject to Bush Benefit Cut</i>	Annual Benefit Cut		
		<i>Middle Class Benefit Cut</i>	<i>Privatization Tax</i>	<i>TOTAL</i>
Alabama	619,087	\$2,065	\$4,425	\$6,490
Alaska	44,408	\$2,046	\$4,384	\$6,429
Arizona	621,922	\$2,194	\$4,701	\$6,895
Arkansas	382,256	\$2,010	\$4,308	\$6,319
California	3,088,379	\$2,179	\$4,670	\$6,850
Colorado	400,029	\$2,139	\$4,584	\$6,724
Connecticut	408,863	\$2,388	\$5,117	\$7,505
Delaware	104,202	\$2,283	\$4,891	\$7,174
D.C.	50,169	\$1,913	\$4,100	\$6,013
Florida	2,367,379	\$2,172	\$4,654	\$6,826
Georgia	834,435	\$2,107	\$4,514	\$6,621
Hawaii	139,468	\$2,149	\$4,605	\$6,754
Idaho	153,475	\$2,109	\$4,519	\$6,629
Illinois	1,318,625	\$2,280	\$4,887	\$7,167
Indiana	726,691	\$2,278	\$4,880	\$7,158
Iowa	382,193	\$2,188	\$4,689	\$6,877
Kansas	312,998	\$2,228	\$4,775	\$7,004
Kentucky	549,437	\$2,048	\$4,389	\$6,438
Louisiana	517,426	\$2,023	\$4,335	\$6,358
Maine	185,829	\$2,016	\$4,319	\$6,335
Maryland	532,812	\$2,228	\$4,775	\$7,003
Massachusetts	746,634	\$2,204	\$4,723	\$6,927
Michigan	1,201,403	\$2,333	\$4,999	\$7,332
Minnesota	542,535	\$2,189	\$4,691	\$6,881
Mississippi	381,997	\$1,960	\$4,199	\$6,158
Missouri	732,277	\$2,145	\$4,597	\$6,742
Montana	116,137	\$2,092	\$4,483	\$6,576
Nebraska	203,406	\$2,141	\$4,589	\$6,730
Nevada	238,476	\$2,215	\$4,747	\$6,963

	<i>Beneficiaries Subject to Bush Benefit Cut</i>	Annual Benefit Cut		
		<i>Middle Class Benefit Cut</i>	<i>Privatization Tax</i>	<i>TOTAL</i>
New Hampshire	153,356	\$2,231	\$4,780	\$7,010
New Jersey	959,308	\$2,418	\$5,181	\$7,598
New Mexico	212,527	\$1,986	\$4,255	\$6,241
New York	2,131,703	\$2,300	\$4,929	\$7,229
North Carolina	1,027,180	\$2,115	\$4,532	\$6,647
North Dakota	80,304	\$2,059	\$4,413	\$6,472
Ohio	1,365,518	\$2,219	\$4,754	\$6,973
Oklahoma	436,212	\$2,101	\$4,502	\$6,603
Oregon	428,043	\$2,211	\$4,737	\$6,948
Pennsylvania	1,683,556	\$2,261	\$4,845	\$7,106
Rhode Island	134,197	\$2,198	\$4,711	\$6,909
South Carolina	525,679	\$2,108	\$4,517	\$6,625
South Dakota	97,839	\$2,013	\$4,314	\$6,328
Tennessee	748,720	\$2,097	\$4,493	\$6,590
Texas	2,005,409	\$2,101	\$4,502	\$6,604
Utah	183,631	\$2,169	\$4,649	\$6,818
Vermont	77,126	\$2,129	\$4,562	\$6,691
Virginia	779,947	\$2,145	\$4,596	\$6,742
Washington	639,128	\$2,262	\$4,846	\$7,108
West Virginia	285,222	\$2,159	\$4,626	\$6,785
Wisconsin	656,243	\$2,240	\$4,800	\$7,040
Wyoming	57,757	\$2,179	\$4,669	\$6,847

Source: Calculations based on data from the Social Security Administration and analysis by the Center on Budget and Policy Priorities.

