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Payroll Taxes: An Overview of Taxes Imposed and Past Payroll Tax Relief

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SUMMARY

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Payroll Taxes: An Overview of Taxes Imposed and Past Payroll Tax Relief

A *payroll tax* is generally a tax levied on the wages or earnings of workers. Federal payroll taxes are the second-largest federal revenue source, after individual income taxes, raising $1.3 trillion (32% of federal revenue) in FY2021. The two largest payroll taxes fund parts of Social Security retirement, survivors, and disability insurance, as well as Medicare Part A (hospital insurance). Several smaller payroll taxes partially fund other programs, such as unemployment insurance and retirement programs for special populations.

For most employees, the employee payroll tax of 6.2% for Social Security and 1.45% for Medicare (a combined 7.65%) applies to the first dollar of wages. Employers pay an additional 7.65% on wages paid for the same programs. The Social Security payroll tax applies to the first $147,000 in wages paid to an individual in 2022, and is generally adjusted annually for growth in average wages. People who are self-employed pay a combined rate of 15.3% of self-employment income in self-employment payroll taxes. For higher-income individuals, an Additional Medicare Tax of 0.9% applies to wages and net self-employment earnings above fixed thresholds that vary based on filing status. In addition, employers pay federal unemployment taxes on the first $7,000 in wages paid to employees working in jobs covered by Unemployment Compensation.

Most taxpayers pay more payroll taxes than individual income tax. Estimates suggest that for 2021, 42.9% of taxpayers had a positive federal *income* tax liability, while 75.2% had a positive payroll tax liability. Fewer taxpayers have a positive income tax liability than is typical, due to Coronavirus Disease 2019 (COVID-19) pandemic-related income tax relief. Even so, it is often the case that lower- and moderate-income households pay more in payroll taxes than in income taxes.

For most taxpayers, payroll tax burdens are proportional to earnings. Toward the top of the income distribution, payroll taxes are regressive, meaning that as taxpayers' incomes increase, the share of income paid in payroll taxes decreases. However, the programs that payroll taxes fund are generally considered to be progressive—that is, their benefit formulas are designed to replace a larger share of earnings for lower-wage workers.

Recent Congresses provided relief to individuals and businesses using the payroll tax system. During the 111th and 112th Congresses, certain payroll taxes were temporarily suspended in response to the Great Recession for employers who hired certain new employees, mostly people who were previously unemployed. Additionally, an employee payroll tax holiday temporarily reduced the tax rates for the employee portion of Social Security taxes.

In response to the COVID-19 pandemic, the 116th and 117th Congresses used payroll tax credits and deferrals to provide relief. Paid leave payroll tax credits provided relief to smaller employers required to provide paid sick and family leave to address the effects of COVID-19. The Employee Retention Credit provided a refundable and advanceable payroll tax credit for employers who kept employees on their payrolls during COVID-19. Payroll tax deferrals were also available, one for employers and another for employees.

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The first federal payroll taxes for Social Security and Unemployment Compensation (UC) were created by the Social Security Act of 1935. Since then, with the addition of new payroll taxes, the increase in the number of workers subject to such taxes, and increases in tax rates, payroll taxes have grown to become the federal government's second-largest revenue source.

This report provides an overview of the federal payroll tax system, including details about each of the major payroll taxes. Recent Congresses have used the payroll tax system to provide relief in response to economic downturns. Temporary changes to payroll tax policy were used in response to the Great Recession (2007-2009) and the Coronavirus Disease 2019 (COVID-19) pandemic. The report provides an overview of these temporary forms of payroll tax relief.

Payroll Taxes

What Are Payroll Taxes?

A *payroll tax* is generally a tax levied on the wages or earnings of workers. In the United States, payroll taxes are a set of taxes levied to fund social insurance programs. Programs funded by payroll taxes include Social Security retirement and survivor's benefits, disability insurance, Medicare Part A (hospital benefit), and unemployment insurance.[1]

There are several key differences between payroll taxes and the individual income tax. Generally, payroll taxes are simpler than the individual income tax. Payroll taxes apply one tax rate and only to wages, with no deductions and limited credits, and do not differ by the worker's marital status or family structure. (The additional Medicare tax differs slightly from this pattern, as detailed below.) In contrast, the individual income tax has a graduated rate structure, taxes different forms of income (capital gains, interest, and rents, for example, in addition to wages), allows for various credits and deductions, and differs by marital status and family structure.

How Much Revenue Is Raised From Payroll Taxes?

The federal government received $1.3 trillion in payroll tax revenue in FY2021.[2] The amount of revenue received from payroll taxes has generally increased over time since the first payroll taxes were introduced in the 1930s (**Figure 1**). This is due to new payroll taxes being introduced (such as the Medicare tax in 1966), the U.S. labor force expanding over the period (leading to more taxable wages), and increases in payroll tax rates (see **Figure 6**, below).

An exception to the trend of increasing payroll tax collections occurred from FY2009 through FY2011. The decline in payroll tax receipts during this time period had two major causes. First, the historically high unemployment during and following the economic recession of 2007-2009 (popularly known as the Great Recession) reduced the amount of wages subject to payroll taxes as workers were out of work, reducing collections. Second, the federal government used payroll

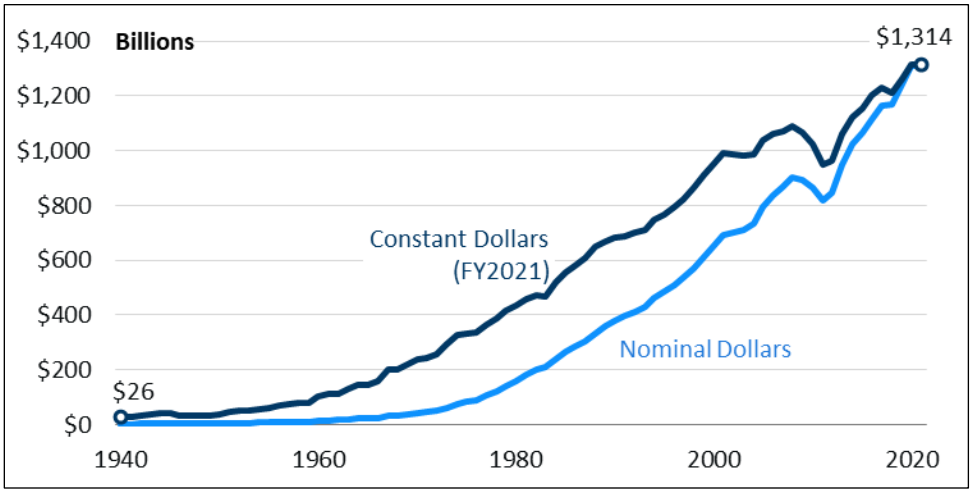
[1] Payroll taxes have also been considered as an option for funding proposed new entitlement programs, such as a program for paid family and medical leave. For background, see CRS Report R46390, *Paid Family and Medical Leave: Current Policy and Legislative Proposals in the 116th Congress*, by Molly F. Sherlock, Barry F. Huston, and Sarah A. Donovan.

[2] This figure is the total amount collected and reported by the Office of Management and Budget (OMB) for social insurance and retirement receipts. For simplicity, this report refers to this category of revenues as payroll tax receipts, although the category does include some sources of revenue that are not strictly federal payroll taxes.

tax cuts to stimulate the economy (see "Great Recession Payroll Tax Relief"), resulting in lower payroll tax collections.

Figure 1. Federal Payroll Tax Collections, FY1940 to FY2021

Billions of nominal or constant (FY2021) dollars

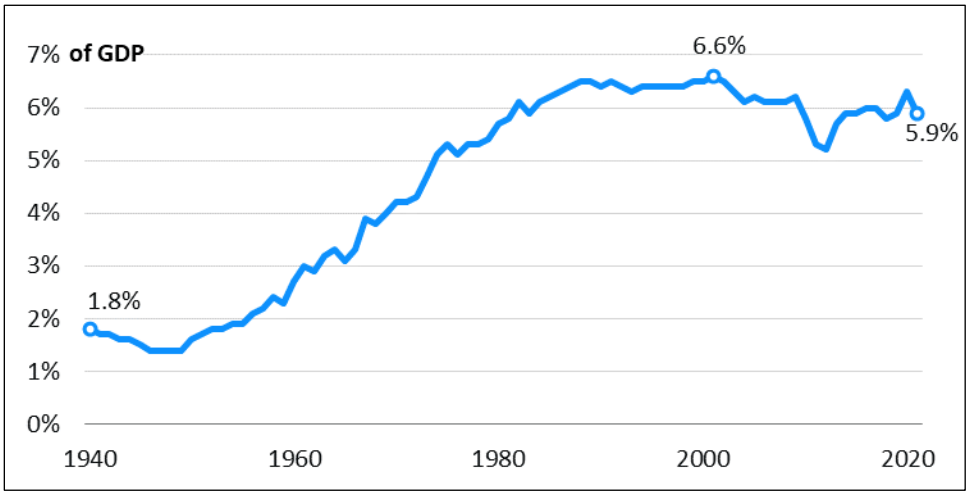


Source: Figure created by CRS using data from Office of Management and Budget, Historical Tables 2.1 and 10.1, available at https://www.whitehouse.gov/omb/historical-tables/. Total social insurance and retirement receipts include Social Security and Medicare payroll taxes, Railroad retirement and Railroad Social Security equivalents, unemployment insurance receipts, and other retirement receipts, as detailed in Table 2.4.

Notes: Data labels shown for FY1940 and FY2021 in FY2021 dollars.

While payroll tax revenues have increased over the longer term, payroll tax revenues relative to the size of the economy (as a share of U.S. Gross Domestic Product [GDP]) stopped trending upward around 1980 (**Figure 2**). Since 1980, payroll taxes have been between 5.7% and 6.6% of GDP, with the exception of FY2011 and FY2012, when payroll tax receipts were 5.3% of GDP (again, this is primarily due to payroll tax relief policies; see "Great Recession Payroll Tax Relief").

