

Medicare and Social Security Fair Share Act

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Medicare and Social Security are twin pillars of economic fairness and retirement security, providing lifelines to seniors, their dependents, the disabled, and the infirm. In 2021, Social Security alone lifted 26.3 million Americans out of poverty, and nearly 40 percent of seniors rely on the program for the majority of their incomes – benefits they have earned that let them retire with dignity. Medicare protects its over 60 million beneficiaries, one in five of whom have less than \$15,000 in savings, from potentially catastrophic health care costs.

Despite the bedrock importance of these programs, they are both at risk of being unable to fully pay out benefits within the next 15 years. Without new revenue, the Hospital Insurance trust fund and the Old Age and Survivors Insurance trust fund are expected to become insolvent in 2028 and 2033, respectively.

This bill would ensure the long-term solvency of the Medicare and Social Security trust funds by reversing inequities in the tax system so that high earners contribute a fairer share.

The Medicare and Social Security Fair Share Act will:

Preserve Medicare and Social Security while safeguarding benefits.

This legislation would significantly extend Social Security solvency and would extend Medicare solvency by an estimated 20 years.¹

Require taxpayers with over \$400,000 in income contribute a fairer share to Social Security.

Most taxpayers pay Social Security taxes on all their income. But because of the Social Security tax cap of \$160,200 in wages, wealthy taxpayers don't have to pay tax on wages above that cap or on any of their investment income. Those making \$1 million annually earned enough by February 28th to not have to pay any Social Security taxes for the rest of the year. By applying the Social Security tax to wage, self-employment, and investment income above \$400,000, the bill would ensure that no matter the source of their income, high-income taxpayers would pay the same tax rate on their incomes exceeding that threshold.

Require taxpayers with incomes above \$400,000 to contribute more to Medicare.

Taxpayers with more than \$250,000 in earned and investment income currently have to pay an additional 3.8% tax on income above that amount. This legislation would increase that rate for income above \$400,000 by 1.2%.

Close a loophole in the law that favors high-earners.

Right now, the owners of pass-through businesses like hedge funds, private equity firms, and certain oil and gas companies can avoid Medicare taxes and the Net Investment Income Tax by disguising earned income as distributed business profits. The bill would ensure that such taxpayers making more than \$400,000 would contribute to Medicare and Social Security on their pass-through business income.

¹ Estimate derived from Penn Wharton [analysis](#).