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what that could mean for retirees and workers.

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By Katelyn Washington, Kiplinger Consumer News Service (TNS)

A proposal to end federal tax on Social Security retirement benefits would provide relief for retirees as early as next year. That's because, as the [bill](#) is worded, federal taxes on Social Security income would be eliminated beginning in 2025 (tax returns filed in early 2026). The You Earned It, You Keep It Act is referred to as a “win-win” by its sponsor, Minnesota Rep. Angie Craig (D-Minn.).

“It’s a tax cut for seniors and a way to ensure more Americans can depend on

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many retirees, especially those who receive other types of taxable income, such as from wages or distributions from retirement accounts. That’s because up to 85% of Social Security benefits are taxable at the federal level.

According to one [analysis](#) by the Social Security Office of the Actuary, provisions in the You Earned It, You Keep It bill would also benefit retirees (and other Social Security recipients) for decades. That’s because the bill would ensure payments could be made in full through 2054. That’s significantly longer than the current projection of the Social Security program becoming insolvent by 2034, based on a [report](#) from the Social Security and Medicare Boards of Trustees.

That same analysis finds that passing the proposed legislation would significantly reduce federal debt over the next several decades by nearly \$9 trillion. That’s because eliminating the tax on Social Security benefits would be paid for by increasing taxes on higher earners.

Social Security tax increase

The proposed legislation calls for increasing the [Social Security wage base](#), which means that high earners would help foot the bill for eliminating the federal tax on retirement benefits.

As Kiplinger reported, the Social Security tax wage base jumped 5.2% from 2023 to 2024.

- The Social Security payroll tax wage base was \$160,200 last year.
- The wage base increased to \$168,600 for this year, 2024.

But You Earned It, You Keep It would further increase the wage limit to over \$250,000, which means that high earners could pay the 6.2% payroll tax on nearly

\$100,000 more of their wages.

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retirees will still pay state income tax on Social Security income.

The list of states that tax Social Security has grown smaller in recent years. (Missouri and Nebraska stopped taxing Social Security this year). But nine states still tax Social Security as of 2024, one of which is Minnesota—the state Rep. Craig represents.

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