Figure 2. Federal Payroll Tax Receipts as a Share of Gross Domestic Product (GDP), FY1940 to FY2021

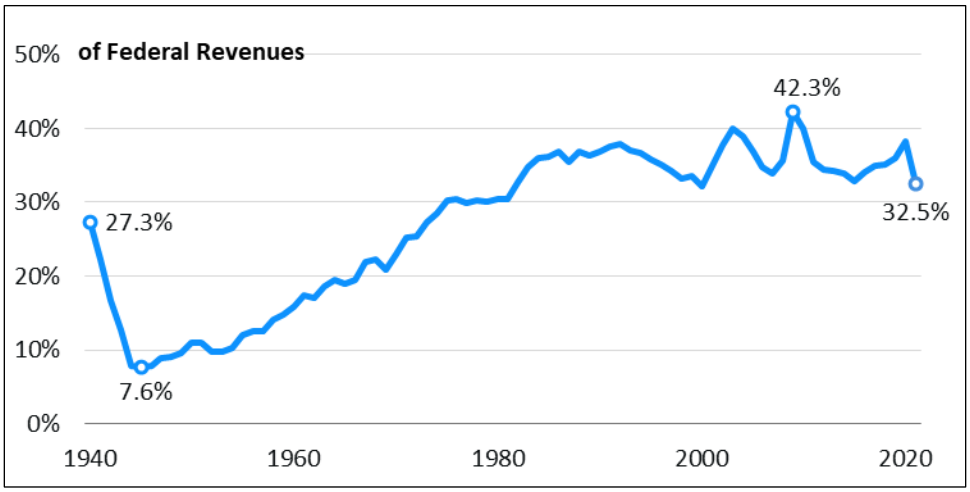


Source: Figure created by CRS using data from Office of Management and Budget, Historical Table 2.3, available at https://www.whitehouse.gov/omb/historical-tables/.

Notes: Data labels are shown for FY1940, FY2001, and FY2021.

In FY2021, payroll taxes accounted for 32.5% of federal revenue (**Figure 3**). Payroll taxes in FY2021 were the second-largest source of federal revenues (after the individual income tax). In FY1945, following the World War II-era expansion of the individual income tax, payroll taxes were 7.6% of federal revenues. The fluctuations in payroll taxes as a share of federal revenues since the 2000s are driven more by changes in income tax revenues than changes in payroll tax revenues. In the early 2000s and again during the Great Recession, income tax revenues declined substantially, while payroll tax receipts were either stable or fell by a smaller amount. As a result, the share of tax revenue coming from payroll taxes increased.

Figure 3. Federal Payroll Taxes as a Share of Federal Revenues, FY1940 to FY2021



Source: Figure created by CRS using data from Office of Management and Budget, Historical Table 2.2, available at https://www.whitehouse.gov/omb/historical-tables/.

Notes: Data labels are shown for FY1940, FY1945, FY2009, and FY2021.

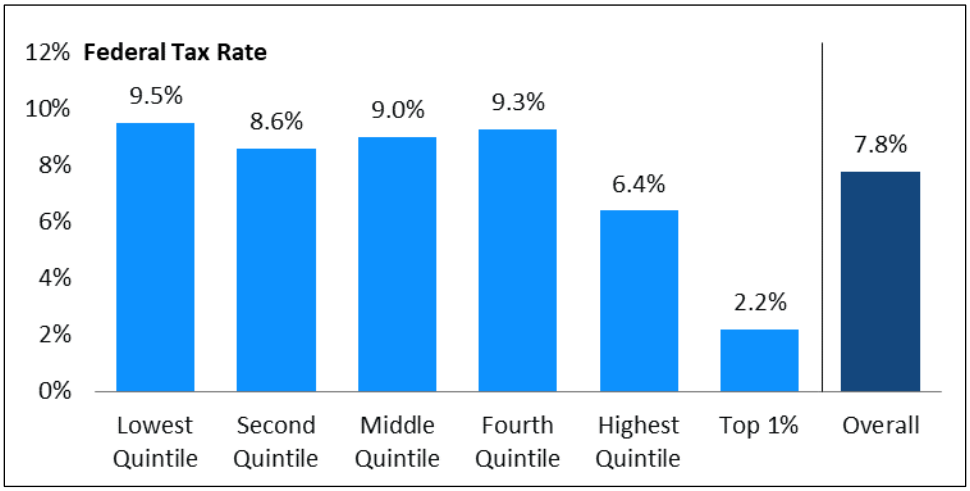
Distribution of Payroll Tax Burden

For most taxpayers, payroll tax burdens are proportional to earnings. Toward the top of the income distribution, payroll taxes are regressive, meaning that as taxpayers' incomes increase, the share of income paid in payroll taxes decreases. **Figure 4** shows that, in 2018 (the most recent year available), households in the lowest quintile (earning an average of $22,500) paid 9.5% of their income in payroll taxes, whereas households in the highest quartile (earning an average of $321,700) paid 6.4% of their income in payroll taxes.[3]

Structural elements of payroll taxes contribute to high-income taxpayers paying a lower percentage of their income in payroll taxes. The Social Security payroll tax applies at a flat rate. However, earnings above a certain level ($147,000 in 2022) are not subject to the Social Security payroll tax. The level of maximum taxable wages is adjusted annually for wage growth. This feature of the tax lowers the average tax rate for higher earners. Also, payroll taxes are generally only levied on wage income. Taxpayers with higher income are more likely to have income that is not subject to payroll taxes, such as income from capital gains, interest, or rent.

Figure 4. Average Federal Payroll Tax Rates by Income Group, 2018

Federal payroll taxes as a share of household income before taxes and transfers



Source: Figure created by CRS using data from Congressional Budget Office, "The Distribution of Household Income, 2018," (published August 4, 2021), available at https://www.cbo.gov/publication/57061.

Notes: Income groups are created by ranking households by income before taxes and transfers, after adjusting for household size. Income includes labor, business, capital, retirement, and other sources of income, as well as the employer portion of payroll taxes. It also includes social insurance benefits, such as Social Security, Medicare, unemployment insurance, and worker's compensation benefits.

Federal payroll taxes are generally structured so that they are imposed on both the employee and employer (as discussed below under "The Different Types of Payroll Taxes"). Economists often assume that workers effectively pay both the employee and employer portions of payroll taxes.[4] A

[3] Congressional Budget Office, *The Distribution of Household Income, 2018*, supplemental data tables 3 and 9 (published August 4, 2021), at https://www.cbo.gov/publication/57061.

[4] While payroll taxes are statutorily imposed on both employers and employees, the tax burden is often believed to fall on workers, as the employer's share of payroll taxes is passed on to employees via lower wages. Economic theory provides that employees would be expected to bear the payroll tax burden when labor supply is much less elastic than labor demand. There are situations, however, where payroll taxes may not be fully borne by employees, particularly in

worker's paycheck only shows withholding for the employee portion. However, the employer portion of payroll taxes is part of an employer's total labor cost. Many economists believe that an employee's wages are reduced by the amount of the employer's portion of payroll taxes. Following this logic, the Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) generally assume that workers effectively pay both the employee (from a deduction from their paycheck) and employer (through lower wages) portions of payroll taxes.[5]

Most taxpayers pay more in payroll taxes than they do in individual income taxes. In 2021, an estimated 42.9% of taxpayers had a positive federal *income* tax liability, while an estimated 75.2% had a positive payroll tax liability.[6] Overall, an estimated 63.9% of taxpayers were expected to pay more in payroll taxes than income taxes (a figure that increases to 79.1% when looking only at taxpayers that had either a positive payroll or income tax liability). **Figure 5** shows the share of taxpayers with either positive payroll or positive income tax liability across the income distribution. For taxpayers in the lowest income quintile (income below $27,900), 55.8% had positive payroll tax liability, while 0.1% had a positive income tax liability.[7] Lower- and moderate-income taxpayers may have a negative income tax liability, as refundable tax credits like the Earned Income Tax Credit (EITC) and child tax credit can result in negative income tax liabilities.[8] Given the EITC's explicit link to work, it can be viewed as offsetting all or part of payroll and other tax liabilities for low- to moderate-income taxpayers.

Moving up the income distribution, a larger share of taxpayers have positive payroll tax and income tax liabilities. In the fourth income quintile (incomes from $97,700 to $178,100), 87.5% of taxpayers had positive payroll tax liability and 75.1% had positive income tax liability. Most taxpayers in this income group had a payroll tax liability that exceeded income tax liability (71.5%).[9] At the upper end of the income distribution, taxpayers are most likely to pay both payroll taxes and income taxes, although they are less likely to have payroll tax liabilities that exceed income tax liabilities.

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the short run. For discussion, see Dorian Carloni, *Revisiting the Extent to Which Payroll Taxes Are Passed Through to Employees*, Congressional Budget Office, Working Paper 2021-06, June 2021, at https://www.cbo.gov/system/files/2021-06/57089-Payroll-Taxes.pdf.

[5] "CBO also allocates the employer's share of payroll taxes to employees because employers appear to pass on their share of payroll taxes to employees by paying lower wages than they otherwise would." Congressional Budget Office, *The Distribution of Household Income, 2018*, August 4, 2021, p. 42, at https://www.cbo.gov/publication/57061. Likewise, JCT lists payroll taxes as "attributed to employees," for instance in footnote [3] of Table A-6 in Joint Committee on Taxation, *Overview of the Federal Tax System in Effect for 2021*, April 15, 2021, p. 40, at https://www.jct.gov/publications/2021/jcx-18-21/.

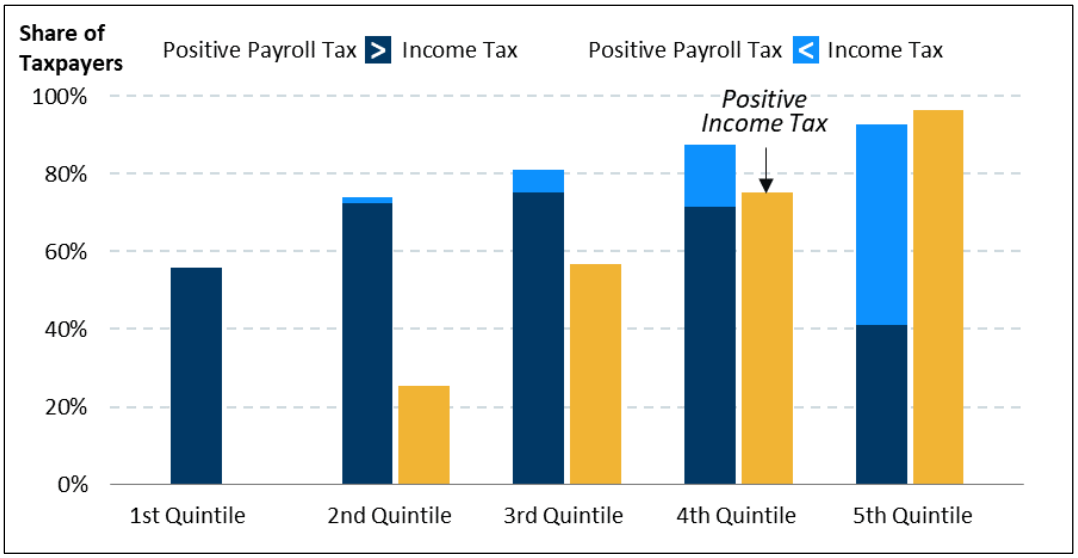
[6] Tax Policy Center, "Distribution of Federal Payroll and Income Taxes by Expanded Cash Income Percentile, 2021," Table T21-0181, August 18, 2021, at https://www.taxpolicycenter.org/simulations/distribution-federal-payroll-and-individual-income-taxes-august-2021. For more on the distinction between the federal income tax and payroll taxes, see CRS Report R45145, *Overview of the Federal Tax System in 2020*, by Molly F. Sherlock and Donald J. Marples.

