

Taxation of Social Security Benefits and the Senior Deduction in P.L. 119-21: In Brief

August 1, 2025

Congressional Research Service

<https://crsreports.congress.gov>

R48613

Contents

| | |
|--|---|
| Introduction | 1 |
| Taxation of Social Security Benefits | 1 |
| The Senior Deduction in P.L. 119-21 | 5 |
| Effect of the Senior Deduction on Taxation of Social Security Benefits | 5 |
| Additional Considerations | 8 |
| Coverage of Social Security Beneficiaries by the Senior Deduction | 8 |
| The Senior Deduction for Seniors Who Do Not Receive Social Security Benefits | 9 |
| Effects on the Social Security and Hospital Insurance Trust Funds..... | 9 |

Tables

| | |
|---|---|
| Table 1. Examples of Taxable Social Security Benefits for Social Security Recipients | 3 |
| Table 2. Calculation of Taxable Income for Examples of Single Filers Age 65 or Older | 6 |
| Table 3. Calculation of Taxable Income for Examples of Married Couples Filing Jointly with at Least One Social Security Recipient and One Spouse Age 65 or Older | 7 |
| Table 4. Social Security Beneficiaries in Current Pay Status | 8 |

Contacts

| | |
|-------------------------|----|
| Author Information..... | 10 |
|-------------------------|----|

Introduction

Social Security provides monthly cash benefits to eligible retired or disabled workers and their family members and to the eligible family members of deceased workers. In May 2025, the Social Security system provided \$129.4 billion in monthly benefits to 69.6 million retired or disabled workers and spouses, survivors, and dependents of insured workers.¹ Since 1984, a portion of Social Security benefits is subject to federal income tax, depending on the beneficiary's income and other factors.

This report highlights how taxation of benefits is impacted by the new senior deduction in Section 70103 of the recently enacted P.L. 119-21. While the new senior deduction has been discussed in the context of taxation of Social Security benefits, the calculation of taxable Social Security benefits remains unchanged in Section 86 of the Internal Revenue Code.² The main eligibility requirements for the senior deduction are that (1) the taxpayer be age 65 or older, (2) the taxpayer have a work-authorized Social Security number, and (3) if married, the taxpayer must file a joint return.

Taxation of Social Security Benefits

Taxation of Social Security benefits began with the Social Security Amendments of 1983. The rationale for taxing Social Security benefits included improving tax equity by treating Social Security benefits more like other forms of retirement income and other income designed to replace lost wages. Further, it provided revenue to strengthen the financial solvency of the Social Security trust funds.³

Under current law, the amount of Social Security benefits included in a taxpayer's income is calculated using a statutory formula. Up to 85% of Social Security benefits can be included in taxable income for recipients whose "provisional income" exceeds either of two statutory thresholds (based on filing status). Provisional income is adjusted gross income *plus* certain otherwise tax-exempt income (tax-exempt interest) *plus* certain income specifically excluded from federal income taxation (interest on certain U.S. savings bonds, employer-provided adoption benefits, foreign earned income or foreign housing, and income earned in Puerto Rico or American Samoa by bona fide residents) *plus* 50% of Social Security benefits.

Social Security beneficiaries whose *provisional income* is above one of two statutory thresholds may pay federal income taxes on a portion of their Social Security benefits.⁴

The first-tier thresholds, below which no Social Security benefits are taxable, are \$25,000 of provisional income for taxpayers filing as single, head of household, or qualifying widow(er) and \$32,000 of provisional income for married taxpayers filing joint returns. In the case of taxpayers who are married filing separately, the threshold is also \$25,000 of provisional income if the

¹ Social Security Administration (SSA), "Monthly Statistical Snapshot, May 2025," Table 2, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2025-05.html.

² 26 U.S.C. §86.

³ Taxation of Social Security benefits improves the financial solvency of the trust funds because a portion of income tax liability attributable to Social Security benefits is transferred to the trust fund that pays those benefits. U.S. Congress, House Committee on Ways and Means, *Social Security Act Amendments of 1983*, report on H.R. 1900 together with additional and dissenting views, 98th Cong., 1st sess., March 4, 1983, Rept. 98-25 Part 1 (GPO, 1983), pp. 24-25.

