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How A Balanced Budget Amendment Could Affect Your Social Security Benefits

Older Americans Not Taking Blame For Deficits Warns The Senior Citizens League

(Washington, DC) – Older Americans are not to blame for an exploding federal budget deficit warns The Senior Citizens League. “Congress can’t cut taxes by an estimated \$1.7 trillion and then turn around and blame rising deficits on ‘entitlements’ and aging,” says Mary Johnson, a Social Security and Medicare policy analyst for The Senior Citizens League.

A balanced budget amendment recently under consideration in Congress would have a disproportionate impact on Social Security and Medicare. These programs are responsible for [about 40 percent federal spending](#) in 2018. House Speaker Paul Ryan recently said he hopes to overhaul entitlement spending before he leaves Congress at the end of his term.

Social Security and Medicare benefits are paid for through payroll tax deductions from workers and their employers. Even after starting to receive benefits, close to 56 percent of retirees continue to pay into the programs through income taxes on a portion of their Social Security benefits. Medicare beneficiaries also pay premiums for Part B doctors and hospital outpatient insurance. Both programs are relied upon by tens of millions of older Americans for income and healthcare benefits. “According to the most recent surveys by The Senior Citizens League the public wants their lawmakers to protect these programs, but not by cutting benefits.” Johnson notes.

The latest report from the [Congressional Budget Office](#) says that after passage of recent massive tax and budget legislation, over the next decade the federal deficit is now expected to be \$2.7 trillion higher than estimated in June of 2017. “To put that in context, that’s close to the total amount of money that the federal government would need to cover the reserves held by the [Social Security Trust Fund](#) over the next 13 years,” Johnson points out.

The reserves held in the Social Security Trust Fund are special non-marketable bonds, or I.O.U.s — money that the U.S. Treasury owes to the Social Security Trust Fund for revenues borrowed during years since the late 1980’s when more payroll taxes were received than needed to pay benefits. “The federal government used those excess funds received in the past for other spending and replaced the funds with I.O.U.s,” Johnson explains. Since 2010 however, more has been paid out in benefits than revenues received. The reserves held by the Trust Fund are not actual cash revenues but bonds, so the funds that those I.O.U.s represent must be borrowed. Medicare benefits must also be provided for, which has led to major budget clashes in Congress in recent years.

Surveys by The Senior Citizens League find that older voters are strongly opposed to proposals that would cut benefits. For example, 73 percent support raising the amount of wages subject to Social Security payroll taxes by applying the full 12.4% payroll tax to wages above the taxable maximum —\$128,700 in 2018. Currently the highest earners — some 18 percent of all workers, pay no Social Security taxes on wages over the \$128,700 maximum — that includes Members of Congress who receive an annual salary \$174,000. Surveys have also found 90 percent strongly support allowing Medicare to negotiate drug costs.

The Senior Citizens League endorses legislation introduced by Representative Ted Deutch (FL-22) that would exempt Social Security, Medicare and Medicaid from any federal balanced budget requirement. “We believe that a constitutional amendment is not needed to address the problems these programs face,” Johnson says. “What we do need is strong program financing to ensure retirement and healthcare benefits for all.” What do you think? Take The Senior Citizens League’s 2018 Senior Survey at www.SeniorsLeague.org.

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With 1.2 million supporters, The Senior Citizens League is one of the nation’s largest nonpartisan seniors groups. Its mission is to promote and assist members and supporters, to educate and alert senior citizens about their rights and freedoms as U.S. Citizens, and to protect and defend the benefits senior citizens have earned and paid for. The Senior Citizens League is a proud affiliate of [The Retired Enlisted Association](http://www.TheRetiredEnlistedAssociation.org). Visit www.SeniorsLeague.org for more information.