[7] Tax units include filing and nonfiling units.

[8] For more on the EITC, see CRS Report R43805, *The Earned Income Tax Credit (EITC): How It Works and Who Receives It*, by Margot L. Crandall-Hollick, Gene Falk, and Conor F. Boyle. For more on the child tax credit, see CRS Report R41873, *The Child Tax Credit: How It Works and Who Receives It*, by Margot L. Crandall-Hollick.

[9] Payroll taxes include the employee and employer share of OASDI and Medicare (HI) taxes, self-employment taxes, and the additional ACA HI tax. If only the employee share of payroll taxes were considered, fewer taxpayers would have payroll tax liability that exceeds income tax liability. For example, for 2021 an estimated 48.8% of taxpayers in the fourth income quintile had an employee share of payroll taxes that exceeded income tax liability.

Figure 5. Share of Taxpayers with Positive Payroll and Income Tax Liability, by Income Quintile, 2021



Source: CRS graphic using data from the Tax Policy Center.

Notes: The breaks are (in 2020 dollars): 20% at $27,900; 40% at $55,100; 60% at $97,700; and 80% at $178,100. Payroll taxes include the employee and employer share of OASDI and Medicare (HI) taxes, self-employment taxes, and the additional ACA HI tax.

Although some payroll taxes are regressive, the programs they fund tend to be more progressive than the taxes.[10] The formula used to calculate Social Security's primary insurance amount results in a higher replacement ratio—the amount of pre-retirement earnings received in retirement—for workers with relatively lower earnings.[11] Likewise, eligibility for premium-free Medicare Part A (hospital insurance) is linked with paying Medicare tax for 10 years—not the amount paid.[12] A worker with lower earnings will pay less tax over 10 years than a worker with higher earnings, but both will be eligible for the same benefits.

The Different Types of Payroll Taxes

The term "payroll tax" refers collectively to a set of separate taxes.[13] These taxes share broadly similar structures and fund a set of social insurance programs. The revenue generated by each payroll tax and the extent to which it satisfies its program's funding needs varies. Most payroll tax receipts (72.5% of the $1.3 trillion total) are from Social Security payroll taxes (**Table 1**). These receipts are split between the old-age and survivor's insurance (OASI) portion of Social Security, which funds the program's retirement and survivor benefits, and disability insurance

[10] There may be exceptions to this generalization. For example, in the case of UI, if marginal or certain categories of workers are less likely to receive UI than others, benefits may not be more progressive than the taxes. UI taxes, since they only apply to the first $7,000 in wages, are regressive even at low and modest income levels.

[11] For more on how Social Security benefits are calculated, see CRS In Focus IF11747, *Social Security: Benefit Calculation Overview*, by Barry F. Huston.

[12] For more on the Medicare program and eligibility requirements, see CRS In Focus IF10885, *Medicare Overview*, by Patricia A. Davis and Phoenix Voorhies.

[13] As noted in footnote 2, this report uses the term payroll tax when discussing aggregate social insurance and retirement receipts.

(DI).[14] The next largest portion (22.4%) is from the Medicare tax that funds hospital insurance (Medicare Part A). The Unemployment Insurance (UI) taxes and receipts account for 4.3% of federal payroll tax receipts. The remaining revenues are other sources of retirement receipts from relatively small programs, mostly supporting the retirements of railroad and federal government workers.

Although payroll taxes are broadly similar, each has a different structure and legislative history, as discussed in the following sections.

Table 1. Composition of Social Insurance and Retirement Receipts, FY2021

Payroll Tax or Revenue Source	FY2021 Receipts	Percentage of Total Payroll Tax or Retirement Receipts
Social Security	**$952.3 billion**	**72.5%**
Old-Age and Survivor's Insurance	$814.0 billion	61.9%
Disability Insurance	$138.3 billion	10.5%
Medicare	**$294.8 billion**	**22.4%**
Unemployment Insurance	**$56.6 billion**	**4.3%**
Deposits by States (State Unemployment Tax)[a]	$50.4 billion	3.8%
Federal Unemployment Tax	$6.1 billion	0.5%
Railroad Unemployment Receipts[b]	$0.1 billion	[c]
Other Retirement Receipts	**$10.3 billion**	**0.8%**
Railroad Retirement	$4.7 billion	0.4%
Social Security Equivalent Benefit	*$1.8 billion*	*0.1%*
Rail Pension and Supplemental Annuity	*$2.9 billion*	*0.2%*
Other Retirement	$5.6 billion	0.4%
Federal Employee Retirement	*$5.6 billion*	*0.4%*
Non-Federal Employee Retirement	[d]	[d]
Total	**$1,314.1 billion**	**100.0%**

Source: Table created by CRS using data from Office of Management and Budget, "Analytical Perspectives: Governmental Receipts," Table 11-3, available at https://www.whitehouse.gov/omb/analytical-perspectives/.

Notes: Figures may not add to totals and subtotals indicated due to rounding.

a. Deposits by states cover the benefit part of the program. Federal unemployment receipts cover administrative costs at both the federal and state levels.

b. Railroad unemployment receipts cover both the benefits and administrative costs of the program for the railroads.

c. Less than 0.05%.

d. Less than $50 million.

[14] The revenue split between the Social Security OASI and DI programs has varied over time.

Social Security

The Social Security tax—funding retirement and survivor's as well as disability benefits—is the largest portion of federal payroll tax receipts. A tax of 6.2% of covered wages is imposed on both employees and employers (for a total tax of 12.4%) to fund the program.[15] Self-employed workers pay 12.4% of their net self-employment earnings (business earnings minus the costs of doing business) into Social Security as a portion of their self-employment taxes. While most employees in the United States are covered by Social Security, and pay the Social Security payroll tax, coverage is not universal.[16] For example, certain government employees (civilian federal employees hired before 1984 and some state and local government employees) may not participate in Social Security.[17]

The employee portion of the Social Security tax is directly withheld from wages paid to an employee. The employee's pay stub often lists the deduction as "Social Security" or "OASDI," which stands for Old-Age, Survivors, and Disability Insurance—the official name of the tax levied in 26 U.S.C. §3103(a) and §3111(a).[18] The employee portion withheld and the employer portion are deposited with the IRS, generally monthly or semiweekly, when the employer processes payroll.[19] Employers generally file payroll tax returns quarterly.[20]

Social Security taxes are levied starting with the first dollar earned up to an earnings threshold that is generally adjusted annually for growth in average wages ($147,000 in 2022).[21] Earnings above the threshold are not subject to tax and do not apply toward the calculation of the worker's primary insurance benefit.[22] Workers who paid Social Security taxes on wages in excess of the threshold (as a result of working multiple jobs, for instance) can file to receive a refund of the overpaid taxes.

Social Security payroll taxes were first enacted with Titles VIII and IX of the Social Security Act of 1935 (P.L. 74-271). The first Social Security tax was a 1% levy on employees on wages earned starting in 1937, with employers also paying the same amount. The Federal Insurance

[15] Generally, the tax base for payroll taxes is all compensation for employment. There are exceptions, the most important of which are amounts paid by the employee for health, dental, disability, and the non-taxable portion of group-term life insurance; employer payments in connection with health and disability insurance payments after six months after the employee last worked for the employer; and employer contributions to certain qualified retirement plans. The full list of exceptions is at 26 U.S.C. §3121. Federal Insurance Contributions Act (FICA) and Federal Unemployment Tax Act (FUTA) taxes apply to compensation paid to employees in "covered employment." Certain types of employment are not covered employment, including certain agricultural and casual labor; certain government employment, typically in cases where employees are covered by a state or local retirement plan system; and certain family employment. See 26 U.S.C. §3121(b).

[16] See CRS In Focus IF11824, *Social Security: Who Is Covered Under the Program?*, by Dawn Nuschler.

[17] Other types of employment that may not be covered by Social Security include (but are not limited to) certain family employment, work performed by students, certain members of the clergy and religious orders, and the earnings of farm workers, election officials, and household employees, so long as earnings are below certain thresholds.

[18] Withholdings may also appear on an employee's pay stub as FICA, or Federal Insurance Contribution Act withholdings (referring to Social Security and Medicare contributions, collectively).

[19] Semiweekly deposits are made every two weeks. See 26 C.F.R. §31.6302-1.

[20] Employers use Form 941 to file quarterly payroll tax returns. Other forms may be used in certain situations. For more, see the Internal Revenue Service's webpage "Depositing and Reporting Payroll Taxes," at https://www.irs.gov/businesses/small-businesses-self-employed/depositing-and-reporting-employment-taxes.

[21] For additional information, see CRS Report RL32896, *Social Security: Raising or Eliminating the Taxable Earnings Base*, by Zhe Li.

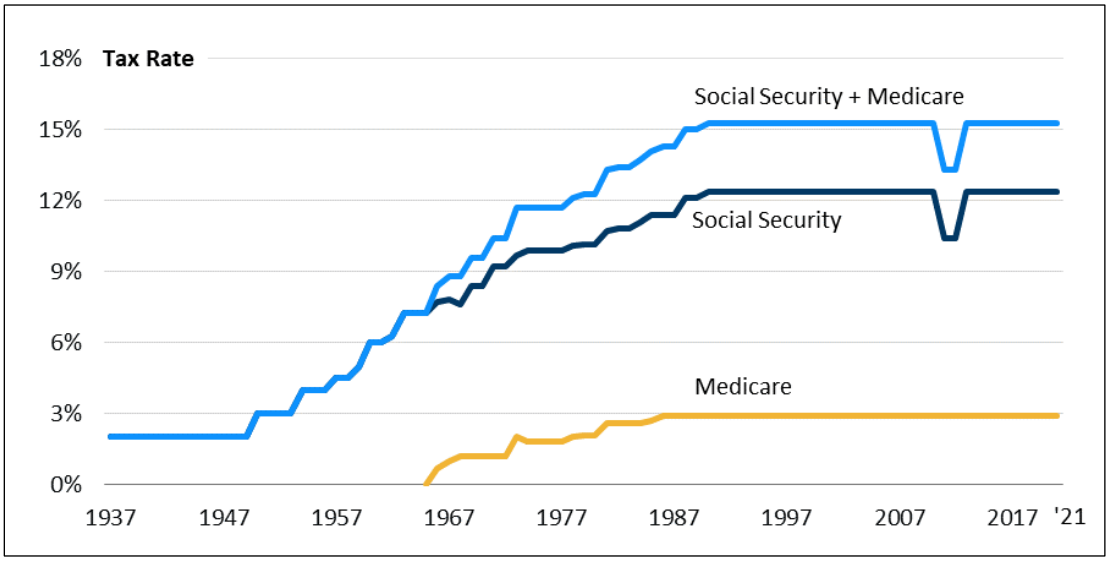
[22] For additional information, see CRS Report R46658, *Social Security: Benefit Calculation*, by Barry F. Huston.

