Payroll tax hike a symptom of runaway federal spending

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By RICHARD ECKSTROM

Most of us will be seeing our 2013 paychecks shrink. But don’t blame the boss. Your take-home pay is shrinking because of a federal tax hike on your earnings.

It’s a hike in Social Security taxes that was part of a recent late-night fix in Washington supposedly to protect us from plunging off the “fiscal cliff.” People shouldn’t feel much protected by Washington’s “fix” to raise taxes on the wealthy.

For working families, it’s a pretty big hit. It raises payroll taxes by 2 percent (from 4.2 percent of your earnings to 6.2 percent).

For families earning the median household income in South Carolina — about $44,600, according to census data — this extra 2 percent payroll tax takes away about $900 per year in take-home pay, or $75 per month.

That’s $75 less for necessities like groceries, gasoline, clothing, rent and all of your other household essentials.

So why did this happen?

Congress and President Barack Obama allowed it to happen after temporarily lowering the Social Security payroll tax in 2010.

This “payroll tax holiday” was one of the president’s ideas for stimulating our sluggish economy.

While I support lower taxes, I don’t support temporary, quick-fix gimmicks like this.

But looking past gimmicks, a troubling answer to why this Social Security tax increase has occurred is — well — the Social Security program itself. The fact is that the Social Security program can’t be sustained unless it’s fundamentally reformed.

However, if politicians keep refusing to address the program’s obvious financial problems, it’s only a matter of time until it’ll be a major contributor to what is looking more and more like the eventual economic collapse of government. Bear in mind that this is a very important program that makes it possible for most retirees to get through their golden years.

No one likes to hear it, and I take no pleasure in saying it, but we simply cannot afford all of the future benefits that have been promised through programs like Social Security.

In reality, because of benefits that politicians have promised but haven’t adequately funded, we’ve kind of fallen off the fiscal cliff already. And all the while our leaders in Washington keep smiling and kicking the can further down the road.

Here are a few realities to consider, from the 2012 annual report by the Social Security trustees:
- In each of the last two years, Social Security taxes weren’t enough to cover benefits paid out (the program is in the red). The difference was paid with money that had been collected from workers not yet retired. This was their money that had been set aside in a Social Security “trust” fund to cover their benefits when they retire.

- The trust fund is being drained and is expected to be completely exhausted by 2033, meaning that Social Security soon will require dramatically increased taxes to continue paying benefits being promised.

- Social Security and Medicare are the two largest domestic federal programs. They accounted for just over one-third of federal spending in 2011 (and bear in mind that Congress borrowed a staggering 43 percent of all the money it spent).

These are blunt realities that face a huge hurdle in Washington — its lack of common sense and political courage to deal with problems.

Despite the obvious financial collision course we’re on, most politicians in Washington just can’t muster the nerve to tell the American people what they need to be told. They also don’t seem to have the vision and common sense to effectively deal with this huge problem.

Don’t get me wrong — I’m certainly not attacking Social Security or the concept of it. My parents and grandparents benefited from it.

But I’m suggesting we need to get more realistic about how to structure this important program to make it sustainable, about funding its costs, and about tackling questions like whether it should be more needs-based.

Social Security is a program we can’t allow to be run into the ground like Washington is doing. Our children and grandchildren deserve better.

Whatever changes are to be made, in fairness we shouldn’t change the rules for those already retired or about to retire. After all, at this point they’d have no time to provide for other options.

Who will disagree that we all need to keep the prosperity of future generations in mind and be willing to sacrifice for them just like those who came before us sacrificed for our well-being?

I bet if somebody in Congress, or the president, were to rally the American people to this cause by calling for shared sacrifice, people all across America would be more than willing to do their fair share.

It would just take leadership.

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