AFP – 1 LIMIT ON FEDERAL PAYROLL TAXES FOR SENIORS AUTHOR: GEORGE TUCKER, PSA 9 RN 1716723

PROPOSAL NARRATIVE

If you had to, or desired to, continue working as an employee or as a contractor beyond age 65, do you think it would be fair to be forced to continue to contribute to a retirement plan even though you would not receive any larger benefits for the additional years of payments into the plan?

Don't you think that after contributing to Social Security and Medicare during a normal lifetime of work, that during retirement Seniors with modest incomes deserve a break?

About 20% of seniors continue to work past 65 and the percentage is growing. About 80% of those continuing to work earn less than $50,000 annually. These Federal payroll taxes amount to almost 9% of the senior's disposable income. Exempting older workers from paying these taxes would provide them more spending power and thereby improve their quality of life, stimulate the nation's economy, and provide more incentive to continue working which is consistent with longer life expectations, low retirement savings and the demand for experienced workers.

The first thing this proposal does is to request that the payroll taxes on earned income up to $50,000 for those 65 and over be eliminated. Those seniors earning more would still be subject to the taxes on any income in excess of that amount.

The other part of this resolution is to eliminate any taxation of Social Security benefits. Do you believe that taxing Social Security benefits is double taxation? Is double taxation fair? Social Security benefits are subject to income tax to the extent that a taxpayer's income from all sources of taxable income (Adjusted Gross Income) exceeds $25,000 ($32,000 if married filing jointly). This level of taxation was set in 1983 and never adjusted for inflation. The taxation level was intended to tax "wealthy" seniors. Today, these amounts of income are considered very modest.

The Federal payroll taxes are not a deduction before imposition of income taxes on taxable income, whereas contributions to other popular retirement plans (401k, IRA'S) ARE DEDUCTIBLE BEFORE THE INCOME TAX IS CALCULATED. THEREFORE, TO TAX THE CONTRIBUTION AS WELL AS THE BENEFIT (PAY OUT) IS A FORM OF DOUBLE TAXATION.

SENIORS, MOST OF WHOM ARE AT THE LOW END OF THE INCOME SCALE, SHOULD NOT BE DOUBLE TAXED – THAT IS, HAVE TAXES TAKEN OUT OF THEIR EARNINGS AND THEN HAVE THE BENEFITS OF THESE PROGRAMS TAXED AGAIN.