



**THE  
AMERICAN  
CONSERVATIVE  
UNION**

## **American Council for Health Care Reform**



**AMERICANS FOR PROSPERITY**



**AMERICANS FOR TAX REFORM**

December 12, 2006

## **An Open Letter to President George W. Bush: No Tax Hike for Social Security!**

Dear President Bush:

On behalf of the millions of taxpayers represented by the groups below, we urge you to publicly and forcefully repudiate proposals to increase taxes in any plan to reform Social Security. Recently, members of your Administration have suggested openness to the notion of expanding payroll taxes as a part of a grand bargain to “save” Social Security. America’s retirement program is completely broken and any reform package that relies on such simplistic, punitive measures will not address its underlying failures. In December 2004, you stated unequivocally “We will not raise payroll taxes to solve this problem.” Past Presidents have made no-tax pledges and suffered greatly in breaking them. In light of recent reports, Americans are counting on you to renew your pledge.

As you know, last month Federal Reserve Chairman Ben Bernanke acknowledged that the solvency of Social Security remains in jeopardy as the number of employed Americans to support each beneficiary declines drastically. The Chairman concedes: “The fiscal consequences of these trends are large and unavoidable.” Mr. Bernanke is but one of many voices expressing such a sentiment. Sheer demographics will seal Social Security’s doom.

Tax hikes, however, are not a viable solution. They are destructive to the economy and do nothing to solve the larger structural problem, namely that benefits for individual retirees are paid for by current workers rather than their own savings. Lifting the cap on the payroll tax which exempts income over \$94,200 would constitute a huge burden for many families striving for the American Dream.

Indeed, history speaks volumes on the failure of such policies to prop up entitlement programs. From 1994, after Congress removed the limit on wages subject to Hospital Insurance (Medicare Part A) tax until 1997, the government-projected bankruptcy date for Part A barely budged. It was not until 1998, the year after Congress enacted significant changes to Medicare’s benefit structure, that the Hospital Insurance program’s financial health showed limited improvement. Alas, this lesson has gone unheeded. Between the 2001 and 2006 Medicare Trustees reports, the Hospital Insurance program’s projected fiscal lifespan has been shortened by 9 years. Such has also been the pattern with



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Social Security. Despite large tax increases (and modest benefit changes) in 1977 and 1983 that were designed to “save” the program, the long-term actuarial deficit of the program did not improve.

Social Security reform through individually-owned retirement accounts is a top priority for American taxpayers. The program must be fixed so that future generations will not face crippling tax burdens. You can spark sentiment for true Social Security reform by pressing Congress for legislation that creates individually owned retirement accounts and spurns tax increases. Personal accounts provide a market-based solution to the Social Security problem. In addition, they would foster the kind of “Ownership Society” for which you’ve been such a powerful advocate.

We vigorously supported your efforts to introduce personal accounts to Social Security and we assure you we will just as vigorously denounce any efforts to raise taxes in the name of reform. Whether such schemes are proposed under the guise of hiking the rate, broadening the base, or “increasing fairness,” the appalling and unacceptable motive would be transparent: punt this problem to our children and grandchildren. We’re confident that you share our opinion, and we stand ready to help you achieve true Social Security reform, without tax hikes and other harmful gimmicks.

Sincerely,

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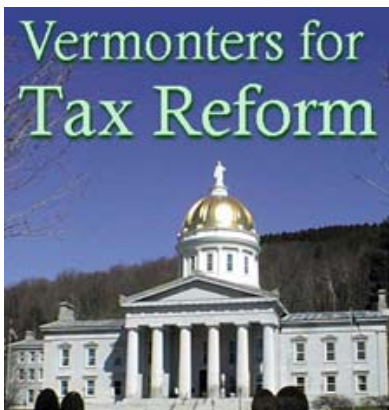
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