Contribution Act (FICA, 26 U.S.C. §§3101-3128) moved the tax provisions to the Internal Revenue Code in 1954, and prescribed further increases.[23]

Social Security (and Medicare) payroll tax rates have largely remained the same since 1990 (outside of the 2011-2012 Social Security payroll tax holiday, discussed below in "Employee Payroll Tax Holiday") (**Figure 6**). The recent period of steady rates follows a period of regular rate increases. Combined Social Security payroll tax rates rose from 2% in 1949 to 12.4% in 1990. The last Social Security tax rate increase was part of the Social Security Amendments of 1983 (P.L. 98-21).

Figure 6. Social Security and Medicare Tax Rates, 1937 to 2021

Tax rates as a percentage of covered earnings



Source: Figure created by CRS using data from Social Security Administration, "Social Security and Medicare Tax Rates," available at https://www.ssa.gov/oact/progdata/taxRates.html.

Notes: Rates include both the employee and employer portions of the tax. Rates apply to covered earnings.

When first enacted, the Social Security tax did not apply to self-employed workers. The Self-Employment Contributions Act of 1954 created the self-employment tax, an analogous tax on the net earnings of self-employed workers' businesses (business receipts minus the cost of doing business) that funds Social Security and Medicare Part A. The tax rate on self-employed workers has varied over time. The Social Security portion started as 2.25% in 1951—less than twice the OASDI rate on employees in that year, 1.5%. The Social Security portion of the self-employment tax would not be twice the employee tax rate until 1984, when the employee tax was 5.7% and the self-employed rate was 11.4%.

Taxpayers pay a single Social Security tax, but it is administratively split between the OASI and DI trust funds. The current combined Social Security tax rate is 12.4% of taxable wages, of which 10.6% goes to the OASI Trust Fund and 1.8% to the DI Trust Fund.[24] Congress has, in the past,

[23] A brief history of the Social Security program generally can be found in CRS Report R42035, *Social Security Primer*, by Barry F. Huston.

[24] See Social Security Administration, The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Table II.B2, at https://www.ssa.gov/oact/TR/2020/II_B_cyoper.html#99490.

changed the statutory split between the trust funds (located at 42 U.S.C. §401(b)(1)(A) for employees and 42 U.S.C. §401(b)(2)(A) for self-employed workers) in response to expected shortfalls in the OASI or DI trust funds.[25]

In FY2021, according to OMB, the Social Security tax raised $952.3 billion in revenue.[26] Of that amount, $814.0 billion went to the OASI trust fund and $138.3 billion went to the DI trust fund.[27] Social Security tax receipts are expected to grow relatively slowly (at about 1% per year) compared with historic averages for the next several years, before returning to higher growth (around 4% per year) starting in 2024.[28]

The revenues raised by the Social Security tax are not expected to be enough to fund full statutory benefits indefinitely. The OASI trust fund is projected to be depleted in 2033, while the DI trust fund is expected to be depleted in 2057.[29]

Medicare

Medicare was established by the Social Security Amendments of 1965 (P.L. 89-97) to provide health insurance to individuals 65 and older, and has been expanded over the years to include permanently disabled individuals under 65.[30] The original statute created Medicare Parts A (Hospital Insurance, or HI) and B (Supplementary Medical Insurance, or SMI), and also created a payroll tax to fund the Medicare Part A portion (26 U.S.C. §3101(b)(1) for employees and §3111(b) for employers). In 1966, employers and employees each paid 0.35% of wages in Medicare payroll taxes (the combined rate was 0.7%). Self-employed workers paid 0.35% of their net self-employment earnings starting in the same year. At that time, Medicare payroll taxes applied to an earnings base of $6,600.

The Medicare tax increased a number of times (and decreased once) between 1966 and 1986 (see **Figure 6** above).[31] The increase to the current rate—a combined (employer and employee) 2.9% of wages—was made by the Social Security Amendments of 1977 (P.L. 95-216).[32] Additionally, as added by the Patient Protection and Affordable Care Act (ACA, P.L. 111-148 as amended), certain higher-income households may be subject to an additional Medicare tax (discussed below in "Additional Medicare Tax"). In addition to increases in the Medicare payroll tax rate, the

[25] For more information on past legislative changes to the allocation of payroll taxes between the OASI and DI trust funds, see CRS Report R43318, *The Social Security Disability Insurance (DI) Trust Fund: Background and Current Status*, by William R. Morton.

[26] Office of Management and Budget, "Analytical Perspectives: Governmental Receipts," Table 11-3, available at https://www.whitehouse.gov/omb/analytical-perspectives/.

[27] Data from the Social Security Administration for FY2021 report payroll tax receipts of $972.3 billion, with $831.1 billion for OASI and $141.2 billion for DI. Data retrieved March 3, 2022, from Social Security Online, "Trust Fund Data," at https://www.ssa.gov/cgi-bin/ops_period.cgi.

[28] See Congressional Budget Office, *An Update to the Budget and Economic Outlook, 2021 to 2031*, Revenue Projections by Category, Table 4, as of July 2021, at https://www.cbo.gov/publication/57218.

[29] For more on the Social Security trust funds, see CRS Report RL33028, *Social Security: The Trust Funds*, by Barry F. Huston. For more on what may happen if trust funds are depleted, see CRS In Focus IF10522, *Social Security's Funding Shortfall*, by Barry F. Huston.

[30] See CRS Report R40425, *Medicare Primer*, coordinated by Patricia A. Davis.

[31] For historical Medicare payroll tax rates, see Appendix B in CRS Report RS20946, *Medicare: Insolvency Projections*, by Patricia A. Davis.

[32] The most recent Medicare payroll tax increase for self-employed workers, also to 2.9%, was part of the Social Security Amendments of 1983 (P.L. 98-21) and also took effect starting in 1986.

earnings tax base was increased and ultimately eliminated.[33] The Medicare HI tax currently applies to all wage earnings or net self-employment income earned in covered employment.[34]

The employee portion of the Medicare tax is withheld directly from an employee's paycheck, where it is often listed as "Medicare." Employers pay their portion separately, depositing their portion with the IRS near the pay date and filing to reconcile payments on a quarterly basis. As with the Social Security tax, many economists believe that the employer portion of the Medicare tax results in lower wages paid to workers.

Medicare Part A benefits are paid for out of the Hospital Insurance Trust Fund, which is primarily funded by the Medicare HI tax. The Medicare payroll taxes paid by current workers and their employers are used to pay Part A benefits for today's Medicare beneficiaries.[35] In recent years, payroll tax revenues and other Part A income sources have not been sufficient to fully cover the expenditures of Medicare Part A. In their 2021 report, the Medicare Trustees forecast that the Hospital Insurance Trust Fund will be depleted in 2026.[36]

In FY2021, the Medicare tax and Additional Medicare Tax (described below) together raised $294.8 billion.[37] The Congressional Budget Office forecasts fairly consistent Medicare tax revenue growth of around 3.9% a year from FY2024 to FY2031, after projected revenue growth increases following the COVID-19 pandemic.[38]

Additional Medicare Tax

The Patient Protection and Affordable Care Act (ACA, P.L. 111-148, as amended by P.L. 111-152) created an additional Medicare tax levied on taxpayers with relatively high incomes.[39] The Additional Medicare Tax is a payroll tax levied on wages and net self-employment income above certain thresholds.[40]

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[33] For historical information on the maximum tax base, see Appendix B in CRS Report RS20946, *Medicare: Insolvency Projections*, by Patricia A. Davis.

[34] As with the Social Security payroll tax, most employment is covered employment. There are, however, some exceptions. For more, see Internal Revenue Service, *Publication 15 (Circular E), Employer's Tax Guide,* 2022, at https://www.irs.gov/pub/irs-pdf/p15.pdf.

[35] For a description of Medicare trust funds and financing, see CRS Report R43122, *Medicare Financial Status: In Brief*, by Patricia A. Davis.

[36] For additional information on Medicare Part A funding and solvency estimates over time, see CRS Report RS20946, *Medicare: Insolvency Projections*, by Patricia A. Davis. This report also addresses what might happen if the HI trust fund were to become insolvent.

[37] Office of Management and Budget, "Analytical Perspectives: Governmental Receipts," Table 11-3, available at https://www.whitehouse.gov/omb/analytical-perspectives/. The Medicare Trustees reported $303.3 billion in HI trust fund payroll tax revenue for calendar year 2020. See Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *2021 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, August 31, 2021, at https://www.cms.gov/files/document/2021-medicare-trustees-report.pdf.

[38] See Congressional Budget Office, *An Update to the Budget and Economic Outlook, 2021 to 2031*, Revenue Projections by Category, Table 4, as of July 2021, at https://www.cbo.gov/publication/57218.

[39] The additional Medicare tax on higher wage incomes was enacted in P.L. 111-148 (§9015 and §10906).

[40] The Net Investment Income Tax (NIIT), which applies to certain nonwage income of high-income taxpayers, was enacted in P.L. 111-152 (§1402). While this tax is often described as being an additional Medicare contribution, the revenues from this tax are not allocated to the Medicare trust fund. As an income tax, the NIIT is beyond the scope of this report. For more, see CRS In Focus IF11820, *The 3.8% Net Investment Income Tax: Overview, Data, and Policy Options*, by Mark P. Keightley.

The Additional Medicare Tax applies to wage and net self-employment earnings above thresholds that vary based on filing status. A tax of 0.9% is levied on income above the thresholds in **Table 2**, in addition to the standard combined 2.9% Medicare tax.

Table 2. Income Thresholds for Additional Medicare Tax

Filing Status	Additional Medicare Tax Applies to Wage and Net Self-Employment Income Above
Married Filing Jointly	$250,000
Married Filing Separately	$125,000
Single	$200,000
Head of Household	$200,000
Qualifying Widow(er) with dependent child	$200,000

Source: Table created by CRS using information from Internal Revenue Service, "Questions and Answers for the Additional Medicare Tax," available at https://www.irs.gov/businesses/small-businesses-self-employed/questions-and-answers-for-the-additional-medicare-tax.

Notes: Income amounts are not indexed for inflation.

Unlike the standard Medicare tax, the Additional Medicare Tax is levied only on employees. However, employers are required to withhold the Additional Medicare Tax when it applies given their knowledge of the employee's situation (reported filing status and wages paid by that employer). Employees must pay any difference between withholding and their Additional Medicare Tax liability (due to a change in filing status or having multiple jobs, for instance) on their annual income tax return. If the unpaid amount is large enough, it may trigger a need for the employee to file quarterly estimated tax payments.

