



March 10, 2020

Dear Member of Congress:

Social Security Works strongly opposes the Trump Administration proposal to cut the Social Security contribution rate. Even if the proposal were to replace Social Security's dedicated revenue with deficit-funded general revenue, the proposal would undermine this vital program. We urge you, as emphatically as we can, to oppose any reduction in Social Security's dedicated revenue.

The proposal is a Trojan Horse. It appears to be a gift, in the form of middle-class tax relief, but would, in the long run, lead to the destruction of working Americans' fundamental economic security. While the goal of the proposal is stated in terms of fiscal stimulus, its most important impact, if not its intent, is to do what opponents of Social Security have been unable to do – end Social Security as we know it.

Other approaches, such as a one-time progressively structured direct payment, restoring and expanding the Making Work Pay Tax Credit, or expanding the existing Earned Income Tax Credit provide greater economic stimulus, are more targeted and equitable, and place no administrative burdens on employers. The only reason to support this proposal above those others is to undermine Social Security.

As revealed by the chart below, cutting the contribution rate is a deficient stimulus. Most of the benefit would go to the wealthiest Americans – including CEOs, Senators, Congresspeople, and members of the Trump Administration – who are the least likely to spend the extra money. The other big winners are the nation's largest corporations and other employers. The lower workers' wages are, the lower their benefit. Moreover, those state and local employees who do not participate in Social Security, would get nothing.

What Trump is proposing to cut, to be clear, are Federal Insurance Contributions Act payments. As the name indicates, these payments are not general taxes, but insurance contributions, or, in today's parlance, insurance premiums. By law, they can only be used to pay Social Security insurance benefits and their associated administrative costs. Social Security has no borrowing authority. Consequently, Social Security does not and, by law, cannot, add even a penny to the deficit. If Social Security were ever to have insufficient revenue to cover every penny of these costs, those benefits would not be paid.

The late President Ronald Reagan eloquently [explained](#), in his words, “Social Security has nothing to do with the deficit.” This proposal would change that, at least temporarily, if Social Security’s dedicated revenue were replaced with general revenue. (Of course, more accurately, the dedicated revenue would be replaced with borrowed money since the general fund is running unprecedentedly large deficits.)

The proposal would either undermine Social Security’s financing or employ general revenue, both of which would set the stage for future demands to cut Social Security. And it likely would not be temporary. When the cut would be set to expire, opponents of Social Security would undoubtedly characterize its expiration as a middle-class tax increase.

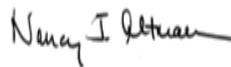
Too many Americans believe, understandably, that their Social Security contributions have been stolen. Using their contributions for economic stimulus would reveal that their elected officials indeed do not respect the fire wall between their contributions that are held in trust and can be used only for their dedicated purpose – and the taxes they pay to the federal government that are held in the general fund and can be used for any constitutional purpose that Congress chooses.

Most fundamentally, the supposed purpose of the stimulus legislation is to address the coronavirus crisis. Tax cuts do not meaningfully address the coronavirus, or even the resulting market panic. We do want to ensure that people have the cash they need while they face massive uncertainties around employment and other costs. We want people to stay home as much as needed without having to worry about paying their rent or other costs. What we need most is a robust public health response, which the Trump Administration is utterly failing to provide.

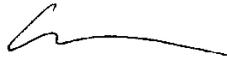
Earlier this week, Speaker Nancy Pelosi and Senate Minority Leader Chuck Schumer released [an excellent list](#) of steps we should take to combat the coronavirus. Their plan includes paid sick leave, free coronavirus testing, and treatment for all. Our government should enact these measures, not undermine Social Security by slashing its dedicated revenue.

Please know that we and our allies in the Social Security community are watching closely to see how our elected officials deal with this proposal. Thank you for your consideration of our views.

Sincerely,



Nancy J. Altman
President



Alex Lawson
Executive Director

One Time Cash Payment vs. Making Work Pay Tax Credit vs. 2% FICA Cut

Income Level or Occupation of Worker	One Time Payment Mailed Directly to anyone earning less than \$100,000 ¹	“Making Work Pay” Tax Credit for Individuals, Doubled in Size (\$120 billion cost in 2011 dollars)	2% Social Security Cut (\$120 billion cost in 2011 dollars)
President Trump, Members of Congress	\$0	\$0	\$2,740
CEOs of Wall Street banks and Fortune 500 Companies	\$0	\$0	\$2,740
Minimum Wage Earner (earnings of \$15,080)	\$1200	\$800	\$302
Middle Income Earner (earnings of \$40,000)	\$1200	\$800	\$800
“Maximum” Earner (earnings of \$137,700)	\$600	\$0	\$2,740
Millions of State & Local Workers, and Thousands of Federal Workers²	\$1200	\$800	\$0

¹ The payment should be structured to gradually phase out at higher income levels.

² More than 6 million federal, state and local government employees (about 600,000 federal workers, hired before January 1, 1984, and about 5.7 million state and local workers) were not covered by Social Security and thus did not receive a tax cut under the Social Security “holiday.”