



## Will Payroll Tax Cut Affect Social Security Payments?

Written On February 23, 2011 By [Bob Kraft](#)

The short answer to that question is no. Here is a more complete explanation from the National Organization of Social Security Claimants representatives:

The tax bill signed into law in December 2010, the “Tax Relief, Unemployment Reauthorization and Job Creation Act of 2010,” included a one-year reduction in the FICA payroll tax paid by employees from 6.2 percent to 4.2 percent. This reduction is in effect for 2011 only and any change would require another statutory change. Unless there is a change in the law, the employee’s tax rate will revert back to 6.2 percent in 2012. (Note that the employers’ 6.2 percent tax was not reduced.) About 159 million workers will be affected by this payroll tax reduction. It is estimated that the average increase in paychecks will be about \$695 per worker for the year.

Questions have been raised regarding the impact of the payroll tax reduction on the Social Security Trust Funds. According to the law, there will be no affect on the Trust Funds or benefit payments. Worker’s benefits will be calculated without regard to the tax reduction and the Social Security Trust Fund will be made whole by specific

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appropriations from the General Fund. SSA's Chief Actuary wrote that the projected level of the Social Security Trust fund would be unaffected by the payroll tax cut.