The income thresholds are not indexed for inflation. This means that the Additional Medicare Tax will apply to more taxpayers as wages rise due to inflation. For example, adjusting for inflation, $197,539 in 2019 was worth $179,700 in 2013, the year the tax was first in effect.[41] For 2019, 3.0% of individual tax returns filed included the Additional Medicare Tax, as compared to 1.9% of returns filed for 2013.[42]

When the Additional Medicare Tax was enacted, the Joint Committee on Taxation (JCT) estimated that it would raise $86.8 billion over the FY2010 to FY2019 10-year budget window.[43]

Unemployment Insurance

The Unemployment Compensation (UC) program is constructed as a joint federal-state program among the federal government, the states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.[44] The UC program is financed by federal taxes under the Federal Unemployment

[41] Inflation adjusted using annual inflation averages from Bureau of Labor Statistics, R-CPI-U-RS, All Items, for 2013 and 2020, at https://www.bls.gov/cpi/research-series/r-cpi-u-rs-home.htm.

[42] Internal Revenue Service, *SOI Tax Stats – Individual Income Tax Returns Complete Report (Publication 1304)*, Table 3.3 for years 2019 and 2018, at https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-complete-report-publication-1304.

[43] For FY2014 through FY2019, it was estimated that annual revenue collections would average $12.3 billion per year. See Joint Committee on Taxation, *ERRATA – "General Explanation Of Tax Legislation Enacted In The 111th Congress,"* JCX-20-11, March 23, 2011, at https://www.jct.gov/publications/2011/jcx-20-11/.

[44] There is wide variation in the designs of state UC programs; these differences are beyond the scope of this report. For

Tax Act (FUTA, 26 U.S.C. §§3301-3311) and by state payroll taxes under the State Unemployment Tax Acts (SUTA).[45] The FUTA tax funds both federal and state administrative costs as well as the federal share of the Extended Benefit (EB) program, loans to insolvent state UC accounts, and state employment services.

The *gross* FUTA tax rate is 6.0% of covered wages, which includes wages from the first dollar paid up to $7,000 per calendar year.[46] If a state UC program complies with all federal rules, employers are allowed credits against their FUTA tax liability, which can reduce their *net* FUTA tax rate to as low as 0.6% on the first $7,000 of each worker's earnings.[47] Most employers will pay a maximum of $7,000 x 0.6% = $42 per employee per calendar year in FUTA tax.

FUTA revenues provide the funding for grants to the states to administer their UC programs and the federal share (50%) of Extended Benefit payments.[48] Congress must provide an annual discretionary appropriation for UC administration.[49]

The FUTA tax was introduced in Title IX of the Social Security Act of 1935 (P.L. 74-271). The tax started as a 1.0% levy on all taxable wages (with no maximum) paid by employers with eight or more employees, with a credit of up to 0.9% allowed for taxes paid to state unemployment programs. The first *net* FUTA tax was therefore (1.0% - 0.9%) = 0.1% of wages. Since then, a taxable wage base limit was introduced (and expanded) and the tax rate increased. The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) set the current taxable wage base of $7,000 (applied starting in 1983) and the current gross FUTA tax rate (6.0%) and net FUTA tax rate (0.6%), starting in 1985.[50]

A parallel system provides unemployment and sickness benefits for railroad employees. The Railroad Unemployment Insurance Act (45 U.S.C. §§351-369) levies a payroll tax on railroad employers to fund benefits only for railroad employees. The employer's tax rate ranges between

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more on the Unemployment Compensation program, see CRS In Focus IF10336, *The Fundamentals of Unemployment Compensation*, by Julie M. Whittaker and Katelin P. Isaacs.

[45] SUTA taxes are required to fund regular UC benefits and the state share of the EB program. In most states, an employer's SUTA tax rate is based on the amount of UC benefits paid to former employees. Generally, the more UC benefits paid to its former employees, the higher the employer's tax rate, up to a maximum established by state law.

[46] For more on exemptions and the limited cases when employment is not covered, see Internal Revenue Service, *Publication 15 (Circular E), Employer's Tax Guide,* 2022, at https://www.irs.gov/pub/irs-pdf/p15.pdf.

[47] Employers generally qualify for credits of 5.4% for SUTA payments to be applied against the FUTA tax rate. State employers may face a FUTA credit reduction if the state's unemployment trust fund account has an outstanding federal loan. FUTA credit reductions are most common in the years following an economic recession. See CRS Report RS22954, *The Unemployment Trust Fund (UTF): State Insolvency and Federal Loans to States*, by Julie M. Whittaker. In 2020, only businesses in the U.S. Virgin Islands (USVI) faced a FUTA credit reduction, which was 3.0%. Therefore, businesses in the USVI paid a federal unemployment tax rate of 6.0% - (5.4% - 3.0%) = 3.6% on taxable wages. For 2021, it is 3.3% for USVI (net tax of 3.9%). For a list of states with FUTA credit reductions, see U.S. Department of Labor, Employment & Training Administration, Office of Unemployment Insurance, "Historical FUTA Credit Reductions," at https://oui.doleta.gov/unemploy/futa_credit.asp.

[48] EB provides additional UC benefits after regular UC benefits are exhausted to eligible workers in states experiencing high levels of unemployment. There have been two exceptions to the 50% federal cost sharing. The first was 2009 to 2013, and the second was in 2020 to 2021. For funding details of UC and EB benefits, see CRS Report RS22077, *Unemployment Compensation (UC) and the Unemployment Trust Fund (UTF): Funding UC Benefits*, by Julie M. Whittaker.

[49] Grants are then made to individual states by the Secretary of Labor based on the funding constraints and information provided by states. For more details on this process, see CRS In Focus IF10838, *Funding the State Administration of Unemployment Compensation (UC) Benefits*, by Julie M. Whittaker, Katelin P. Isaacs, and Abigail R. Overbay.

[50] For a detailed legislative history of the FUTA tax, see CRS Report R44527, *Unemployment Compensation: The Fundamentals of the Federal Unemployment Tax (FUTA)*, by Julie M. Whittaker.

3.15% and 12.0% on the first $1,710 in each employee's monthly earnings. The benefit is administered by the Railroad Retirement Board, an independent federal agency.[51]

In FY2021, the FUTA tax raised $6.1 billion, which mostly funded administrative costs for the federal government and state programs. Additionally, states deposited $50.4 billion from their state unemployment taxes into their respective accounts in the federal Unemployment Insurance Trust Fund. The Railroad Unemployment Repayment Tax raised $111 million, which funded both administration and benefits for that program.[52]

Other Payroll Taxes

Other payroll taxes and forms of retirement receipts, mostly funding retirement for special populations, raised less than 1% of total FY2021 payroll tax revenues. Railroad retirement benefits provide retirement annuities to railroad workers and their family members. Federal employee pensions are funded by a payroll tax on certain federal employees.

The Railroad Retirement Tax Act (26 U.S.C. §§3201-3241) provides a system of retirement benefits for railroad workers funded by payroll taxes. Railroad workers pay two payroll taxes to participate in the system. The tier I tax is similar to the Social Security tax and funds the Social Security level of benefits and associated administrative expenses. Employees and employers each pay 6.2% of wages up to the same wage cap as the Social Security tax ($147,000 in 2022). The tier II tax funds several other retirement programs for railroad workers, including tier II retirement annuities, excess tier I benefits (the portion of tier I benefits more generous than Social Security), and supplemental annuities. The tier II tax is set each year based on the financial position of the railroad retirement system's accounts. In 2022, the tax was 13.1% on employers and 4.9% on employees, up to $109,200 in wages.[53]

Payroll taxes are the largest contributor to the Railroad Retirement Board's retirement, disability, and survivor program. Payroll taxes contributed 39.2% of gross funding to the program in FY2020.[54] In FY2021, OMB reports the Social Security Equivalent Benefit portion of the tier I tax raised $1.8 billion, while other taxes that fund other railroad retirement programs (funded by part of the tier I tax and the tier II tax) raised $2.9 billion.[55] The railroad retirement system is expected to remain solvent for at least the next 25 years.

Additionally, certain other retirement taxes are considered federal payroll taxes. Together, these taxes raised $5.6 billion in FY2021. Federal employees' contributions to the Civil Service Retirement System and the Federal Employee Retirement System make up most of that amount.[56]

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[51] For more on Railroad Unemployment and Sickness Benefits, see CRS Report RS22350, *Railroad Retirement Board: Retirement, Survivor, Disability, Unemployment, and Sickness Benefits*, by Zhe Li.

[52] Office of Management and Budget, "Analytical Perspectives: Governmental Receipts," Table 11-3, available at https://www.whitehouse.gov/omb/analytical-perspectives/.

[53] For more on the railroad retirement system, see CRS Report RS22350, *Railroad Retirement Board: Retirement, Survivor, Disability, Unemployment, and Sickness Benefits*, by Zhe Li.

[54] U.S. Railroad Retirement Board, *United States Railroad Retirement Board: 2021 Annual Report*, at https://www.rrb.gov/sites/default/files/2021-09/2021_Annual_Report.pdf.

[55] The *Railroad Retirement Board Annual Report* reports FY2020 tier I and tier II tax revenues of $2.3 billion and $2.8 billion, respectively.

[56] For more on federal employee retirement systems, see CRS Report 98-810, Federal Employees' Retirement System: Benefits and Financing, by Katelin P. Isaacs.

Payroll Tax Administration

Not all payroll taxes are reported and paid together when employers make deposits with the IRS. Generally, Social Security and Medicare taxes are paid together, while unemployment taxes are paid separately.

The frequency of paying and filing Social Security and Medicare taxes depends on an employer's tax liability, not on their pay schedule. Employers with a combined Social Security, Medicare, and individual income tax withholding liability of over $50,000 over a four-quarter lookback period are semiweekly depositors. Semiweekly depositors must deposit accumulated tax liabilities by a few days after a payday.[57] Generally, employers with a tax liability of between $1,001 and $50,000 will deposit their accumulated tax liabilities on the 15th day of each month, covering the tax liability incurred during the previous month.

Both semiweekly and monthly depositors must file IRS Form 941 quarterly to reconcile the tax payments they made during the previous quarter. The IRS does not collect information about the breakdown of deposits when they are made. On Form 941, the employer will report the amount of wages paid; individual income tax, Social Security tax, and Medicare tax withheld; certain payroll tax credits; and other amounts.

The smallest employers—those whose annual liability for individual income tax, Social Security, and Medicare tax withholding is $1,000 or less—deposit and file their taxes once a year. These employers do so using Form 944.

FUTA taxes are paid quarterly for all employers, regardless of size, if they paid wages to any covered employees. However, if an employer's FUTA tax liability for a quarter is less than $500, they do not need to make a deposit and can roll that liability over to the next quarter. While deposits are made on a quarterly basis, payments are reconciled annually using IRS Form 940.

Policies Providing Payroll Tax Relief

Payroll tax reductions can be used to provide tax relief to individuals or businesses, or be designed to support certain economic activities. Various forms of payroll tax relief were enacted in response to the Great Recession (2007-2009) and the COVID-19 pandemic. As discussed further below, one reason for payroll tax relief during economic downturns is that it can often increase resources available to businesses or individuals more quickly than income tax relief.