⁴ This calculation determines Social Security benefits included in taxable income but does not determine the taxes due on taxable income.

spouses lived apart all year, but it is \$0 for those who lived together at any point during the tax year.

If provisional income is between the first-tier thresholds and the second-tier thresholds of \$34,000 (for single filers) or \$44,000 (for married couples filing jointly), the amount of Social Security benefits subject to tax is the lesser of (1) 50% of Social Security benefits or (2) 50% of provisional income in excess of the first threshold.

If provisional income is above the second-tier thresholds, the amount of Social Security benefits subject to tax is the lesser of (1) 85% of benefits or (2) 85% of provisional income above the second threshold plus the smaller of (a) \$4,500 (for single filers) or \$6,000 (for married filers) or (b) 50% of benefits.

Because the threshold for married taxpayers filing separately who have lived together any time during the tax year is \$0, the taxable benefits in such a case are the lesser of 85% of Social Security benefits or 85% of provisional income. None of the thresholds is indexed for inflation or wage growth.

The calculation of income tax due happens separately from the amount of Social Security benefits included in total income. The income tax due depends on the rest of the taxpayer's tax situation, especially on the total of any deductions the taxpayer is eligible for (including standard or itemized deductions and other deductions available only in certain situations, such as for qualified business income, educator expenses, or student loan interest paid).⁵ Therefore, some taxpayers may have taxable Social Security benefits included in income but not pay income tax on those benefits. **Table 1** illustrates how taxable benefits are determined for three examples of single taxpayers and two examples of married couples filing joint returns. The table uses an average benefit of \$1,857.75 per month⁶ per beneficiary, and the maximum benefit is \$5,108 per month for a beneficiary retiring at age 70 in 2025.⁷ The Census Bureau estimated that in 2023 persons 65 or older with retirement income received an average of \$28,150 in payments reported as survivor, disability, or retirement benefits, and persons 65 or older with earnings received an average of \$62,810 in earnings.⁸ The other income in both tables represents possible income from work, pensions, assets, or other sources. These tables calculate only the Social Security benefits that are includible in income under current law; they do not calculate tax liability or taxes paid on benefits.

⁵ For additional information on factors affecting income tax due, see CRS Report R48313, *Overview of the Federal Tax System in 2024*.

⁶ SSA, "Monthly Statistical Snapshot, May 2025," Table 2.

⁷ SSA Frequently Asked Question "What is the maximum Social Security retirement benefit payable?" <https://www.ssa.gov/faqs/en/questions/KA-01897.html>. Because beneficiaries who would receive the maximum benefit would have been high earners over their working lives, they would likely have other income from pensions or assets. This example assumes no income other than Social Security to illustrate the differential impact of having additional Social Security and non-Social Security income (in other examples) on the determination of taxable Social Security income.

⁸ U.S. Census Bureau, Current Population Survey Tables for Personal Income, Table PINC-08. Source of Income in 2023—People 15 Years Old and Over by Income of Specified Type in 2023, Age, Race, Hispanic Origin, and Sex, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-08.html>.

Table 1. Examples of Taxable Social Security Benefits for Social Security Recipients

| | Single | | Married Filing Jointly | | |
|---|----------------------------------|----------------------------------|----------------------------------|---------------------------------------|---|
| | Average Benefit, No Other Income | Maximum Benefit, No Other Income | Average Benefit, No Other Income | Two Average Benefits, No Other Income | One Average Benefit, One Average Earner |
| Step 1: Calculate Provisional Income | | | | | |
| Other income | \$0 | \$0 | \$28,150 | \$0 | \$62,810 |
| + 50% of Social Security | \$11,147 | \$30,648 | \$11,147 | \$22,293 | \$11,147 |
| = Provisional income | \$11,147 | \$30,648 | \$39,297 | \$22,293 | \$73,957 |
| Step 2: Compare Provisional Income to First-Tier Threshold | | | | | |
| First-tier threshold | \$25,000 | \$25,000 | \$25,000 | \$32,000 | \$32,000 |
| Excess over the first-tier threshold | Does not exceed—stop | \$5,648 | \$9,000 | Does not exceed—stop | \$12,000 |
| Lesser of | | | | | |
| • Provisional income <i>minus</i> first-tier threshold | | | | | |
| • Difference between first- and second-tier thresholds | | | | | |
| First-tier taxable benefits equals | \$0 | \$2,824 | \$4,500 | \$0 | \$6,000 |
| Lesser of | | | | | |
| • 50% of benefits | | | | | |
| • 50% of excess over first tier | | | | | |
| Step 3: Compare Provisional Income to Second-Tier Threshold | | | | | |
| Second-tier threshold | \$34,000 | \$34,000 | \$34,000 | \$44,000 | \$44,000 |
| Calculate excess over the second-tier threshold (provisional income <i>minus</i> second-tier threshold) | | Does not exceed—stop | \$5,297 | | \$29,957 |
| Second-tier taxable benefits equals 85% of excess over second-tier threshold | | | \$4,502 | | \$25,463 |

