

STRENGTHEN SOCIAL SECURITY

...don't cut it.

December 10, 2010

Dear Member of Congress:

On behalf of the Strengthen Social Security Campaign, which is comprised of 250 organizations representing more than 50 million members from many of the nation's leading aging, labor, disability, women's, children, consumer, civil rights and equality organizations, we urge you to **oppose the proposed payroll tax "holiday"** in the President's tax agreement with Republican leaders.

We strongly support the President's efforts to stimulate the economy and to extend tax cuts, tax credits and unemployment protections to low- and middle-income Americans, but a payroll tax "holiday" is the wrong way to do it. The proposal could significantly jeopardize the broad protections that Social Security provides to America's working families. Other approaches, which would not affect Social Security, are more stimulative, targeted, equitable, place no administrative burdens on employers, and don't require the transfer of \$120 billion from general revenues to Social Security.

Using Treasury funds to pay for a payroll tax "holiday" is unprecedented in Social Security's 75-year history – and dangerous. Social Security is very popular with the public because workers pay dedicated contributions and count on the promise of Social Security to be there when they retire, become disabled or die, thereby leaving their benefits to their survivors.

The current debate over the Bush tax cuts illustrates how difficult it is to return taxes to original levels once tax cuts have been enacted, even when the law includes an expiration date. This will likely be the case again in 2011 as the payroll tax "holiday" expires and the 2012 election campaign begins. Restoring the payroll tax to 6.2 percent from the reduced rate of 4.2 percent under the "holiday" would constitute a 48 percent increase in the payroll tax of every worker. By comparison, the debate over extending the Bush tax cuts involves just a 13 percent increase for income over \$384,000.

Under the proposed payroll tax "holiday," workers earning millions of dollars would receive a \$2,136 cut; a worker making \$40,000 would receive just \$800. The proposal also imposes new administrative costs on the nation's 7 million employers who will be obligated to recalculate benefits for the nation's workforce.

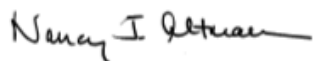
A far better approach that would not jeopardize Social Security is to provide a more targeted stimulus, without new administrative costs for employers, such as a tax credit, similar to the "Making Work Pay Tax Credit," included in the last stimulus package. If such a proposal is not

possible, we urge you, at a minimum to ensure that there is a clear phase-out of the tax break and a hold harmless provision to ensure the Social Security Trust Fund retains its current solvency. We also urge that you not describe this policy change as a “holiday,” and instead make clear that this is a one-time transfer from general revenues (e.g., “one-time economic recovery tax transfer”).

Unfortunately, even with a change in nomenclature, this proposal is likely to deepen the public’s distrust of Congress and the President, as most voters already believe that Social Security is being “raided.” Therefore, it is essential that the legislation make clear that in providing this “holiday” to America’s workers, Congress is keeping the promise to Social Security, as reflected in the proposal’s commitment to transfer general revenue to make the Trust Fund whole. Social Security’s dedicated revenue stream and the promise of Social Security benefits must in no way be diminished.

Thank you for your consideration of our views. We look forward to working with you to return Americans to work and provide tax fairness for working families, while protecting our nation’s most successful economic security program. If you need additional information, please contact Alison Reardon, Legislative Director, at areardon@socialsecurity-works.org, or 202-454-6190.

Sincerely,



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