Great Recession Payroll Tax Relief

In the years immediately following the Great Recession, two payroll tax relief provisions were enacted in an effort to support hiring and strengthen the economic recovery. One provision suspended the employer's share of the payroll tax for certain newly hired employees. The other temporarily reduced employees' payroll taxes. These policies collectively were projected to reduce payroll tax collections by $233.3 billion (**Table 3**).

[57] Although semiweekly depositors will generally make payments more frequently than monthly depositors, the exact frequency depends on the employer's payroll schedule. A biweekly payroll schedule would generally result in about two deposits a month, while a monthly payroll schedule would result in one deposit a month. However, semiweekly depositors with a monthly payroll must still follow the semiweekly deposit schedule. This means they must deposit their tax liability by a few days after payroll, instead of by the 15th day of the following month. For more about payroll tax depositing schedules, see Internal Revenue Service, *Employer's Tax Guide (Pub. 15, 2022)*, at https://www.irs.gov/publications/p15#en_US_2021_publink1000202435.

Payroll Tax Suspension for Newly Hired Employees

In March 2010, payroll tax relief was provided in an effort to stimulate hiring during the economic recovery from the Great Recession. The Hiring Incentives to Restore Employment (HIRE) Act of 2010 (P.L. 111-147) suspended the employer's share of the 2010 payroll tax (6.2% of the worker's earnings that would have otherwise been taxable) for qualified workers (generally unemployed individuals) hired between February 3, 2010, and January 1, 2011. The provision applied to wages paid after March 18, 2010, through December 31, 2010. The Social Security trust funds were "made whole" by a transfer of general revenue.

Economists have mixed views on whether hiring tax incentives can be effective, and in what circumstances.[58] The effectiveness of using payroll tax relief to spur employment depends on how businesses use the additional cash flow. In a 2010 analysis of payroll tax incentives for employment, the Congressional Budget Office (CBO) observed that reducing employers' payroll taxes would provide a small added incentive to increase employment or hours worked.[59] Broadly, if employers have laid off employees due to lack of consumer demand, employers may be slow to hire, even with employment subsidies. Economic theory tends to indicate that demand-side stimulus, rather than supply-side (like employer tax relief), is the most effective tool for boosting employment during periods of economic weakness.[60]

The policy was estimated to reduce federal revenue by $7.6 billion ($4.2 billion in FY2010 and $3.4 billion in FY2011) (**Table 3**).[61]

Employee Payroll Tax Holiday

In December 2010, in an effort to provide economic stimulus, Congress temporarily reduced the employee and self-employed OASDI payroll tax shares by two percentage points (to 4.2% for employees and 10.4% for the self-employed).[62] The Social Security trust funds were "made whole" by a transfer of general revenue.[63] The temporary reduction was scheduled to expire at the end of 2011, but was extended for two months as part of the Temporary Payroll Tax Cut Continuation Act of 2011 (P.L. 112-78). The temporary payroll tax rate reduction was extended through the end of 2012 in the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) and subsequently allowed to expire at the end of 2012.[64]

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[58] David Neumark, "Spurring Job Creation in Response to Severe Recessions: Reconsidering Hiring Credits," *Journal of Policy Analysis and Management*, vol. 32, no. 1 (Winter 2013), pp. 142-171.

[59] Congressional Budget Office, *Policies for Increasing Economic Growth and Employment in 2010 and 2011*, January 2010, at https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/reports/01-14-employment.pdf.

[60] For discussion of hiring tax incentives in the COVID-19 pandemic context, see CRS Insight IN11436, *Employment Tax Incentives to Promote Recovery from the COVID-19 Recession: Policy Options*, by Gary Guenther and Molly F. Sherlock.

[61] Joint Committee on Taxation, Estimated Revenue Effects Of The Revenue Provisions Contained In An Amendment To The Senate Amendment To The House Amendment To The Senate Amendment To H.R. 2847, The "Hiring Incentives To Restore Employment Act" Scheduled For Consideration By The House Of Representatives On March 4, 2010, JCX-6-10, March 4, 2010, at https://www.jct.gov/publications/2010/jcx-6-10/.

[62] Section 610 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312).

[63] For additional background, see CRS Report R41648, *Social Security: Temporary Payroll Tax Reduction*, by Dawn Nuschler.

[64] For additional background, see CRS Report R42103, *Extending the Temporary Payroll Tax Reduction: A Brief Description and Economic Analysis*, by Donald J. Marples and Molly F. Sherlock.

Employee or individual payroll tax relief can provide effective demand-side fiscal stimulus, particularly if deployed during an economic downturn.[65] There are, however, features of employee payroll tax cuts that may limit their potential for economic stimulus. For example, an employee payroll holiday assists only individuals who are working. It does not directly support individuals who have lost their jobs. The most stimulative individual tax relief tends to be one that targets lower-income populations (e.g., refundable income tax credits or direct payments such as stimulus checks).[66]

The policy was estimated to reduce federal revenue by $111.7 billion ($67.2 billion in FY2011 and $44.4 billion in FY2012) when initially enacted. The subsequent extensions were estimated to reduce payroll tax receipts by $20.8 billion and $93.2 billion, respectively (**Table 3**).

Table 3. Great Recession Payroll Tax Relief

Billions of dollars

	2010	2011	2012	2013	Total Reduction in Revenue
Payroll Tax Suspension for Newly Hired Employees					
HIRE Act	$4.2	$3.4	—	—	$7.6
Employee Payroll Tax Holiday					
Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010	—	$67.2	$44.4	—	$111.7
Temporary Payroll Tax Cut Continuation Act of 2011	—	—	$18.8	$2.0	$20.8
Middle Class Tax Relief and Job Creation Act of 2012	—	—	$70.1	$23.1	$93.2

Source: Joint Committee on Taxation, "General Explanation of Tax Legislation Enacted in the 111th Congress," JCS-2-11, March 2011, at https://www.jct.gov/publications/2011/jcs-2-11/; and Joint Committee on Taxation, "General Explanation of Tax Legislation Enacted in the 112th Congress," JCS-2-13, February 2013, at https://www.jct.gov/publications/2013/jcs-2-13/.

Notes: Cost estimates include the estimated revenue reduction from the policy as enacted as well as estimated revenue reductions from subsequent extensions or modifications.

COVID-19 Payroll Tax Relief

Various forms of payroll tax relief were used during the COVID-19 pandemic, both to encourage and compensate business responses to the pandemic and to provide tax relief. Often, payroll tax relief can increase resources available to businesses or individuals more quickly than income tax relief. This feature made payroll tax relief attractive during the COVID-19 pandemic. As discussed below, payroll tax deferrals were also used to provide relief in response to the COVID-19 pandemic. Deferrals might be attractive as a policy response when economic disruptions are

[65] For additional background, see CRS Report R45780, *Fiscal Policy Considerations for the Next Recession*, by Mark P. Keightley; CRS Report RS21126, *Tax Cuts and Economic Stimulus: How Effective Are the Alternatives?*, by Jane G. Gravelle; CRS Insight IN11230, *Payroll Tax Cuts as an Economic Stimulus Response to Coronavirus Disease (COVID-19)*, by Donald J. Marples and Molly F. Sherlock; and CRS Report R46460, *Fiscal Policy and Recovery from the COVID-19 Recession*, by Jane G. Gravelle and Donald J. Marples.

[66] For more, see CRS Insight IN11234, *Tax Cuts as Fiscal Stimulus: Comparing a Payroll Tax Cut to a One-Time Tax Rebate*, by Molly F. Sherlock and Donald J. Marples.

expected to be relatively brief, and followed by a relatively quick return to more normal economic conditions.

Paid Leave Payroll Tax Credits[67]

The Families First Coronavirus Response Act (FFCRA; P.L. 116-127) included an employer payroll tax credit, intended to compensate employers for the cost associated with providing paid sick and family leave as required in FFCRA.[68] The payroll tax credits were claimed against the employer's share of the Social Security or railroad retirement payroll tax in each calendar quarter. Employers could reduce payroll tax deposits in anticipation of receiving paid leave tax credits. Employers could also request an advance of tax credit amounts. The tax credit was refundable, meaning that if the amount of tax credits an employer claimed exceeded payroll tax liability, the excess was received as a payment from the Treasury.[69]

The Social Security trust funds were not generally affected by the tax credit, as a general fund transfer was provided to offset any reduction in trust fund revenues from the tax credit.

Payroll Tax Credit for Sick Leave

Under FFCRA, an employer could claim a tax credit for 100% of the amount required to be paid in sick leave wages from April 1, 2020, through December 31, 2020. Sick leave wages were required to be paid for up to 80 hours (two workweeks) for a full-time employee (prorated for part-time employees). The maximum amount required to be paid to workers using FFCRA sick leave depended on the purpose for which the sick leave was taken, subject to two different maximum amounts.

- Sick leave wages were limited to $511 per day for employees taking leave because (1) the employee was subject to a federal, state, or local quarantine or isolation order related to COVID-19; (2) the employee was advised by a health care provider to self-quarantine due to COVID-19; or (3) the employee was experiencing symptoms of COVID-19 and was seeking a medical diagnosis.
- Sick leave wages were limited to $200 per day for employees taking leave because (a) the employee was caring for an individual (with whom the employee has a close personal relationship) who was experiencing a situation described in number (1) or (2) above; (b) the employee was caring for their own minor child whose school, place of care, or caregiver was closed or unavailable due to

[67] For more information, see CRS Insight IN11243, *Tax Credit for Paid Sick and Family Leave in the Families First Coronavirus Response Act (H.R. 6201) (Updated)*, by Molly F. Sherlock; and CRS In Focus IF11739, *Payroll Tax Credit for COVID-19 Sick and Family Leave*, by Molly F. Sherlock.

[68] For more information, see CRS In Focus IF11487, *The Families First Coronavirus Response Act Leave Provisions*, by Sarah A. Donovan and Jon O. Shimabukuro. The Emergency Paid Sick Leave Act (Division E of P.L. 116-127, as modified by H.Res. 904) generally required private employers with fewer than 500 employees, and all government employers, to provide employees with two workweeks of paid sick leave for certain COVID-19-related leave purposes. The Emergency Family and Medical Leave Expansion Act (Division C of P.L. 116-127, as modified by H.Res. 904) generally provided employees of private employers with fewer than 500 employees, state and local government employees, and some federal employees expanded job-protected Family and Medical Leave Act (FMLA) leave for certain caregiving responsibilities. Under certain conditions, this expanded family leave was required to be partially compensated by employers. For both sick and family leave, the law included provisions that allowed certain health care providers, emergency responders, and employees in certain small businesses to be excluded from leave requirements.

