**Prevents a Tax Increase During a Bad Economy**

The Republican alternative extends for one year the temporary Social Security tax holiday, ensuring that no individual or small business sees a tax increase while the economy continues to suffer under President Obama’s economic policies.

* Taxes will stay lower for the nearly 160 million Americans who pay payroll taxes, with the average working family saving $1,000 in 2012.[[1]](#footnote-1)
* Extends the current lower payroll tax rate on the employee side, which was reduced from 6.2 percent of wages to 4.2 percent.
* Estimated to cost $119.6 billion in 2012.

**Lowers the Deficit by Shrinking the Government**

To ensure that this proposal lowers the deficit, the Republican proposal picks up the recommendation of the bipartisan Simpson-Bowles commission by freezing federal civilian salaries and shrinking the civilian federal workforce through attrition. Along with the payroll tax reduction this results in a net deficit reduction of $111.5 billion over ten years.

* The federal government employs approximately 2.1 million employees.[[2]](#footnote-2)
* The President’s Bowles-Simpson Deficit Commission recommended a reduction in the federal workforce of 10 percent, or 200,000 employees, by 2015 as well as a temporary freeze on salaries.[[3]](#footnote-3)
* The Republican alternative achieves this reduction by only allowing agencies to hire one new employee for every three that retire until their workforce is 10 percent smaller.
* President Obama also called for the current two-year freeze of federal civilian pay[[4]](#footnote-4); the Republican alternative extends this freeze for all civilian employees and members of Congress for three years through 2015.
* Unlike most Americans in the private workforce, federal workers’ wages increase automatically every year. In fact, federal compensation has grown 36.9 percent since 2000 after adjusting for inflation, compared with 8.8 percent for private workers.[[5]](#footnote-5)
* Total compensation for federal workers in 2009, including health care and other benefits, averaged $123,049. This figure represents $61,998 more than private sector employee compensation, an increase from $30,415 in the year 2000.[[6]](#footnote-6)
* In total, our reforms will generate discretionary savings of $221.8 billion over ten years.

**Means Tests Benefits for Millionaires**

The Republican alternative achieves the Democrats’ call for “shared sacrifice” by adding a new means test to Medicare, unemployment compensation, and food stamps so that millionaires aren’t receiving federal benefits that are better targeted elsewhere.

* The Republican alternative:
  + denies unemployment insurance and food stamps to anyone who earns over a million dollars that year;
  + requires anyone with over a million dollar in Adjusted Gross Income to pay their full premiums for Medicare Parts B and D;
* In 2009, more than 2,360 individuals with an AGI of $1 million or more received over $20.8 million in unemployment compensation.[[7]](#footnote-7)
* In total, our reforms will generate savings of $9.3 billion over 10 years.

**Gives Millionaires a Chance to Contribute to Lower the Deficit**

The Republican alternative includes the Buffet Rule Act of 2011 (S. 1676), which makes it easy for millionaires like Warren Buffet who want to pay more taxes to reduce the federal deficit with a simple addition to their tax returns.

* Creates a new line on federal income tax returns for *voluntary* donations exclusively to pay down the federal debt.
* While the option to donate money to pay down the federal debt already exists, it is rarely used as few taxpayers are aware of it.
* Any contributions will go to an account at Treasury exclusively for deficit reduction.
* Makes it easier for those who want to pay higher taxes to do so without raising taxes on job creators and entrepreneurs.
* Endorsed by Americans for Tax Reform.
* Lowers the deficit $124 million over ten years.

**Protects Social Security**

The Republican alternative provides a general fund transfer to make up the shortfall in Social Security collections caused by the Social Security tax holiday.

**Doesn’t Raise Taxes on Job Creators**

Unlike the Democrats’ plan, the Republican plan does not pay for a short-term stimulus with a long-term tax increase on job creators.

1. ## Social Security Administration, “Number of Workers with Social Security (OASDI) taxable income,” Retrieved November 30, 2011. <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/4b.html#table4.b11>.

   [↑](#footnote-ref-1)
2. Federal Employment Statistics. (September 30, 2011). *Office of Personnel Management*. Retrieved November 29, 2011. <http://www.opm.gov/feddata/HistoricalTables/ExecutiveBranchSince1940.asp>. [↑](#footnote-ref-2)
3. “The Moment of Truth.” (December 1, 2010). *The National Commission on Fiscal Responsibility and Reform.* Retrieved November 29, 2011. <http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform>. [↑](#footnote-ref-3)
4. Lee, Jesse. (November 29, 2010). “President Obama on the Federal Pay Freeze: Getting This Deficit Under Control is Going to Require Broad Sacrifice.” *The White House Blog*. Retrieved November 29, 2011. <http://www.whitehouse.gov/blog/2010/11/29/president-obama-federal-pay-freeze-getting-deficit-under-control-going-require-broad>. [↑](#footnote-ref-4)
5. Cauchon, Dennis. (August 13, 2010). “Federal Workers Earning Double Their Private Counterparts.” *USA Today.* Retrieved November 29, 2011. <http://www.usatoday.com/money/economy/income/2010-08-10-1Afedpay10_ST_N.htm>. [↑](#footnote-ref-5)
6. Ibid. [↑](#footnote-ref-6)
7. All Returns: Sources of Income, Adjustments, and Tax Items (November 23, 2011). Internal Revenue Service. Retrieved November 29, 2011. <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html>. [↑](#footnote-ref-7)