

“Making Work Pay” Tax Credit vs. Proposed 2% Payroll Tax Cut

Income Level ¹ or Occupation of Worker	2010 "Making Work Pay" Tax Credit for Individuals ² (\$60 billion cost)	"Making Work Pay" Tax Credit for Individuals, Doubled in Size (\$120 billion cost)	2011 Proposed 2% Payroll Tax Cut (\$120 billion cost)
President Obama, Members of Congress	\$0	\$0	\$2,136
CEOs of Wall Street banks and Fortune 500 Companies	\$0	\$0	\$2,136
"Very Low" Earner (earnings of \$10,771)	\$400	\$800	\$215
Minimum Wage Earner (earnings of \$15,080)	\$400	\$800	\$302
"Low" Earner ³ (earnings of \$19,388)	\$400	\$800	\$388
"Medium" Earner (earnings of \$43,084)	\$400	\$800	\$862
"High" Earner (earnings of \$69,834)	\$400	\$800	\$1,397
"Maximum" Earner (earnings of \$106,800 or more)	\$0	\$0	\$2,136
Millions of State & Local Workers, and Thousands of Federal Workers ⁴	\$400	\$800	\$0

¹ The “very low,” “low,” “medium,” “high,” and “maximum” designations and wage levels are those used by the Social Security Administration. See, e.g., Table B1, Dec. 1, 2010 memorandum from Chief Actuary to Fiscal Commission, available at <http://ssa.gov/oact/solvency/index.html>

² Married couples filing jointly are entitled to \$800, rather than \$400 under “Making Work Pay.” Married couples would not get a bigger payroll tax cut unless both spouses are working. Dependent children do not get the “Making Work Pay” Tax Credit but would get the payroll tax cut if they work over the summer, for example. The Making Work Pay tax cut starts phasing out for individuals with adjusted gross income (AGI) of \$75,000 or more and for married couples filing jointly, with AGI of \$150,000 or more. It phases out completely for individuals with AGI of \$95,000 or more and married couples with AGI of \$190,000 or more.

³ The Social Security Administration found that 39.7% of female workers (26% of all workers) retiring in 2007 had average indexed earnings of \$17,303 or less. See Table A, page 3, Actuarial Note 2008.7 (April, 2009), at <http://www.ssa.gov/OACT/NOTES/ran7/index.html>. \$17,363 is equal to \$19,388 in 2010 indexed dollars. See footnote 1.

⁴ More than 6 million federal, state and local government employees (about 600,000 federal workers, hired before January 1, 1984, and about 5.7 million state and local workers) are not covered by Social Security and thus would not receive a tax cut under the Social Security tax “holiday.”