| | Single | | Married Filing Jointly | | |
|---|----------------------------------|----------------------------------|-------------------------------|---------------------------------------|---|
| | Average Benefit, No Other Income | Maximum Benefit, No Other Income | Average Benefit, Other Income | Two Average Benefits, No Other Income | One Average Benefit, One Average Earner |
| Step 4: Calculate Total Taxable Social Security Benefits | | | | | |
| If provisional income is: | \$0 | \$2,824 | \$9,002 | \$0 | \$18,949 |
| <ul style="list-style-type: none"> less than the first-tier threshold, no benefits are taxable; less than the second-tier threshold, taxable benefits equal first-tier taxable benefits; greater than the second-tier threshold, taxable benefits equal (1) the lesser of 85% of Social Security benefits or (2) first-tier taxable benefits plus second-tier taxable benefits | | | | | |

Source: CRS; Social Security Administration, “What Is the Maximum Social Security Retirement Benefit Payable?,” <https://www.ssa.gov/faqs/en/questions/KA-01897.html>; Social Security Administration, “Monthly Statistical Snapshot, May 2025,” Table 2, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2025-05.html; and U.S. Census Bureau, Current Population Survey Tables for Personal Income, Table PINC-08, Source of Income in 2023—People 15 Years Old and Over by Income of Specified Type in 2023, Age, Race, Hispanic Origin, and Sex, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-08.html>.

Notes: The maximum amount of first-tier taxable benefits is 50% of the difference between the second- and first-tier thresholds (50% of \$34,000-\$25,000 for single and 50% of \$44,000-\$32,000 for married filing jointly). Examples assume no exclusions or adjustments when determining provisional income. A taxpayer who is head of household, a qualifying surviving spouse, or married filing separately who lived apart from his or her spouse for the entire tax year is calculated as single. A taxpayer who is married filing separately who lived with his or her spouse at any time during the tax year has up to 85% of benefits included in income. The average benefit is the annualized monthly average for May 2025, the maximum benefit is the maximum Social Security retirement benefit payable for 2025, and average other income and average earnings are for 2023.

The Senior Deduction in P.L. 119-21

Section 70103 of P.L. 119-21 (commonly referred to as the One Big Beautiful Bill Act) contains the provision of an additional deduction for taxpayers ages 65 and older (senior deduction). This new senior deduction is available to taxpayers regardless of whether they claim the standard deduction or itemize their deductions. Under P.L. 119-21, the senior deduction is available for tax years 2025-2028.

The amount of the new senior deduction is \$6,000 per eligible individual and phases out by decreasing by 6% of the amount by which a taxpayer's modified adjusted gross income⁹ exceeds \$75,000 (\$150,000 for those married filing jointly, not adjusted for inflation). The senior deduction would be available to taxpayers only if they (and their spouses, if married filing jointly) have work-authorized Social Security numbers.¹⁰ As a deduction, it can be used to reduce taxable income by up to \$6,000 per eligible individual until taxable income is zero (and no tax is due). The deduction is not a tax credit, so it by itself will not create a tax refund (i.e., any unused deduction is lost).

For taxpayers who claim the standard deduction, this new senior deduction is distinct from and in addition to the additional standard deduction already available for taxpayers who are seniors or blind.¹¹ In 2025, this preexisting additional standard deduction is \$1,600 per qualifying individual for those married filing jointly for whom both spouses are blind or elderly and \$2,000 for qualifying taxpayers who are unmarried and not surviving spouses.¹² Unlike the new senior deduction, this additional standard deduction is available only to taxpayers who claim the standard deduction (not to taxpayers who itemize their deductions).

