

Reducing Social Security Overpayments

Understanding the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO)

OVERVIEW

The Middle Class Tax Relief & Job Creation Act would reduce Social Security overpayments by improving coordination with States and local governments.

BACKGROUND

About one-fourth of public employees, primarily state and local government workers, are not covered by Social Security and do not pay Social Security taxes on their government earnings. Congress has enacted two benefit offset provisions to ensure fairness to all workers:

- **Windfall Elimination Provision (WEP)** – Some public employees pay into a State or local pension instead of Social Security. If they later become eligible for Social Security benefits, they appear to be low earners under Social Security’s benefit formula, since their earnings record shows many years with zero income when they were in fact working and paying into a State or local pension. Without the WEP, enacted in 1983, these workers would receive a more progressive Social Security benefit or “windfall” than they are entitled to.
- **Government Pension Offset (GPO)** - The GPO was enacted in 1977 to help equalize treatment of working spouses. Before the GPO, public employees who paid into a public employee pension instead of Social Security could collect full spousal benefits, whereas workers who were required to pay into Social Security had their spousal benefits reduced dollar for dollar.

Preventing Social Security Overpayments and Improving Coordination and Enforcement

- Overpayments often result when Social Security beneficiaries fail to report that they are also receiving a pension from non-covered work. Under the proposal, state and local government pension payers, the IRS and the Social Security Administration (SSA) would use IRS Form 1099R to identify those receiving government pensions to improve SSA’s enforcement of the existing WEP and GPO rules.
- This reporting provision would apply to pension income received after December 31, 2012.
- Both the Obama and Bush administrations have proposed similar policy in previous budget requests.

BY THE NUMBERS

Projected Savings: \$3.19 billion (Congressional Budget Office)