NRLN
NATIONAL RETIREE LEGISLATIVE NETWORK

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May 5, 2020

The Honorable Kevin Brady, Ranking Member
Committee on Ways and Means
U.S. House of Representatives
1011 Longworth House Office Building
Washington, DC 20515-4308

Dear Representative Brady:

As you know, President Trump has repeatedly called for Congress to suspend the payroll tax for the rest of 2020 as an economic stimulus due to the coronavirus pandemic. On behalf of the more than 2 million retirees and future retirees represented by the National Retiree Legislative Network (NRLN), I urge you to oppose this request because of the damage it would do to the funding for Social Security and Medicare. **The payroll tax is vital to Social Security and Medicare!**

The Social Security and Medicare Trustees' report issued on April 22 is the latest evidence on the funding shortfalls the programs are headed toward in a few years.

Social Security's Old-Age and Survivors Insurance (OASI) Trust Fund, which pays retirement and survivors benefits, will only be able to pay benefits until 2034. At that time, the fund's reserves will only be able to pay 76% of benefits. The Disability Insurance (DI) Trust Fund, will be able to pay scheduled benefits until 2065 and afterwards pay 92% of benefits.

Medicare's Hospital Insurance (HI) Trust Fund, Medicare Part A, will only be able to pay scheduled benefits until 2026. Then it will only be able to pay 90% of benefits. The Supplemental Medical Insurance (SMI), Medicare Part B and D, is adequately financed into the future because of financing from the general revenues and beneficiary premiums.

While some of the Trustees' projected dates for benefit cuts may not impact our oldest Americans, we also need to consider whether the benefits will be available for our children and grandchildren since both Social Security and Medicare were designed for a 75-year actuarial deficit. Trustees could not estimate the negative impact of the coronavirus on funding for Social Security and Medicare, but it is likely to be significant. Why not include dollars equivalent to seven months payroll tax relief (May–December 2020) in the next round of COVID-19 funding, and pay a lump sum?

Only the employed workers and companies continuing their operations would benefit from the suspension of the payroll tax. The millions of unemployed workers due to the coronavirus pandemic would not benefit. The millions of Americans who have been unemployed and the businesses that have been closed because of the coronavirus pandemic have not been paying a payroll tax to support Social Security and Medicare.

The COVID-19 situation does highlight the importance of Social Security and that roughly 40% of those over age 65 depend on it as a major source of income. Perhaps now is the time to fulfil the commitment to both programs' long-term needs by increasing the taxable earnings limit to $400,000 annually and to switch from CPI-W to CPI-E to more accurately reflect out of control healthcare costs.

In 2010 Congress lowered the payroll tax by 2% to stimulate the economy for 2011 and 2012. According to the Tax Foundation, the economic evidence suggested this tax holiday was mostly saved by households, reducing the effectiveness of the payroll tax suspension as an economic stimulus.

Temporarily suspending the payroll tax would be a "slippery slope". If the payroll tax was temporarily suspended in 2020, would Congress have the courage to re-institute it in 2021 since some members of Congress could consider it a tax increase?

I hope to hear from you that you recognize the importance of funding for Social Security and Medicare and will oppose any consideration for temporarily spending of the payroll tax.

Sincerely,

Bill Kadereit

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