



Mitt Romney: Consistently **WRONG** on Social Security

While Republican presidential candidate Mitt Romney may be considered a “reasonable” candidate in the GOP field, his recent statements about Social Security have been misinformed, if not false. He has said:

- The public supports Social Security benefit cuts over tax increases. **WRONG.**
- Social Security’s long-range funding gap **cannot** be closed by requiring those who are paid wages of more than \$106,800 a year to pay the Social Security tax on all their wages just like everyone else. **WRONG.**
- The payroll tax rate would need to be 44 percent to honor the promises of Social Security and Medicare. **WRONG.**

Below is an analysis of Romney’s recent statements about Social Security.

SOCIAL SECURITY BENEFIT CUTS VS. TAX INCREASES

ROMNEY: “My guess is [people] are going to say, give me lower benefit growth but don’t raise my taxes.” (Town Hall in Berlin, New Hampshire, August 16, 2011)¹

THE TRUTH: There is no need to guess. Polls show that Americans strongly prefer tax increases to Social Security benefit cuts. For example, by a margin of 56 percent to 33 percent, the public said that avoiding benefit cuts to Social Security was more important than avoiding Social Security tax increases, according to a June 2011 Pew Research Center poll.²

Maybe when Romney said “people,” he actually meant his Republican constituents. However, in the same poll, by a margin of 49 percent to 43 percent, Republicans said that avoiding Social Security benefit cuts was more important than avoiding future Social Security tax increases.

REMOVING THE SOCIAL SECURITY TAX CAP ON EARNINGS OVER \$106,800

ROMNEY: Removing the cap on earnings taxed for Social Security “doesn’t begin to solve the problem.” (Town Hall in Berlin, New Hampshire, August 16, 2011)³

THE TRUTH: Removing the cap on earnings taxed for Social Security would actually create a surplus for the program over the next 75 years if the present maximum benefit limit were to remain in place, according to the Social Security Administration.⁴ Social Security is fully funded for the next 25 years, after which it has a shortfall and can pay about three-quarters of promised benefits.⁵

Currently only annual wages up to \$106,800 are subject to the payroll tax, which funds Social Security. Just 6 percent of the population has wages above that level.⁶ That means millionaires and billionaires pay no more in Social Security taxes than people in the middle class. Even if benefits were allowed to increase along with a person's increased Social Security contributions on wages above \$106,800, removing the cap solves 99 percent of the budget shortfall, according to the Social Security Administration.⁷

PAYROLL TAX INCREASES NEEDED FOR SOCIAL SECURITY AND MEDICARE

ROMNEY: “Do you know what the tax rate would have to be to honor the promises of Social Security, Medicare, and Medicaid if we just raise taxes and leave the programs as they are? Right now those programs take a payroll tax out of your earnings of 15.3 percent. That would have to rise to 44 percent. We’re not going to do that.” (Iowa State Fair, August 11, 2011)⁸

THE TRUTH: Romney’s statement is way off. He refers to the combined taxes for Social Security and Medicare Part A, the hospital fund, which currently are 15.3 percent, equally shared by employers and employees. The estimated payroll tax necessary to fully fund these programs over the long term is 21.3 percent, if taxes were increased equally across income levels.

Guaranteeing the solvency of Social Security alone requires a very modest tax increase. Social Security is financed by a 12.4 percent payroll tax—6.2 percent each from employers and employees. In order to guarantee solvency for the next 75 years, payroll taxes would have to be raised by a meager 2.1 percent, or by about 1 percent for both employers and employees, according to the Social Security Administration’s Chief Actuary.⁹

With respect to Medicare, the conservative Heritage Foundation published a report estimating that the tax increase needed to cover the Part A deficit was 3.9 percent, which would increase the current tax of 2.9 percent to 6.8 percent, equally divided between employers and employees.¹⁰

The estimated payroll tax necessary to “keep the promises we’ve made” for Social Security and Medicare is 21.3 percent, less than half of 44 percent. Romney did get one thing right: “we’re not going to do that,” because well, we don’t have to.

There are certainly tough choices to be made about Social Security’s future. But there is a big difference between “tough choices” and “false choices.” We urge Mitt Romney, one of the most reasonable candidates in the race, to tell voters what their choices really are.

This fact sheet is based on an analysis prepared by Jamie Hall, Research Fellow at the Strengthen Social Security Campaign; August, 2011.

ENDNOTES

¹ YouTube, “Romney on Social Security 8/16,” posted by *Think Progress* on August 17, 2011. http://www.youtube.com/watch?v=mInVvCg3pxw&feature=player_embedded

² Pew Research Center for the People & the Press, “Public Wants Changes in Entitlements, Not Changes in Benefits,” July 7, 2011. <http://people-press.org/2011/07/07/section-5-views-of-social-security/>

³ YouTube, *Ibid.*

⁴ Social Security Administration (SSA), Office of the Chief Actuary, “Description of Proposed Provision: Beginning in 2011, make all earnings subject to the payroll tax (but retain the current-law taxable maximum for benefit calculations),” March 2, 2011. http://www.ssa.gov/oact/solvency/provisions/charts/chart_run205.html

⁵ Social Security Trustees, *The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, 2011, Table II.B1, p. 9. <http://www.ssa.gov/oact/TR/2011/tr2011.pdf>

⁶ Congressional Research Service, “Social Security: Raising or Eliminating the Taxable Earnings Base,” p. 5, September 24, 2010. <http://aging.senate.gov/crs/ss9.pdf>

⁷ SSA, Office of the Chief Actuary, “Description of Proposed Provision: Beginning in 2011, make all earnings subject to the payroll tax and credit them for benefit purposes,” March 2, 2011. http://www.ssa.gov/oact/solvency/provisions/charts/chart_run207.html

⁸ *Politico*, “Mitt Romney’s State Fair soapbox turns ugly,” August 11, 2011. <http://www.politico.com/news/stories/0811/61106.html#ixzz1UjnOR8xi>

⁹ SSA, Office of the Chief Actuary, “Description of Proposed Provision: Raise payroll tax rates (for employees and employers combined) by 2.1 percentage points in 2011 and later,” March 2, 2011. http://www.ssa.gov/oact/solvency/provisions/charts/chart_run422.html

¹⁰ Heritage Foundation, “Medicare Solvency: How to Get There,” <http://www.heritage.org/research/reports/2011/08/medicare-solvency-how-to-get-there>