

**Ten Year Revenue Projections:  
Revenue Raisers to Finance Reductions in Payroll Taxes**

**Robert Shapiro**

Cutting payroll taxes is a very difficult proposition, because the numbers are so large. Since OASDI taxes raise over \$900 billion per-year – that’s old age, survivor and disability coverage, excluding Medicare – no single alternative source of revenues could finance a large payroll tax cut. But a combination of new taxes could do so. To explore this, I researched the 10-year revenue costs of five payroll tax cuts, r from eliminating the OASDI tax for employees to reducing both employee and employer payroll taxes by several percentage points. Here are cost estimates for five versions over 10 years.

**Table 1: Costs of Five Options for Cutting Payroll Taxes, 2019-2028 (\$ billions)**

Tax	2019	2020	2021	2022	2023
<b>OASDI Revenues</b>	\$942.1	\$988.0	\$1,036.4	\$1,088.8	\$1,141.8
<b>Employee Side, OASDI Revenues</b>	\$471.1	\$494.0	\$518.2	\$544.4	\$570.9
<b>Cut Employee Rate by Half to 3.1%</b>	\$235.6	\$247.0	\$259.1	\$272.2	\$285.5
<b>Cut Both Sides by 2 pts to 4.2%</b>	\$303.9	\$318.7	\$334.3	\$351.2	\$368.3
<b>Cut Both Sides by 2.2 pts to 4.0%</b>	\$334.3	\$350.5	\$367.7	\$386.3	\$405.1
<b>Cut Employee Rate by 4.2 pts to 2.0%</b>	\$319.1	\$334.6	\$351.0	\$368.8	\$386.7
<b>Cut Employee Rate to 0.0%</b>	\$471.1	\$494.0	\$518.2	\$544.4	\$570.9

Tax	2024	2025	2026	2027	2028
<b>OASDI Revenues</b>	\$1,198.0	\$1,253.9	\$1,312.7	\$1,372.8	\$1,434.6
<b>Employee Side, OASDI Revenues</b>	\$599.0	\$627.0	\$656.4	\$686.4	\$717.3
<b>Cut Employee-Side Payroll Tax to 3.1%</b>	\$299.5	\$313.5	\$328.2	\$343.2	\$358.7
<b>Cut Both Sides by 2 pts to 4.2%</b>	\$382.5	\$404.5	\$423.5	\$442.9	\$462.8
<b>Cut Both Sides by 2.2 pts to 4.0%</b>	\$425.1	\$444.9	\$465.7	\$487.1	\$509.0
<b>Cut Employee Rate to 2.0%</b>	\$405.8	\$424.7	\$444.7	\$465.0	\$485.9
<b>Cut Employee Rate to 0.0%</b>	\$599.0	\$627.0	\$656.4	\$686.4	\$717.3

Next, I estimated the revenues that five new taxes could raise over 10 years. To stress the interests of average people, I focus first on four ways to raise additional revenues from high-income people: 1) tax their capital income at labor income rates; 2) apply a 0.5% wealth tax to the financial assets of the top 1%; 3) apply a 0.1% tax to financial transactions; and 4) raise the corporate tax rate to 30%. I also provide revenue estimates for a \$25 per-ton tax on greenhouse gas emissions. The wealth tax set at 0.5% of the value of financial assets is one-fourth the rate of Elizabeth Warren’s 2.0% wealth tax, which she applies to all assets. Warren’s approach would lead wealthy people to move assets offshore and shift transactions to foreign markets. Similarly, the financial transaction tax is set at 0.1% to minimize investors shifting from U.S. to foreign financial markets. Finally, the tax on greenhouse gas emissions assumes that the \$25 per-ton rate rises 2 percent per-year after inflation, a common feature of carbon taxes. Here are the 10-year revenue estimates:

**Table 2: Estimated Revenues from Five New Taxes, 2019-2018 (\$ billions)**

Tax	2019	2020	2021	2022	2023
<b>Tax Capital Income at Labor Rates</b>	\$97.8	\$142.4	\$146.3	\$150.4	\$154.6
<b>0.5% Tax on Top 1%'s Financial Assets</b>	\$182.5	\$192.6	\$203.2	\$214.3	\$226.1
<b>0.1% Financial Transaction Tax</b>	<b>(-\$43.9)</b>	\$22.0	\$70.2	\$93.2	\$100.7
<b>Raise Corporate Rate to 30%</b>	\$41.4	\$61.2	\$70.2	\$75.6	\$85.5
<b>\$25/ton Tax on Greenhouse Gas Emissions</b>	\$66.0	\$103.4	\$105.9	\$108.2	\$111.2
<b>Total</b>	<b>\$343.8</b>	<b>\$521.6</b>	<b>\$595.8</b>	<b>\$641.7</b>	<b>\$678.1</b>

Tax	2024	2025	2026	2027	2028
<b>Tax Capital Income at Labor Rates</b>	\$158.9	\$163.3	\$167.9	\$172.6	\$177.3
<b>0.5% Tax on Top 1%'s Financial Assets</b>	\$238.6	\$251.7	\$265.5	\$280.1	\$295.5
<b>0.1% Financial Transaction Tax</b>	\$103.7	\$106.2	\$106.3	\$107.9	\$110.4
<b>Raise Corporate Rate to 30%</b>	\$93.6	\$100.8	\$107.1	\$114.3	117.0
<b>\$25/ton Tax on Greenhouse Gas Emissions</b>	\$115.1	\$118.9	\$119.5	\$123.2	\$127.1
<b>Total</b>	<b>\$709.9</b>	<b>\$740.9</b>	<b>\$766.3</b>	<b>\$798.1</b>	<b>\$827.3</b>

