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Payroll Tax Cuts Worsen Social Security and Medicare Funding Issues, Warns The Senior Citizens League

(Washington, DC) – President Trump is insisting on another payroll tax cut for any economic stimulus package. But the proposal is unlikely to provide financial help for unemployed workers who need the money, and would worsen existing financing problems for Social Security, Medicare, and program beneficiaries, warns The Senior Citizens League (TSCL). “Today’s retirees— more than 61.2 million people— depend on Social Security and Medicare payroll tax revenues for their Social Security and Medicare benefits,” says Mary Johnson, a Social Security and Medicare policy analyst. “Their number one concern is that down the line, benefits will be permanently cut to pay for these ‘temporary’ tax cuts,” she says.

According to the most recent [Social Security Trustees report](#), Social Security already pays out more in benefits than it receives in payroll taxes. In 2019, Social Security paid \$1,047.9 billion in benefits versus receiving \$944.5 billion in payroll tax revenues. Taxation of the benefits of retirees provides another \$36.5 billion in revenues, and \$80.8 billion is money from “interest” earned by the assets of the Social Security Trust funds, special non-marketable bonds. Social Security trustees forecast that the program will be depleted by 2035.

“At the same time Social Security payroll taxes have taken a huge hit due to tens of millions of people out of work, claims for Social Security will grow faster in 2020 than anticipated, as older adults lose their jobs,” says Johnson. Before the start of the coronavirus recession, many older workers may have delayed claiming Social Security to allow their benefits to grow. “But those who lose their jobs may have to go ahead and claim Social Security benefits now because they can’t afford to wait — especially if their retirement accounts have gone down significantly in value as well,” Johnson says.

The 2020 [Medicare Trustees report](#) recently estimated that the Hospital Insurance Trust fund will become depleted in six more years— 2026. “But the high level of hospitalizations due to the coronavirus for seriously ill Medicare patients may shorten the life expectancy of the Medicare Trust Fund,” Johnson says.

During the nation’s recovery from the 2007- 2009 Great Recession, and Troubled Asset Relief Program bailouts, Social Security and Medicare became frequent targets of deficit cut negotiations. Deficit plans included proposals to reduce annual cost-of-living adjustments (COLAs) by tying it to the more slowly – growing chained consumer price

index. The Budget Control Act of 2011 led to automatic 2% annual Medicare cuts on payments to providers. “That cut affected all Medicare providers, including hospitals, doctors, nursing staff,” Johnson observes. “These are very same providers that are now so dangerously strained by the coronavirus pandemic.”

The Senior Citizens League is opposed to the payroll tax cuts. To learn more visit 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. Visit www.SeniorsLeague.org for more information.