Effect of the Senior Deduction on Taxation of Social Security Benefits

The senior deduction is separate from the determination of the amount of Social Security benefits included in total income.¹³ The senior deduction is located in Section 151 of the Internal Revenue Code, does not change the calculation of how much of an individual's or couple's Social Security benefits is taxable (i.e., included in total income), and is not limited to Social Security beneficiaries. The determination of taxable Social Security benefits is located in Section 86 of the Internal Revenue Code and was not changed by P.L. 119-21. Taxable benefits are not limited by age. The senior deduction is age based and applied after taxable Social Security benefits are

⁹ For additional information on adjusted gross income and modified adjusted gross income, see Internal Revenue Service, "Adjusted Gross Income," <https://www.irs.gov/filing/adjusted-gross-income>.

¹⁰ CRS Report R47483, *Noncitizen Eligibility for Employment Authorization and Work-Authorized Social Security Numbers (SSNs)*.

¹¹ For additional information on the additional standard deduction for seniors or the blind, see Internal Revenue Service, "Publication 501 (2024), Dependents, Standard Deduction, and Filing Information," https://www.irs.gov/publications/p501#en_US_2024_publink1000221057.

¹² For additional information, see CRS Report R48611, *Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law*; CRS Report RL34498, *Federal Individual Income Tax Brackets, Standard Deduction, and Personal Exemption: 1988 to 2025*; and CRS Report R48313, *Overview of the Federal Tax System in 2024*.

¹³ Generally, the Senate's Byrd rule prohibits changes to Social Security in the reconciliation process. See CRS Report RL30862, *The Budget Reconciliation Process: The Senate's "Byrd Rule"*.

calculated. Generally, the senior deduction will decrease the taxes paid on a given amount of taxable income, which may include taxable Social Security benefits.¹⁴

Table 2 and **Table 3** provide simplified examples of calculations of the amounts of Social Security benefits that are included in income and then total taxable income assuming that only the standard and senior deductions are taken (i.e., no other deductions, exclusions, or credits). **Table 2** continues the examples from the calculation of taxable benefits in **Table 1** for persons filing as single and adds a working nonbeneficiary age 65 or older. **Table 3** continues the examples for married taxpayers filing jointly from **Table 1**.

Single and married-filing-jointly taxpayers who have income only from Social Security would not pay tax on their benefits with or without the senior deduction.¹⁵

Table 2. Calculation of Taxable Income for Examples of Single Filers Age 65 or Older

| | Average Benefit, No Other Income | Maximum Benefit, No Other Income | Average Benefit, Other Income | No Benefit, Average Earnings |
|--|--|--|-------------------------------------|------------------------------------|
| Social Security | \$22,293 | \$61,296 | \$22,293 | \$0 |
| Other income | \$0 | \$0 | \$28,150 | \$62,810 |
| Taxable Social Security benefits | \$0 | \$2,824 | \$9,002 | \$0 |
| Adjusted gross income | \$0 | \$2,824 | \$37,152 | \$62,810 |
| Calculating 2025 Taxable Income Before Senior Deduction Under P.L. 119-21 | | | | |
| Standard deduction | \$15,000 | \$15,000 | \$15,000 | \$15,000 |
| Additional standard deduction for taxpayers who are seniors or blind | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| Taxable income | \$0 | \$0 | \$20,152 | \$45,810 |
| Calculating 2025 Taxable Income Under Current Law with Senior Deduction | | | | |
| Standard deduction | \$15,750 | \$15,750 | \$15,750 | \$15,750 |
| Additional standard deduction for taxpayers who are seniors or blind | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| Senior deduction | \$6,000 | \$6,000 | \$6,000 | \$6,000 |
| Taxable income | \$0 | \$0 | \$13,402 | \$39,060 |

Source: CRS; Social Security Administration, “Monthly Statistical Snapshot, May 2025,” Table 2, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2025-05.html; and U.S. Census Bureau, Current Population Survey Tables for Personal Income, Table PINC-08. Source of Income in 2023—People 15 Years Old

¹⁴ Individuals and couples who had no tax liability before the enactment of P.L. 119-21 continue to have no tax liability after the new senior deduction is applied. The senior deduction begins to phase out at \$75,000 for singles and \$150,000 for couples, so tax returns beyond the phaseout do not have a decrease in taxable income or tax from the senior deduction.

