



Written by [Michael Tennant](#) on August 21, 2019

Is the Trump Administration Considering a Payroll Tax Cut?

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The Trump administration is sending mixed signals as to whether it is considering asking Congress to cut payroll taxes, with President Donald Trump saying one thing and other administration figures saying another.



“Payroll tax is something we think about, and a lot of people would like to see that, and that very much affects the workers of our country,” Trump [told reporters Tuesday](#). He said that he has “been thinking about payroll taxes for a long time” but, in keeping with his ongoing attempts to allay fears of an economic downturn, added, “whether or not we do something now, it’s not being done because of recession.”

Trump’s words seemed to confirm a Monday [Washington Post report](#) that “several senior White House officials have been discussing whether to push for a temporary payroll tax cut” as “part of a rapidly evolving effort by the White House to exude confidence about the economy’s strength while simultaneously hunting for ways to bolster business and consumer confidence.”

The White House appeared to issue an official denial of the [Post](#) story Monday via this [statement](#): “More tax cuts for the American people are certainly on the table, but cutting payroll taxes is not something under consideration at this time.”

Then Trump offered his remarks, seemingly contradicting the statement. According to CNBC, “When asked about the discrepancy between the official’s statement and the president’s remarks, a White House representative declined to comment.”

Trump is clearly trying to prevent a recession or even hints of one, which could scuttle his bid for reelection. In a Monday [tweet](#), he chastised Democrats for “trying to ‘will’ the Economy to be bad for purposes of the 2020 Election” and criticized Federal Reserve Chairman Jerome Powell for his “horrendous lack of vision.” He later called on the Fed to reduce interest rates by at least one percentage point and possibly to engage in “some quantitative easing as well.” In other words, he wants the Fed to inflate the currency — he also complained that the dollar is too “strong” — in order to goose the economy going into next year.

Cutting payroll taxes, even temporarily, would certainly be preferable to devaluing the dollar, which has already lost most of its value since the Fed was created in 1913. Getting Congress to agree to it would be another matter.

Payroll taxes are used to fund Social Security and Medicare. Employees ostensibly pay 6.2 percent of their income for Social Security and another 1.45 percent for Medicare, while their employers match those payments, but in reality, employees pay it all.



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The Social Security tax only applies to the first \$132,900 of income, so a reduction of this tax would help low- and middle-income Americans significantly more than upper-income Americans. For this reason, noted the *Post*, “cutting the tax has remained a popular idea for many lawmakers, especially Democrats seeking to deliver savings for middle-income earners and not the wealthiest Americans.” Republicans, meanwhile, have often been wary of cutting payroll taxes for fear of increasing budget deficits.

When the payroll tax was cut temporarily in 2011 and 2012, the Obama administration directed other revenue to Social Security to cover the shortfall, but that just created bigger deficits elsewhere. “If Washington implemented a similarly sized reduction, the tax cut could equate to a bigger tax break for many families than the 2017 tax law,” wrote the *Post*, though of course it would also equate to higher deficits and larger tax hikes in the future.

While Americans would undoubtedly welcome more money in their pockets in the coming months, that is not the path to long-term stability and growth. Cutting taxes without cutting spending just ensures higher taxes or inflation to pay off deficits in the years to come. Likewise, tinkering with interest rates and printing more money may generate a short-term economic boom — perhaps enough to get Trump a second term — but it can only destroy what’s left of the dollar and ultimately cause a bust. What the U.S. economy needs is sound money, free-market interest rates, significantly lower taxation and regulation, and a severely slashed federal budget. In short, it needs the government provided for in the Constitution, not the behemoth under which we now suffer.

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