

CHANGE EMPLOYER FICA TO SUPPORT US EMPLOYMENT

The structure of the employer's portion of Social Security and Medicare, based on an employer's U.S. payroll, is undermining US employment and harming our country. Arguably the United States would be better served by basing contributions on a company's U.S. revenue, payable by all companies that do business in the United States. The change would make our tax system fairer, reduce the cost of employing US workers and address numerous challenges: offshoring of jobs, increasing automation, shifting employees to contractor status and the growth of the gig economy.

Laws passed by Congress address specific challenges of the time. However, we live in a fast paced, constantly evolving world, and often our laws don't keep up. Over time the laws can slip out of alignment with our economy and society and even harm our country. Social Security and Medicare are examples. They are two of the most consequential and successful government programs in our history, and a great tradeoff for workers and for companies. Both are income transfer programs. Americans pay 7.65% of their income, to cover the monthly payments to seniors and their medical costs. In return they have the comfort of knowing when they retire, their Social Security and Medicare costs will be paid by the current generation of workers.

Employers also pay a tax equal to 7.65% of their US payroll into Social Security and Medicare. In return, they get the benefits of Seniors with money to spend and a more stable economy. And both worked - we greatly reduced senior poverty, stabilized consumer demand and lessened the severity of recessions that could have turned into depressions.

When Social Security and Medicare were passed in the 1930s, who paid matched up with who benefitted. Foreign trade was limited and our economy required lots of people to get the job done, whether that was producing a car, maintaining records at a bank or routing a telephone call from one home to another. In the 1930's, basing the employer's portion on its payroll was a simple way of making sure that all businesses paid their share for the benefit they received.

The world has changed. Much of what is sold to American consumers is no longer produced by American workers. Computers route calls and track bank balances. Increasingly cars are produced by robots. This change in our economy has caused a disconnect in the tax burden; many of the companies that benefit from the government's economic stabilization and Seniors with disposable income pay very little for that benefit. Essentially the companies that employ US workers are subsidizing those that don't. The structure of the taxation also increases the cost of hiring a US worker by 7.65%, an average of about \$4,000 per worker annually. This increases pressure to move jobs offshore, or replace workers with contractors, gig workers or robots. The structure of taxation is undermining US employment – it is harming people in our country.

Revenue-Based Social Security and Medicare Contributions

Basing a company's Social Security and Medicare contributions on its US revenue instead of its US payroll would be a much fairer approach, again ensuring all companies that benefit also pay their share of the cost. US labor would be more competitive with foreign labor and robots, and it would remove some of the cost advantages of replacing employees with contractors or gig workers.

The change could be revenue neutral, not a tax cut or tax hike, and because companies already record and report revenue reporting would be easy. As with any change, there will be winners and losers. The losers will be the companies that have minimized their US employment through offshoring, use of gig workers or automation. The winners will be the companies that employ US workers, working Americans themselves and our country.

Social Security and Medicare are still two of the most impactful programs in the United States. How we collect those taxes from businesses is a legacy of a different time economy. It's unfair to US producers, makes US workers more expensive to hire and hurts our ability to compete internationally. Moving to a revenue-based tax would be a fairer approach that would benefit our country.

This isn't a grand transformation of tax policy; it's a re-examination and refinement to ensure it achieves its goals, benefits our country and doesn't cause unintended harm. It's an example of how we can respond to our evolving world to ensure that our government's management of the economy benefits all Americans.

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