¹⁵ A married couple filing jointly in which each spouse received the maximum Social Security benefit of \$61,296 (\$122,592 total) with no other income would have \$20,702 in taxable Social Security, less than their \$31,500 standard deduction. The deductions available to and taken by taxpayers who are married filing separately but who lived together during the tax year vary depending on a number of factors. Even with no other income, taxable Social Security benefits may exceed the standard deduction for these taxpayers.

and Over by Income of Specified Type in 2023, Age, Race, Hispanic Origin, and Sex, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-08.html>.

Notes: This table assumes that all *Other income* is taxable, there are no adjustments to total income—that is, adjusted gross income equals total income—and example taxpayers are claiming only the standard deduction and the senior deduction. The average benefit is the annualized monthly average for May 2025, the maximum benefit is the maximum Social Security retirement benefit payable for 2025, and average other income and average earnings are for 2023.

Table 3. Calculation of Taxable Income for Examples of Married Couples Filing Jointly with at Least One Social Security Recipient and One Spouse Age 65 or Older

| | Two Average Benefits, No Other Income | | Two Average Benefits, Other Income | | One Average Benefit, One Average Earner | |
|--|---------------------------------------|----------|------------------------------------|----------|---|----------|
| | 1 | 2 | 1 | 2 | 1 | 2 |
| Number of persons 65 or older in the married couple^a | | | | | | |
| Social Security | \$44,586 | | \$44,586 | | \$22,293 | |
| Other income | \$0 | | \$28,150 | | \$62,810 | |
| Taxable Social Security benefits | \$0 | | \$9,002 | | \$18,949 | |
| Adjusted gross income | \$0 | | \$37,152 | | \$81,759 | |
| Calculating 2025 Taxable Income Before Senior Deduction Under P.L. 119-21 | | | | | | |
| Standard deduction | \$30,000 | \$30,000 | \$30,000 | \$30,000 | \$30,000 | \$30,000 |
| Additional standard deduction for taxpayers who are seniors or blind | \$1,600 | \$3,200 | \$1,600 | \$3,200 | \$1,600 | \$3,200 |
| Taxable income | \$0 | \$0 | \$5,552 | \$3,952 | \$50,159 | \$48,559 |
| Calculating 2025 Taxable Income Under Current Law with Senior Deduction | | | | | | |
| Standard deduction | \$31,500 | \$31,500 | \$31,500 | \$31,500 | \$31,500 | \$31,500 |
| Additional standard deduction for taxpayers who are seniors or blind | \$1,600 | \$3,200 | \$1,600 | \$3,200 | \$1,600 | \$3,200 |
| Senior deduction | \$6,000 | \$12,000 | \$6,000 | \$12,000 | \$6,000 | \$12,000 |
| Taxable income | \$0 | \$0 | \$0 | \$0 | \$42,259 | \$35,259 |

Source: CRS; Social Security Administration, “Monthly Statistical Snapshot, May 2025,” Table 2, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2025-05.html; and U.S. Census Bureau, Current Population Survey Tables for Personal Income, Table PINC-08. Source of Income in 2023—People 15 Years Old and Over by Income of Specified Type in 2023, Age, Race, Hispanic Origin, and Sex, <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-08.html>.

Notes: Calculation of taxable Social Security benefits assumes married filing jointly and is not dependent on the age of the taxpayers. This table assumes that all *Other income* is taxable, there are no adjustments to total income—that is, adjusted gross income equals total income—and example taxpayers are claiming only the standard deduction and the senior deduction. The average benefit is the annualized monthly average for May

2025, the maximum benefit is the maximum Social Security retirement benefit payable for 2025, and average other income and average earnings are for 2023.

- a. Determination of taxable Social Security benefits is not contingent on whether a beneficiary is 65 or older. Application of the additional standard deduction for taxpayers who are senior or blind and the senior deduction from P.L. 119-21 are contingent on the age(s) of the taxpayers.

