HOUSE RESOLUTION

URGING THE CONGRESS OF THE UNITED STATES TO PROTECT SOCIAL SECURITY BENEFICIARIES BY RAISING THE CAP ON WAGES THAT ARE SUBJECT TO TAXATION UNDER THE FEDERAL INSURANCE CONTRIBUTIONS ACT AND OPPOSING THE ADOPTION OF THE CHAINED CONSUMER PRICE INDEX TO CALCULATE THE COST OF LIVING ADJUSTMENT ON BENEFITS.

WHEREAS, nearly every American participates in the Social Security system, first as a worker and then as a beneficiary later in life; and

WHEREAS, millions of children live in families that receive Social Security benefits and some children receive their own benefits as dependents of disabled or deceased workers; and

WHEREAS, Social Security benefits are particularly important for individuals who have had low earnings throughout their working lifecycle or less opportunities for income growth and savings; and

WHEREAS, the Social Security Administration estimates that 97 percent of people between sixty and eighty-nine years old either receive, or will receive, Social Security benefits; and

WHEREAS, Social Security has run a surplus every year since 1984 because Social Security has collected more in revenue than it pays out in benefits; and

WHEREAS, the costs incurred to provide Social Security benefits will grow in the coming years as more people retire; and

WHEREAS, Social Security will face a significant long-term funding shortfall in 2034, after which time Social Security trust funds are expected to run out of Treasury bonds to cash in to pay for full benefits and the program benefits would then be
reduced to approximately 77 percent of the scheduled benefits; and

WHEREAS, addressing the Social Security shortfall will require action by lawmakers that requires a choice between increasing payroll taxes, reducing benefits, or some combination of the two options; and

WHEREAS, because Social Security revenue comes primarily from payroll taxes levied under the Federal Insurance Contribution Act, or FICA, one option to address the shortfall without decreasing benefits is by raising or eliminating the cap on taxable wages, which was $127,200 in 2017; and

WHEREAS, raising or eliminating the payroll tax cap would only affect the highest earning workers because the cap excludes all income above the cap from FICA taxes; and

WHEREAS, raising the payroll tax cap is not an extraordinary step as policymakers have raised the Social Security payroll tax cap many times in the past; and

WHEREAS, the Social Security program is structured so that benefits will keep pace with inflation through an automatic cost of living adjustment to ensure that beneficiaries do not fall into poverty as they age; and

WHEREAS, the Social Security Administration uses the Consumer Price Index for Urban Wage Earners and Clerical Workers, or traditional CPI, which is a statistical measurement in the change in price of a set of goods and services purchased by households, to annually adjust benefits paid to Social Security beneficiaries; and

WHEREAS, some policymakers propose to use another measurement of inflation, the chained Consumer Price Index, or chained CPI, which also measures the change in price of a set of goods and services but adjusts for substitution bias, or the tendency for consumers to change their purchasing behavior as prices change; and
WHEREAS, the chained CPI will show a slower pace of price increases because the substitution bias exerts a downward pressure on the measure of inflation; and

WHEREAS, the annual adjustments in Social Security benefits using the chained CPI will result in slower growth of benefits compared to the annual adjustment using the traditional CPI; and

WHEREAS, the ability to purchase the goods and services over time using Social Security benefits will grow at a slower rate, or will be eroded, when the cost of living adjustment is based on the chained CPI rather than the traditional CPI; and

WHEREAS, ensuring Social Security's solvency should not come at the expense of providing inflation-protected benefits for Social Security beneficiaries; now, therefore,

BE IT RESOLVED by the House of Representatives of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2018, that the Congress of the United States is urged to protect Social Security beneficiaries and shore up the Social Security program by raising the current payroll tax cap on wages that are subject to taxation under FICA; and

BE IT FURTHER RESOLVED that the Congress of the United States is urged to prevent the erosion of Social Security benefits as a result of inflation by opposing the use of the chained CPI to calculate the annual cost of living adjustment for Social Security benefits; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Majority Leader of the United States Senate; the Speaker of the United States House of Representatives; and the members of Hawaii's Congressional Delegation.