[69] Self-employed individuals, including gig economy workers, were eligible for income tax credits similar to the payroll tax credits described in this section. For self-employed individuals, the income tax credit was refundable (meaning that if the tax credit amount exceeded the individual's income tax liability, the excess was received as a refund, or payment, from the Treasury).

COVID-19; or (c) the employee was experiencing any other "substantially similar condition" as specified by the Secretary of Health and Human Services.

The tax credit amounts for paid sick leave could be increased by the amount employers paid for an employee's health care plan while they were on leave.

Payroll Tax Credit for Family Leave

The employer tax credit for paid family leave was provided for employees taking leave to care for their own minor child whose school or place of care was closed due to COVID-19. For this component of the credit, the paid leave period began after an individual had already taken 10 days of leave for the family leave purpose described above. These 10 days of leave could consist of unpaid leave, or an employee could elect to use paid vacation, personal, or another form of paid leave (including the FFCRA paid sick leave). After this 10-day period, employees could receive a benefit from their employers that was at least two-thirds of the employee's usual pay, but not more than $200 per day. The tax credit for family leave wages was limited to $200 per day, and $10,000 total per employee. The tax credit amounts for paid family leave could also be increased by the amount employers paid for an employee's health care plan while they were on leave.

Extensions of the Paid Leave Payroll Tax Credits

The COVID-related Tax Relief Act of 2020, enacted as Division N, Title II, Subtitle B of the Consolidated Appropriations Act, 2021 (P.L. 116-260), extended the payroll tax credits for paid leave through March 31, 2021. The credits applied *as if* the corresponding employer mandates were also extended (the leave mandates expired at the end of 2020). Under P.L. 116-260, the payroll tax credits for paid leave were thus available for employers voluntarily providing qualifying paid leave through March 31, 2021.

The American Rescue Plan Act (ARPA; P.L. 117-2) modified and further extended the payroll tax credits for COVID-19-related paid sick and paid family leave. APRA provided paid leave tax credits for paid leave provided April 1, 2021, through September 30, 2021.[70] The paid leave tax credits in ARPA were similar to those provided in FFCRA and P.L. 116-260, with a few notable modifications, including the following:

- The 10-day limit on paid sick leave was reset for leave taken after March 31, 2021.
- The per-employee limit on qualified family leave wages was increased to $12,000 (or 60 days for self-employed individuals).
- Paid leave credits were allowed for sick leave taken to obtain a COVID-19 vaccine or due to illness related to immunization, or for leave taken while waiting for COVID-19 test results.
- State and local governments, as well as 501(c)(1) tax-exempt federal government entities, could claim the credit.
- The payroll tax credit was claimed against the employer's portion of the Medicare (HI) tax (the Medicare HI trust fund was not affected).
- Antidiscrimination rules required that leave must be provided to all employees.

[70] 26 U.S.C §§3131-3132.

Studies have found that access to paid sick leave can reduce transmission of contagious viruses, and enhanced access to paid leave was one policy intended to reduce the spread of COVID-19.[71] The paid leave mandate in FFCRA, however, was not comprehensive. The legislation expanded access to paid sick and family leave for employees at many small and mid-sized businesses. Employees of large businesses and certain worker groups did not have guaranteed access to paid sick or family leave under FFCRA.

Similarly, the tax credits provided in FFCRA were not available to all employers, nor to all employers required to provide leave. State and local government employers, including school districts and public colleges and universities, were required to provide leave but not allowed tax credits to offset FFCRA leave mandate compliance costs. Later, after the mandate expired, ARPA allowed certain government employers voluntarily choosing to provide leave access to tax credits.

The JCT estimated that the paid leave tax credits in FFCRA would reduce tax revenue by $104.9 billion (**Table 4**). Extending the tax credits through March 31, 2021, was estimated to reduce federal tax revenue by an additional $1.6 billion, while providing the credits from April 1, 2021, through September 30, 2021, was estimated to reduce federal revenues by $6.3 billion.

Employee Retention Tax Credit

The employee retention tax credit (ERTC) was first enacted in the CARES Act (P.L. 116-136) in March 2020.[72] The ERTC allowed businesses to claim a refundable credit against their payroll tax liability for a percentage of wages they paid to workers after March 12, 2020, and before January 1, 2021. Initially, the credit was 50% of up to $10,000 in qualifying wages. Eligible employers included those who (1) were required to fully or partially suspend operations due to a COVID-19-related order (including nonprofit employers); or (2) had gross receipts 50% less than gross receipts in the same quarter in the prior calendar year (with the credit no longer available once gross receipts were 80% of prior-year calendar quarter gross receipts). Eligible employers included tax-exempt organizations. Employers with more than 100 full-time employees could only claim the credit for wages paid when employee services were not provided. Employers with 100 or fewer full-time employees could claim the credit for any otherwise qualifying wages that were paid. Employers receiving Paycheck Protection Program (PPP) loans initially were not eligible to claim the ERTC.[73] Retroactive changes in P.L. 116-260 provided that employers receiving PPP loans qualified for the ERTC with respect to wages not used to support PPP loan forgiveness.

The credit was structured so that employers could be reimbursed when processing payroll by reducing required deposits of payroll taxes by the anticipated amount of the credit. Many businesses make regular payroll tax payments with their payroll cycle (e.g., biweekly). The credit was also advanceable, meaning that businesses expecting credit amounts in excess of payroll tax liability could file for an advance payment from the IRS. These reductions in payroll taxes paid

[71] Stefan Pichler, Katherine Wen, and Nicolas R. Ziebarth, "COVID-19 Emergency Sick Leave Has Helped Flatten The Curve In The United States," *Health Affairs*, vol. 39, no. 12 (October 14, 2020), pp. 2197-2204.

[72] For more information, see CRS Insight IN11299, *COVID-19: The Employee Retention Tax Credit*, by Molly F. Sherlock.

[73] For more information, see CRS Report R46397, *SBA Paycheck Protection Program (PPP) Loan Forgiveness: In Brief*, by Robert Jay Dilger; CRS Insight IN11324, *CARES Act Assistance for Employers and Employees—The Paycheck Protection Program, Employee Retention Tax Credit, and Unemployment Insurance Benefits: Overview (Part 1)*, coordinated by Molly F. Sherlock; and CRS Insight IN11329, *CARES Act Assistance for Employers and Employees—The Paycheck Protection Program, Employee Retention Tax Credit, and Unemployment Insurance Benefits: Assessment of Alternatives (Part 2)*, coordinated by Molly F. Sherlock.

and advance payments were then reconciled with the business's actual payroll tax liability and ERTC amount on quarterly payroll tax filings with the IRS.

The ERTC was subsequently extended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Division EE of the Consolidated Appropriations Act, 2021, P.L. 116-260), which applied to wages paid from January 1, 2021, through June 30, 2021.[74] P.L. 116-260 increased the maximum credit available from $5,000 (50% of $10,000 in qualifying wages) to $14,000 (70% of $20,000 in qualifying wages). The legislation modified the eligibility such that employers that had gross receipts 20% less than gross receipts in the same quarter in the prior calendar year or prior calendar quarter could qualify. The threshold below which employers could claim the credit for all wages paid, as opposed to claiming it for wages paid only when services were not provided, was increased to 500 full-time employees.

A second extension of the ERTC was included in the American Rescue Plan Act of 2021 (ARPA, P.L. 117-2). When ARPA became law in March 2021, the ARPA ERTC applied to wages paid between July 1, 2021, and December 31, 2021. Under ARPA, a credit of 70% on up to $10,000 in wages was allowed for the third and fourth quarters of 2021. Thus, under ARPA, the maximum credit amount for 2021 was increased from $14,000 to $28,000 (or $7,000 per quarter for the full 2021 calendar year). A credit of up to $50,000 per calendar quarter was also provided to *recovery startup businesses*, defined as businesses established after February 15, 2020, with average annual gross receipts that do not exceed $1 million. Under ARPA, severely financially distressed employers—those with gross receipts that were less than 10% of what they were in the same calendar quarter in 2019—were able to treat all wages as qualifying wages.

The Infrastructure Investment and Jobs Act (IIJA, P.L. 117-58), signed into law by President Biden on November 15, 2021, changed the dates of the ARPA ERTC extension. Specifically, the IIJA changed the ERTC to apply to wages paid between July 1, 2021, and September 30, 2021 (unless the wages are paid by an employer that is a recovery startup business).[75] The early termination of the ERTC was included in the IIJA as a revenue-raising provision. The JCT estimated that moving the termination date forward, effectively repealing the credit for the fourth quarter of 2021 for most employers, would increase FY2022 tax revenue by an estimated $8.2 billion.[76]

The ERTC was intended to help businesses keep employees on their payrolls during the COVID-19 pandemic. Structuring the credit as a payroll tax credit, as opposed to an income tax credit, allowed tax relief to be delivered relatively quickly. Other potentially attractive features of payroll tax credits are that the benefits extend to all employers, as opposed to being limited to taxpayers with income tax liability, and that payroll tax credits can be claimed by nonprofit employers.

One metric for evaluating the effectiveness of ERTCs relates to the economic efficiency, or "bang for the buck," of these incentives. To the extent that this credit is claimed for employees that would have been retained absent this credit, it is less economically efficient than payments directly targeted at those who are laid off.

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[74] See CRS In Focus IF11721, *The Employee Retention and Employee Retention and Rehiring Tax Credits*, by Molly F. Sherlock.

[75] See CRS Insight IN11819, *Early Sunset of the Employee Retention Credit*, by Anthony A. Cilluffo and Molly F. Sherlock.

[76] Joint Committee on Taxation, Estimated Revenue Effects of the Provisions in Division H or an Amendment in the Nature of a Substitute to H.R. 3684, Offered by Ms. Sinema, Mr. Portman, Mr. Manchin, Mr. Cassidy, Mrs. Shaheen, Ms. Collins, Mr. Tester, Ms. Murkowski, Mr. Warner, and Mr. Romney, the "Infrastructure Investment and Jobs Act," JCX-33-21, August 2, 2021, at https://www.jct.gov/publications/2021/jcx-33-21/.

There are also questions about the credit's potential for economic relief. If employers have laid off employees during an economic downturn due to lack of consumer demand, employers may be slow to hire, even with employment subsidies. Economic theory tends to indicate that demand-side stimulus (providing additional resources to consumers), rather than supply-side (like employer tax relief), is the most effective tool for boosting employment during periods of economic weakness.

By mid-2021, take-up of the ERTC continued to be lower than some had anticipated.[77] One factor contributing to the low take-up might have been that some businesses found the credit confusing and complex.[78] Another potential factor was a lack of awareness.[79] In addition, employers receiving a PPP loan were initially ineligible for the ERTC, although the restriction was later removed. Collectively, these factors are consistent with the findings that taxpayers using paid preparers were more likely to claim the ERTC.[80] Perceived underutilization of the credit likely led to the credit's early sunset being used as a revenue-raising provision in IIJA.