Additional Considerations

Coverage of Social Security Beneficiaries by the Senior Deduction

Not all Social Security beneficiaries are age 65 or older. Eligible retired workers and spouses collecting benefits on the basis of age may begin claiming benefits at age 62. Survivor and disability beneficiaries may claim benefits during childhood and working ages.¹⁶ **Table 4** shows that approximately one in five beneficiaries in current pay status in December 2023 were under the age of 65.¹⁷

Table 4. Social Security Beneficiaries in Current Pay Status
December 2023

| Benefit type | All | Under age 65 | | Age 65 or older | |
|---|-------------------|------------------|--------------|-------------------|--------------|
| Total, Old-Age, Survivors, and Disability Insurance | 67,076,966 | 13,568,954 | 20.2% | 53,508,012 | 79.8% |
| Old-Age and Survivors Insurance | 58,563,242 | 5,933,434 | 10.1% | 52,629,808 | 89.9% |
| Retirement benefits | 52,729,819 | 3,317,695 | 6.3% | 49,412,124 | 93.7% |
| Retired workers | 50,147,679 | 2,518,674 | 5.0% | 47,629,005 | 95.0% |
| Spouses of retired workers | 1,896,329 | 115,996 | 6.1% | 1,780,333 | 93.9% |
| Children of retired workers | 685,811 | 683,025 | 99.6% | 2,786 | 0.4% |
| Survivor benefits | 5,833,423 | 2,615,739 | 44.8% | 3,217,684 | 55.2% |
| Children of deceased workers | 2,036,739 | 1,925,845 | 94.6% | 110,894 | 5.4% |
| Widowed mothers and fathers | 107,591 | 105,416 | 98.0% | 2,175 | 2.0% |
| Nondisabled widow(er)s | 3,487,630 | 408,334 | 11.7% | 3,079,296 | 88.3% |
| Disabled widow(er)s | 200,644 | 176,130 | 87.8% | 24,514 | 12.2% |
| Parents of deceased workers | 819 | 14 | 1.7% | 805 | 98.3% |
| Disability Insurance | 8,513,724 | 7,635,520 | 89.7% | 878,204 | 10.3% |
| Disabled workers | 7,365,987 | 6,528,492 | 88.6% | 837,495 | 11.4% |
| Spouses of disabled workers | 87,898 | 47,189 | 53.7% | 40,709 | 46.3% |
| Children of disabled workers | 1,059,839 | 1,059,839 | 100.0% | 0 | 0.0% |

¹⁶ For a discussion of beneficiary types and eligibility, see CRS Report R42035, *Social Security Primer*.

¹⁷ Also, in December 2023, 131,366 beneficiaries received Social Security disability benefits because of blindness. SSA, *Annual Statistical Report on the Social Security Disability Insurance Program, 2023*, Table 12, https://www.ssa.gov/policy/docs/statcomps/di_asr/2023/di_asr23.pdf.

Source: CRS calculations from Social Security Administration, *Annual Statistical Supplement, 2024*, Tables 5.A1 and 5.A1.1-5.A1.8 and Glossary (current pay status and dual entitlement (OASDI)).

Notes: Old-Age, Survivors, and Disability Insurance (OASDI) is the formal name for Social Security. Beneficiaries in current pay status are those who are paid a benefit for a given month, with or without deductions, provided the deductions add to less than a full month's benefit. A benefit in current-payment status at the end of a month is usually payable in the following month.

The Senior Deduction for Seniors Who Do Not Receive Social Security Benefits

The senior deduction in P.L. 119-21 is available to all taxpayers age 65 and older with work-authorized Social Security numbers. The taxpayer does not need to receive benefits from Social Security to qualify for it. The Census Bureau estimated that in 2023 about 17% of persons 65 or older with income did not receive Social Security benefits.¹⁸ The Social Security Administration estimated that as of June 30, 2025, about 87% of the population age 65 and over were receiving benefits.¹⁹

There are multiple potential reasons for not receiving Social Security benefits at age 65. For example, some taxpayers may choose to delay claiming benefits to increase their payment amounts.²⁰ Some may have worked in jobs that were not covered by Social Security, such as clergy or certain federal, state, and local government workers.²¹ Also, some workers may not have achieved insured status to be eligible for benefits, such as immigrants who entered the United States later in life or sporadic workers.²²

