August 20, 2020

Dear Member of Congress:

The Strengthen Social Security Coalition (SSSC) is a broad-based alliance of over 350 national and statewide organizations, including, among many others, women’s, labor, aging, disability, veterans, and civil rights groups representing over 50 million Americans.

The SSSC is deeply concerned about the recent executive action directing the Secretary of the Treasury to defer the collection of employees’ Social Security contributions through December 31, 2020. It is even more concerned in light of Donald Trump’s declared goal to permanently terminate all FICA payments, if re-elected.

The deferral is highly unlikely to increase workers’ pay, since it is the employer that will be liable to transmit the deferred funds to the Treasury. Consequently, employers will simply continue to withhold and put the funds in escrow so they are available when due.

Even if the deferral ends at the end of the year, Social Security will lose billions of dollars in interest. It also is unprecedented to defer the contributions of some workers but not all, as the executive action does.

More troubling, section 4 of the Memorandum implementing the action reads:

Sec. 4. Tax Forgiveness. The Secretary of the Treasury shall explore avenues, including legislation, to eliminate the obligation to pay the taxes deferred pursuant to the implementation of this memorandum.

Converting the deferral into forgiveness will cost Social Security around $100 billion. The president presumably lacks the authority to make Social Security’s trusts whole by transferring monies from the general fund. Nor has he urged Congress to do so.

Even if Congress did replace the funds, Social Security would be seriously injured. Social Security does not and cannot, under current law, add a penny to the federal debt or deficit of which the debt is comprised. That is because it has its own dedicated revenue, has no borrowing authority, and is prohibited from paying benefits in full and on time unless it has sufficient revenue to cover not only every penny of the cost of those benefits but every penny of related administrative costs, as well.

Among the reasons that Social Security is so popular is that it embodies the best of American values. One of those values is prudent, responsible management. Unlike the general fund, Social Security must have a balanced budget. Substituting borrowed monies transferred from the general
fund would open Social Security to the charge that it is adding to the debt and therefore must be considered in budget discussions. That would be a fundamental, destructive change.

Moreover, it would provide those who want fundamental changes in Social Security extraordinary leverage. Indeed, The Hill reported on August 11:

Senate Finance Committee Chairman Chuck Grassley (R-Iowa) said Tuesday that he would only support making President Trump's payroll-tax holiday permanent if it was coupled with a larger reform to ensure the long-term solvency of Social Security.

Grassley told The Hill in an interview that he would like to see the Social Security Trust Fund, which is funded by payroll taxes, made whole next year if Trump and Congress transform the deferral of those taxes in 2020 into a permanent tax cut.

Asked if he would support making permanent the payroll-tax holiday that Trump announced over the weekend, Grassley said, “I would not entertain that question unless … it would go in with the reform of Social Security.”

A companion letter to this one, signed by Social Security Works, a member of this coalition, sets out in detail the frightening possibility that President Trump potentially could, on his own initiative and unilaterally, terminate the payment of benefits. Even short of that, the executive action just taken gives Republicans enormous leverage, as evidenced by Senator Grassley’s comments, to force cuts that the Democratic members and the American people do not want.

For all these reasons, we take extremely seriously the President’s unilateral action to defer around $100 billion of Social Security’s dedicated revenue. We urge you to do so, as well. Indeed, we implore you to denounce this executive action in the strongest possible terms, to let the administration know of your strong objection, as many have already done by signing the letter authored by Rep. John Larson and Rep. Joe Kennedy III, and to explain to your constituents the danger to Social Security that the President’s action poses. Please know that we are doing all that we can to sound the alarm. Please let us know if we can help you in any way.

Sincerely,

Nancy J. Altman
Chair
Strengthen Social Security Coalition