When the ERTC was enacted, the JCT estimated that the credit would reduce federal tax revenue by $54.6 billion in FY2021 and FY2022 (**Table 4**). Modifications enacted at the end of 2020 were estimated to result in an additional $5.2 billion in revenue loss, while extending the credit through June 30, 2021, was estimated to reduce revenues by $15.5 billion. The ARPA extension, covering the rest of 2021, was estimated to reduce tax revenue by another $10.2 billion. The early repeal of the ERTC resulted in an estimated revenue gain of $8.2 billion.

Payroll Tax Deferrals

Employer Payroll Tax Deferral

The CARES Act contained a delay in payment of the employer share of payroll taxes (as opposed to the employee's share of payroll taxes).[81] Specifically, the CARES Act deferred employer OASDI payroll taxes due between March 27, 2020, and December 31, 2020. Deferred tax liability is to be paid in two installments—with half of the deferred amount paid on or before December 31, 2021, and the remainder due on or before December 31, 2022.[82] For businesses, the payroll

[77] Lucas Goodman, *Take-up of Payroll Tax-Based Subsidies During the COVID-19 Pandemic*, The Department of the Treasury, Office of Tax Analysis, Working Paper 121, November 2021, at https://home.treasury.gov/system/files/131/WP-121.pdf.

[78] Sony Kassam and Allyson Versprille, "HILL TAX BRIEFING: Infrastructure Talks Drag Over Pay-Fors," *Daily Tax Report*, July 28, 2021; and Genevieve Douglas, "Employee Retention Credit Rescues Some Companies, Baffles Others," *Daily Tax Report*, July 28, 2021.

[79] One survey of small businesses in October 2021 found that nearly half of survey respondents were not at all familiar with the ERTC. National Federation of Independent Businesses, "Covid-19 Small Business Survey," November 2021, at https://assets.nfib.com/nfibcom/Covid-19-20-Survey-FINAL.pdf.

[80] Lucas Goodman, *Take-up of Payroll Tax-Based Subsidies During the COVID-19 Pandemic*, The Department of the Treasury, Office of Tax Analysis, Working Paper 121, November 2021, at https://home.treasury.gov/system/files/131/WP-121.pdf.

[81] For a discussion of the payroll tax deferral and other policy options for providing businesses payroll tax relief, see CRS Insight IN11260, *COVID-19 Economic Stimulus: Business Payroll Tax Cuts*, by Molly F. Sherlock and Donald J. Marples.

[82] On December 27, 2021, the IRS issued a reminder to taxpayers that for those who chose to defer payroll taxes, the first repayment installment was due. Internal Revenue Service, "IRS reminder: For many employers and self-employed people, deferred Social Security tax payment due Jan. 3," press release, December 27, 2021, https://www.irs.gov/newsroom/irs-reminder-for-many-employers-and-self-employed-people-deferred-social-security-tax-payment-due-jan-3.

tax deferral was intended to free up cash flow. The payroll tax deferral is similar to an interest-free loan, with the idea being that, upon enactment, businesses would repay deferred tax liability once normal business operations resumed at a later point in time. Large firms were more likely than small firms to choose to defer payroll taxes.[83]

In total, the cost of the employer payroll tax deferral was estimated to be modest relative to other forms of payroll tax relief, at $12.3 billion (**Table 4**). It was estimated that overall payroll tax receipts would fall by $211.1 billion in FY2020, and $140.7 billion in FY2021 (years in which taxes were deferred). However, during FY2022 and FY2023, payroll tax collections are anticipated to increase by $171.0 billion and $168.5 billion, as deferred taxes are repaid.

Employee Payroll Tax Deferral[84]

On August 8, 2020, then-President Trump issued a presidential memorandum allowing the deferral of individual payroll tax obligations from September 1, 2020, through December 31, 2020.[85] Specifically, the memorandum allowed for the deferred collection and payments of the employee 6.2% portion of the OASDI payroll tax.[86] The deferral was for employees with biweekly compensation of generally less than $4,000. Since decisions about withholding of employee payroll tax amounts generally are made by the employer, decisions regarding participation in deferral were also made at the employer (as opposed to employee) level.

Deferred payroll taxes were required to be repaid in 2021. IRS Notice 2020-65 provided that any deferred employee payroll tax be withheld and paid ratably in the first four months of 2021, between January 1, 2021, and April 30, 2021. A provision in the COVID-Related Tax Relief Act of 2020 (Division N, Title II, Subtitle B of P.L. 116-260) extended the repayment period through December 31, 2021. The JCT estimated that this policy change would reduce federal revenues by $469 million in FY2021, but revenues would then increase by $453 million in FY2022 as deferred amounts were repaid (leaving a revenue loss of $16 million over the FY2021-FY2030 budget window).[87]

Outside of the executive branch, few employers were known to participate.[88] One study provides data to suggest that take-up was "trivially small."[89] Administrative concerns related to implementation likely were a factor in the lack of take-up. There are also questions about the potential economic effects from changing the timing of when individual OASDI payroll taxes are

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[83] Lucas Goodman, *Take-up of Payroll Tax-Based Subsidies During the COVID-19 Pandemic*, The Department of the Treasury, Office of Tax Analysis, Working Paper 121, November 2021, at https://home.treasury.gov/system/files/131/WP-121.pdf.

[84] For additional background, see CRS Insight IN11488, *COVID-19: Presidential Order Deferring Individual Payroll Taxes*, by Molly F. Sherlock and Donald J. Marples.

[85] See Donald J. Trump, "Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster," August 8, 2020, at https://trumpwhitehouse.archives.gov/presidential-actions/memorandum-deferring-payroll-tax-obligations-light-ongoing-covid-19-disaster/. Guidance was provided on August 28, 2020, in IRS Notice 2020-65, "Relief with Respect to Employment Tax Deadlines Applicable to Employers Affected by the Ongoing Coronavirus (COVID-19) Disease 2019 Pandemic," at https://www.irs.gov/pub/irs-drop/n-20-65.pdf.

[86] The deferral also applied to the railroad retirement tax attributable to the individual Social Security tax.

[87] Joint Committee on Taxation, *Estimated Budget Effects of the Revenue Provisions Contained in Rules Committee Print 116-68, the "Consolidated Appropriations Act, 2021,"* JCX-24-20, December 21, 2020, at https://www.jct.gov/publications/2020/jcx-24-20/.

[88] Heather Long, "Trump's parting gift to federal workers: Thinner paychecks," *The Washington Post*, January 12, 2021, at https://www.washingtonpost.com/business/2021/01/12/trump-tax-deferral/.

[89] Lucas Goodman, *Take-up of Payroll Tax-Based Subsidies During the COVID-19 Pandemic*, The Department of the Treasury, Office of Tax Analysis, Working Paper 121, November 2021, p. 13, at https://home.treasury.gov/system/files/131/WP-121.pdf.

paid. Employees employed by employers choosing to defer payroll taxes could see increased take-home pay in the near term, only to see those increases offset with reductions in take-home pay when deferred amounts are repaid. Delaying payroll tax liability for several months does not provide working individuals with additional economic resources in the longer term, nor does it change the incentives to work, save, or invest. Further, payroll tax deferrals do not provide additional resources to nonworking or unemployed individuals. Forgiving deferred payroll tax liability could provide additional fiscal stimulus.

Table 4. COVID-19 Payroll Tax Relief

Billions of dollars

	2020	2021	2022	2023	Total Reduction in Revenue
Paid Leave Tax Credits[a]					
FFCRA	$89.1	$15.7	—	—	$104.9
COVID-Related Tax Relief Act of 2020	—	$1.2	$0.4	—	$1.6
ARPA	—	$4.5	$1.7	(i)	$6.3
Employee Retention Tax Credit					
CARES Act	$49.1	$5.5	—	—	$54.6
Taxpayer Certainty and Disaster Tax Relief Act of 2020 (clarifications and improvements)	$5.2	—	—	—	$5.2
Taxpayer Certainty and Disaster Tax Relief Act of 2020 (modification and extension)	$13.1	$2.3	—	—	$15.5
ARPA	—	$3.1	$7.1	(i)	$10.2
Infrastructure Investment and Jobs Act	—	—	-$8.2	—	-$8.2
Employer Payroll Tax Deferral					
CARES Act	$211.1	$140.7	-$171.0	-$168.5	$12.3
Employee Payroll Tax Deferral[b]					
COVID-Related Tax Relief Act of 2020	—	$0.5	-$0.5	—	(ii)

Sources: Joint Committee on Taxation, *Estimated Revenue Effects of the Revenue Provisions Contained in Division G of* H.R. 6210*, the "Families First Coronavirus Response Act,"* March 16, 2020, JCX-9-20, at https://www.jct.gov/publications/2020/jcx-9-20/; Joint Committee on Taxation, *Estimated Revenue Effects of the Revenue Provisions Contained in an Amendment in the Nature of a Substitute to* H.R. 748*, the "Coronavirus Aid, Relief, and Economic Security ('CARES') Act," as Passed by the Senate on March 25, 2020, and Scheduled for Consideration by the House of Representatives on March 27, 2020*, April 23, 2020, JCX-11R-20, at https://www.jct.gov/publications/2020/jcx-11r-20/; Joint Committee on Taxation, *Estimated Budget Effects of the Revenue Provisions Contained in Rules Committee Print 116-68, the "Consolidated Appropriations Act, 2021,"* JCX-24-20, December 21, 2020, at https://www.jct.gov/publications/2020/jcx-24-20/; Joint Committee on Taxation, *Estimated Revenue Effects of* H.R. 1319*, the "American Rescue Plan Act of 2021," as Amended by the Senate, Scheduled for Consideration by the House of Representatives*, JCX-14-21, March 9, 2021, at https://www.jct.gov/publications/2021/jcx-14-21/; and Joint Committee on Taxation, *Estimated Revenue Effects of the Provisions in Division H or an Amendment in the Nature of a Substitute to* H.R. 3684*, Offered by Ms. Sinema, Mr. Portman, Mr. Manchin, Mr. Cassidy, Mrs. Shaheen, Ms. Collins, Mr. Tester, Ms. Murkowski, Mr. Warner, and Mr. Romney, the "Infrastructure Investment and Jobs Act,"* JCX-33-21, August 2, 2021, at https://www.jct.gov/publications/2021/jcx-33-21/.

Notes: Cost estimates include the estimated revenue reduction from the policy as enacted as well as estimated revenue reductions from subsequent extensions or modifications. An (i) indicates a gain in revenue of less than

$500,000. An (ii) indicates a revenue reduction of less than $50 million. A negative revenue reduction is a revenue gain. Rows may not sum due to rounding.

a. The JCT cost estimates for this provision include the income tax credits for self-employed individuals.

b. The deferral was ordered in a presidential memorandum, as opposed to being legislatively enacted. Thus, JCT did not provide a cost estimate for the policy upon implementation.

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