Effects on the Social Security and Hospital Insurance Trust Funds

The proceeds from taxing up to 50% of Social Security benefits for beneficiaries with provisional income between the first-tier and second-tier thresholds are credited to Social Security's two trust funds—the Old-Age and Survivors Insurance and Disability Insurance trust funds—on the basis of the source of the benefits taxed. Additional proceeds from taxing up to 85% of benefits for beneficiaries with provisional income above the second-tier thresholds are credited to Medicare's Hospital Insurance trust fund.²³ In 2024, the Social Security trust funds were credited with \$55.1 billion from the taxation of Social Security benefits, or 3.9% of the trust funds' total income.²⁴ Also in 2024, income to the Medicare Hospital Insurance trust fund from the taxation of Social Security benefits was \$39.8 billion, or 8.8% of the trust fund's total income.²⁵

¹⁸ U.S. Census Bureau, Current Population Survey Tables for Personal Income, Table PINC-08.

¹⁹ SSA estimates that this increases to about 92% for those age 75 or older. SSA, "Fact Sheet on the Old-Age, Survivors, and Disability Insurance Program," June 30, 2025, <https://www.ssa.gov/OACT/FACTS/index.html>.

²⁰ See SSA, "Early or Late Retirement?," https://www.ssa.gov/OACT/quickcalc/early_late.html.

²¹ For more about coverage of the Social Security system, see CRS In Focus IF11824, *Social Security: Who Is Covered Under the Program?*

²² See also SSA, "Never Beneficiaries, Aged 60 or Older, 2024," <https://www.ssa.gov/policy/docs/population-profiles/never-beneficiaries.html>.

²³ CRS Report RL32552, *Social Security: Taxation of Benefits*.

²⁴ SSA, Trust Fund Data, "Old-Age, Survivors, and Disability Insurance Trust Funds Income," <https://www.ssa.gov/oact/STATS/table4a3.html#income>.

²⁵ Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *2025 Annual Report of the Boards of Trustees of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund*, Table III.B4, <https://www.cms.gov/oact/tr/2025#page=62>.

By increasing deductions, the senior deduction may lead to less taxable income and therefore result in less money credited to the Social Security trust funds. The Department of the Treasury's Office of Tax Analysis uses its Individual Income Tax Model (ITM) to estimate the amount of tax liability attributable to the taxation of benefits. It explains

The ITM uses the tax and information return data and extrapolations to estimate the amount of Social Security and Railroad Social Security Equivalent benefits included in AGI [adjusted gross income] and the Federal income tax liability attributable to the inclusion of those benefits for all of the filing units in the model. To do this, each tax unit's liability is estimated with and without the inclusion of benefits received by that tax unit. The difference between those two levels of income tax liability equals the tax liability attributable to the inclusion of benefits. The ITM results are used to calculate both the percentage of total benefits included in AGI and the average effective marginal tax rates applicable to the taxable benefits. Final estimates of tax liability attributable to the partial inclusion of benefits are produced using a spreadsheet-based model. This model blends the estimates of the percent of benefits in AGI and the average effective marginal tax rates with more recent tax return information (not available when the ITM is extrapolated) and the most current tax collection information.²⁶

Intuitively, consider beneficiaries with taxable benefits who would have paid tax without the senior deduction but who no longer will under the new senior deduction. Because they no longer have a tax liability, none of it can be attributed to taxable Social Security in the ITM using the current methodology. Similarly, the increased senior deduction may result in taxpayers being in lower tax brackets and paying lower marginal tax rates. Both of these situations would likely lower the tax on benefits going to the trust funds under the current ITM methodology.

There may also be higher-order effects on beneficiaries' decisions to work that are indeterminate in how they could impact the trust funds. For example, beneficiaries may choose to work (or work more) because they may pay less in income tax on their earnings due to the deduction. As a result, such workers would contribute more to the trust funds through payroll taxes. Alternatively, beneficiaries could choose not to work (or work less) because the deduction has allowed them to keep more of their income. If so, they would pay less in payroll taxes, lowering revenues for the trust funds.

Author Information

T. Lynn Sears
Analyst in Social Policy

²⁶ U.S. Department of the Treasury, Office of Tax Analysis, *Report on the Taxation of Social Security and Railroad Retirement Benefits in Calendar Years 2015 Through 2020*, November 2024, p. 20, <https://home.treasury.gov/system/files/131/Report-Taxation-Social-Security-2015-2020.pdf#page=20>.

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.