



## THE FICA DEFERRAL, A CALL TO ACTION FOR SENIORS:

Seniors: President Trump has announced a deferral of Federal Insurance Contributions Act (FICA) collections starting September 1<sup>st</sup>. Presumably, this deferral is to help the current stumbling US economy. He did so through an executive order because Congress has been unwilling to touch taxes that pay for Social Security and Medicare, two federal programs that most seniors expect.

Seniors: the deferral is a short-term fix; are you willing to risk your Social Security and Medicare for a short-term fix?

The original FICA tax was passed in 1935 along with Social Security solely for collection of employer/employee contributions to retirement benefits. Currently, employers pay FICA taxes along with employee withholding taxes. The announced deferral means that employers are not required to pay the employee contribution for Social Security in 2020. Of course, that reduces payments to the Social Security trust fund, the fund that pays for Social Security retirement checks and could put that fund at financial risk.

Seniors, are you happy that the fund that pays for your retirement is now threatened?

And maybe it is all for naught! Many employers have refused to follow this deferral as the tax implications of a FICA deferral are complex. Should the deferred FICA taxes become due in 2021, then employers will have double the FICA deduction from the employee paychecks, a significant reduction in employee net pay when economic prospects may not yet be favorable. If FICA taxes are further delayed, deferred employee contributions become subject to federal withholding taxes, an even larger reduction in employee net pay. Also, what should employers do for employees who change jobs? Therefore, most employers may continue collecting FICA employee contributions and save them in escrow accounts. Still, Trump's executive order puts cuts to Social Security and Medicare directly on the debate table.

Seniors, don't you think your long-term opposition to cuts to Social Security and Medicare should have counted?

Rebuffed by private industry, Trump has issued a second executive order requiring that government agencies and the military apply the FICA deferment. The federal government and military amount to about a sixth of the US economy so this reduced deferment is still a significant loss to the trust fund.

Seniors, should government agency and military policy be used against you?

President Trump has strongly suggested that should he win a second term, he will make the FICA deferment a permanent policy. Some analysts believe such a policy could bankrupt the Social Security trust fund in three to five years. In response, Trump has proposed recovering the deferments and funding future Social Security and Medicare costs through the general government fund. That policy puts Social Security and Medicare in competition with all other government services: defense, homeland security, interest on debt, agriculture, education, infrastructure, international business support, and so on. Likely, Social Security and Medicare will be rolled under the "welfare" part of the budget where cuts are justified to reduce "government dependency".

Seniors, should your Social Security retirement and Medicare health insurance, for which you contributed your whole working life, be reduced to nothing more than a government welfare program?

Trump enacted the FICA tax deferral through an executive order, a mechanism by which the President can temporarily bypass Congress. Congress gave Presidents such latitude because some events, like a hurricane disaster, require quick government intervention before Congress can convene. But that mechanism was not intended for long-term domestic policy. Indeed, the Constitution limits the President to just “faithfully execute the laws” from Congress for such policies. (Constitutional scholars claim those four words are the most important in the entire Constitution.) Others claim that President Obama, through Deferred Action for Childhood Arrivals (DACA) gave Trump cover for his use of executive orders, but DACA overlaps with US foreign policy, an arena that the Constitution gives the President wide latitude and authority. Trump claims “I am the law” for all policy, domestic and foreign, a stance that the authors of the Constitution would claim as harkening to dictatorship.

Seniors, are you willing to leave to your children and grandchildren a federal government run by executive dictatorship?

Seniors, isn't it time to defend our democracy and the programs, Social Security and Medicare, that so many seniors depend on? Isn't it time to say no to a President who subverts the Constitution through executive order? Isn't it time to say no to a Trump party (once known as the Republican party) that has long campaigned to end Social Security and Medicare? In 2005, you stood up when President Bush tried to privatize Social Security. Isn't it time to stand up again? SENIORS, STAND UP!

Yours,

Don Bye, Chair



Karla Sand, Vice Chair



/James Reed, Senior Caucus Secretary