The combination of the five revenue raisers could easily cover any of the proposed cuts in payroll taxes, including eliminating the OASDI tax on employees, with substantial revenues left over. (Table 3, below) The combination of the four revenue raisers on high income people could easily cover the cost of any of the first four proposed payroll tax cuts and nearly cover eliminating the OASDI tax on employees. Similarly, the combination of the 0.5% wealth tax on the financial assets of the top 1% and the 0.1% tax on financial transactions could cover the cost of cutting the payroll tax on employees by half. Further, the combination of taxing capital income at labor rates, the 0.5% tax on financial assets and raising the corporate tax rate to 30% could cover cutting the OASDI tax on employees to from 6.2% to 2.0% or cutting the payroll tax on both employees and employers to from 6.2% to 4.2%, with sufficient revenues left over to cover an additional \$75 billion per-year for infrastructure or Bernie Sanders' plan for free tuition at public colleges and universities.

**Table 3: Policy Alternatives Based on Projected Costs and Revenues (\$ billions)**

Tax	Cost, 2019-2028	Excess Revenues	Average Annual Excess Revenues
<b>Tax Capital Income at Labor Rates</b>	\$1,531.4		
<b>0.5% Tax on Top 1%'s Financial Assets</b>	\$2,350.1		
<b>0.1% Financial Transaction Tax</b>	\$776.7		
<b>Raise Corporate Rate to 30%</b>	\$886.7		
<b>Tax on Greenhouse Gas Emissions</b>	\$1,098.5		
<b>Total</b>	<b>\$6,623.5</b>		
<b>Cut Employee Rate by Half to 3.1%</b>	\$2,942.4	\$3,681.1	\$368.1
<b>Cut Both Sides by 2 pts to 4.2%</b>	\$3,796.7	\$2,826.8	\$282.7
<b>Cut Both Sides by 2.2 pts to 4.0%</b>	\$4,175.7	\$2,447.8	\$244.8
<b>Cut Employee Rate to 2.0%</b>	\$3,986.3	\$2,637.2	\$263.7
<b>Cut Employee Rate to 0.0%</b>	\$5,884.7	\$738.8	\$73.9

### **Sources:**

**OASDI Revenues, Total and Employee Side:** 2019 OASDI Trustees Report.

<https://www.ssa.gov/OACT/TR/2019/>

**Proposals to Cut Payroll Taxes:** Derived from data in 2019 OASDI Trustees Report.

<https://www.ssa.gov/OACT/TR/2019/>

**Taxing Capital Income at Labor Rates:** Wamhoff, Steve (2019). *Institute on Taxation and Economic Policy*. <https://itep.org/congress-should-reduce-not-expand-tax-breaks-for-capital-gains/>; and Hodge, Scott, Kyle Pomerleau, et. al (2017). *Tax Foundation*.

[https://files.taxfoundation.org/20170130145208/TF\\_Options\\_for\\_Reforming\\_Americas\\_Tax\\_Code.pdf](https://files.taxfoundation.org/20170130145208/TF_Options_for_Reforming_Americas_Tax_Code.pdf).

**0.5% Wealth Tax on Financial Assets of Top 1%:** Emmanuel Saez and Gabriel Zucman to Senator Elizabeth Warren (January 29, 2019). <http://gabriel-zucman.eu/files/saez-zucman-wealthtax-warren.pdf>; Federal Reserve Bank of St. Louis (2019). “Total Households.” <https://fred.stlouisfed.org/series/TTLHH>; Wolff, Edward (2017). “Household Wealth Trends in the United States, 1962 to 2016: Has Middle Class Wealth Recovered?” National Bureau of Economic Research, Working Paper 24085.

<https://www.nber.org/papers/w24085.pdf>; and Federal Reserve Bank of St. Louis (2019). “S&P 500.”

<https://fred.stlouisfed.org/series/SP500>

**0.1% Financial Transaction Tax:** Congressional Budget Office (2018). “Options for Reducing the Deficit: 2019 to 2028.” <https://www.cbo.gov/system/files/2018-12/54667-budgetoptions.pdf>;

**Raising Corporate Rate to 30 percent:** Congressional Budget Office (2018). “Options for Reducing the Deficit: 2019 to 2028.” <https://www.cbo.gov/system/files/2018-12/54667-budgetoptions.pdf>; Joint Committee on Taxation (2017). “Distributional Effects of the Conference Agreement for H.R.1, The ‘Tax Cuts And Jobs Act.’” <https://www.jct.gov/publications.html?func=startdown&id=5054>

**\$25 per-ton Tax on Greenhouse Gas Emissions:** Congressional Budget Office (2018). “Options for Reducing the Deficit: 2019 to 2028.” <https://www.cbo.gov/system/files/2018-12/54667-budgetoptions.pdf>;

**Cost of Free Tuition at Public Colleges and Universities:**

<https://www.sanders.senate.gov/download/collegeforallsummary/?inline=file>