

FAQ: DONALD TRUMP'S HARMFUL SOCIAL SECURITY PLAN

What was the action the President recently took to suspend collection of payroll contributions?

On August 8, 2020, Donald Trump [ordered](#) the Secretary of the Treasury to defer Social Security contributions (i.e., payroll taxes) from September 1, 2020 until December 31, 2020, pursuant to [Section 7508A](#) of the Internal Revenue Code. That section authorizes the Secretary of the Treasury to disregard the tax liability of taxpayers determined to be affected by federally declared disasters, terrorist attacks, or military actions. Because the contributions are simply deferred, employers that do not withhold the funds will have to withhold double in 2021.

The U.S. Chamber of Commerce has stated that Trump's action will impose "serious hardships." Though justified as a response to the current economic collapse, the action will not help those who are unemployed, the forty percent of public school teachers and two out of three police and firefighters, who do not participate in Social Security. It does, however, set a dangerous precedent of a president unilaterally jeopardizing Social Security's dedicated revenue, which allows the payment of all benefits in full and on time, as well as all related administrative costs.

How will this affect the Social Security Trust Funds and payment of benefits?

Social Security has three sources of revenue: (1) employee contributions matched dollar-for-dollar by employers; (2) investment income on the Treasury bonds held by Social Security in trust for contributors and beneficiaries; and (3) dedicated revenue from the taxation of benefits. In 2019, 89 percent of Social Security's revenue came from the first source, the Social Security contributions.

The contributions the Trump administration has deferred amounts to about \$100 billion plus all interest earned on those deferred funds. Fortunately, Social Security has an accumulated reserve of \$2.9 trillion, so if the deferred funds are paid back in 2021, Social Security

would have lost the interest income, but all benefits will continue to be paid in full and on time.

At the same time, it sets a dangerous precedent with no real assistance to anyone. Someone who earns the minimum wage and works forty hours a week will only receive an additional \$35 every two weeks. That is, of course, if they receive anything at all. Employers are on the hook for the funds in 2021, so, though the government has not yet been clear, they may simply continue to withhold the money but not transmit it to Treasury until 2021. If the money is withheld, those employees will have twice as much withheld in 2021, which, if unexpected, could create substantial hardship.

What is the President proposing for ongoing suspension of payroll premium contributions?

When Trump signed the temporary deferral he also threatened to permanently "terminate" all Social Security contributions. He is saying, implicitly that he wants to end Social Security as we know it.

[According to the Chief Actuary of the Social Security Administration](#), if all Social Security contributions

stopped on January 1, 2021, the nearly 10 million people today getting Social Security Disability Insurance benefits would see those benefits stop abruptly in the middle of 2021. Those 55 million receiving Social Security Old Age and Survivors' Insurance benefits would see them disappear just two years later in 2023.

Can't Congress prevent him from causing this sort of harm to Social Security? If not, why?

Congress could stop him, but only with veto-proof majorities. Moreover, if Congress substituted general revenue, it would require a transfer of over \$1 trillion each and every year. And, substituting general revenue

would fundamentally change Social Security. As President Franklin D. Roosevelt explained, those contributions "give the contributors a legal, moral and political right to collect their [Social Security]."