TABLE 3.—RATIOS OF TOTAL TAXES (1966–2008) TO TOTAL BENEFITS (2009–22) UNDER ALTERNATIVE CONDITIONS: THE MAXIMUM EARNER AND THE AVERAGE EARNER

Worker and taxes	Employee's retirement benefit						Employee's retirement and wife's benefits						Maximum family payments					
	I	II	III	IV	V	VI	I	II	III	IV	V	VI	I	II	III	IV	V	VI
Maximum earner:																		
Employee taxes	1.16	0.69	0.53	0.51	0.39	0.45	0.77	0.46	0.36	0.34	0.26	0.30	0.53	0.32	0.24	0.23	0.18	0.20
Combined employee-employer taxes	2.32	1.39	1.07	1.01	.78	.89	1.55	.93	.71	.67	.52	.60	1.05	.63	.49	.46	.35	.41
Employee taxes plus 50 percent of employer taxes	1.74	1.04	.80	.76	.58	.67	1.16	.69	.53	.51	.39	.45	.79	.47	.36	.34	.27	.31
Average earner:																		
Employee taxes	.90	.52	.40	.39	.30	.35	.60	.35	.27	.26	.20	.23	.45	.26	.20	.20	.15	.17
Combined employee-employer taxes	1.80	1.04	.80	.78	.60	.69	1.20	.70	.54	.52	.40	.46	.90	.52	.40	.39	.30	.35
Employee taxes plus 50 percent of employer taxes	1.35	.78	.60	.59	.45	.52	.90	.52	.40	.39	.30	.35	.67	.39	.30	.29	.23	.26

NOTES TO TABLES 1, 2, AND 3

1. The maximum earner is the worker whose earnings are at least equal to the maximum taxable earnings. The average earner is the worker whose earnings are at the level of the average taxable earnings. Calculations in tables 1 and 2 assume tax payments for 29 years and benefit receipts for 14 years. Calculations in table 3 assume tax payments for 43 years and benefit receipts for 14 years.

2. Tax-benefit ratios are obtained by dividing the total compounded value of taxes by the total discounted value of benefits. To illustrate, the ratio is 0.5 when the discounted value of benefits is twice as much as the compounded value of taxes; the ratio is 2 when the compounded value of taxes is twice as much as the discounted value of benefits.

3. Formulas for computing the total compounded value of taxes and total discounted value of benefits are explained in the text. The benchmark year for compounding and discounting in tables 1 and 2 is 1965; in table 3, it is the year 2008.

4. Tax-benefit ratios in table 3 for the 6 cases (I through VI) are computed according to the conditions listed in the table at end of notes.

5. Maximum taxable earnings in cases II and III are assumed to be changed every 10 years. Projections of the maximum taxable earnings in future years are based on the relation between average taxable earnings and maximum taxable earnings from 1937 to 1965. The data on the average taxable earnings in past years were provided by the Office of the Actuary, Social Security Administration, letter to the author, Apr. 7, 1967. Average taxable earnings after 1966 are assumed to increase at 3 percent per year.

6. The annual rate of increase in cases III and V (4.2 percent) is the average rate of increase in benefit payments to the retired worker from 1940 to 1966, computed from "Average Monthly Benefit Amount in Current Payment Status for the Selected Types of Beneficiaries, in Actual and Constant Dollars, Dec. 1940-66," a table provided by Dr. Benjamin Bridges, Jr., Division of Research and Statistics, Social Security Administration, April 1967.