



Millions noticing paychecks lighter today, due to payroll tax hike

By: Joshua Rhett Miller - January 11, 2013

Payroll tax cut expiration leaves Americans with...

Gabriella Hoffman's paycheck is a little lighter today, thanks to a payroll tax increase that is forcing millions of Americans to make the kind of tough budget cuts their representatives in Washington lawmakers seem unwilling to tackle.

Hoffman, a 21-year-old Virginian who works at a nonprofit, estimates her paycheck will be roughly \$30 less this biweekly pay period, or about \$780 annually, thanks to the end of a two-year cut on payroll taxes, which fund Social Security. The tax has risen back up to 6.2 percent from 4.2 percent, costing someone making \$50,000 annually about \$1,000 per year and a household with two high-paid workers up to \$4,500.

"As a newly-graduated person, someone coming straight out of college, I don't like the idea of having less money coming to me due to the selfish interests of people in Congress who don't have any interest in reducing our financial problems," Hoffman told FoxNews.com. "This is an impediment for future economic growth. It's going to make it harder for young people like myself to get married, find a better job, you name it."

Hoffman admits the hike won't completely alter her spending, but the University of California-San Diego graduate said she will definitely have it in mind when it comes to leisure activities and entertainment.

"Although it's a small quantity on a monthly basis, just having less money going into my paycheck will prevent me from doing things and force me to be more frugal," she said. "I'll be more cautious with my spending."

The looming hit to Americans' paychecks has been a hot topic around water coolers nationwide, as well as online, where several forums have been created for taxpayers to commiserate with their lighter wallets. On Twitter, #WhyIsMyPaycheckLessThisWeek has been a trending topic as most U.S. workers have either already seen less green or are preparing to do so.

"Well, looks like we're starting to pay back all of the money we've spent, without cutting back spending," one posting read.

Another user cited the need for the U.S. government to “refill the Social Security ‘lockbox’” before stealing from it again as the reason paychecks are smaller.

Other postings chose to politicize the end of the tax cut that was part of the fiscal pact passed by Congress last week.

“Seems to me that anybody who is paid a check for working is considered ‘the rich’ in Obama’s world,” Jeff Hobbs of Texas wrote Wednesday.

Another posting read: “Hey Liberals, #YourPaycheckIsLowerThisWeek because you voted for the job KILLER, not the job SAVER!”

So, what exactly does \$40 mean? That’s what the White House asked Americans last year when President Obama signed the Middle Class Tax Relief and Job Creation Act of 2012, which extended the payroll tax cut and emergency jobless benefits through the end of the year and prevented the typical family earning \$50,000 a year from losing roughly \$40 from each paycheck.

“\$40 is 10 gallons of heating oil when the temperatures in winter hover in the negative numbers for months,” Pamela from Fairbanks, Alaska, posted on www.whitehouse.gov/40dollars.

“Forty dollars is a tank of gas, a nicer Sunday family meal instead of hot dogs, the ability to leave lights on instead of turning them off earlier in the evening,” Rita from New Britain, Conn., wrote. “Forty dollars is being able to go to the movies, or having a night out at an inexpensive restaurant, it’s also paying co-pays for my meds that I need to live on.”

Priscilla of Kailua, Hawaii, said \$40 is the amount “sometimes between paying the electric” bill or not.

“We cannot pay more,” she wrote. “We do not have it.”

Mark Zandi, chief economist at Moody’s Analytics, told The Associated Press that the higher Social Security tax will slow growth by 0.6 percentage point in 2013. But for the average American worker who earns \$41,000 – and will receive \$32 less on every biweekly paycheck moving forward – the change will not be an “insubstantial hit,” analysts told FoxNews.com.

“And I think a lot of people don’t even realize this is happening,” said Michael Tanner, a senior fellow at Cato Institute, a Washington-based think tank. “This kind of just slid by the wayside with all the talk of the fiscal cliff.”

Simply put, less money “definitely will be” a shock for many Americans toiling in an uncertain economy, Tanner said, adding that many will restrict impulse purchases rather than alter long-term financial planning.

“People will have less money in their pockets, so by definition, they’re going to have to make do with less,” he said. “How they change their behavior remains to be seen.”

For Ryan Ellis, tax policy director at Americans for Tax Reform, the hike represents a chance for young Americans to take a hard look at Social Security as a whole.

“My hope is that people under the age of 40 will start asking serious questions as to why they’re paying more into a Social Security system that they are increasingly unlikely to get the full benefit of,” Ellis told FoxNews.com. “I hope everybody does. It’s not a Republican or Democrat thing.”

Hoffman, meanwhile, said she already has all the answers she needs.

“Any tax increase is not good for young people,” she said. “What it does is diminish your hard work and you’re slapped on the wrist. This administration is punishing people who are making money. They don’t like the concept of free enterprise. They think these problems will be solved in Washington by taking away more of people’s incomes.”