

United States Senate

WASHINGTON, DC 20510

October 22, 2020

Dr. Mark T. Esper
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301-1000

Dear Secretary Esper:

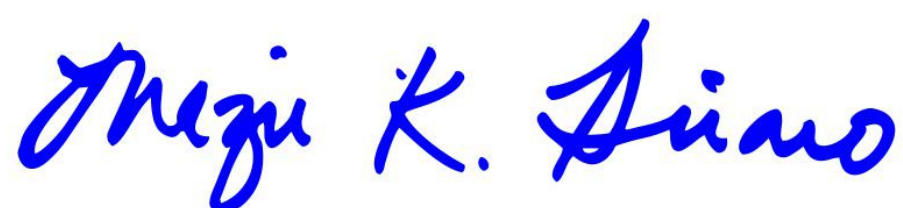
In August, the President announced his plan to defer Social Security payroll taxes for employees within certain income brackets for the remainder of this calendar year. This limited and temporary increase to employees' paychecks is unlikely to do much to revive the faltering economy, and it puts those who have not been given the ability to opt out of this deferment in a difficult situation. Some individuals will spend the money, which could leave them unable to cover their rent or pay for basic needs early next year when their paychecks are reduced. Others will anticipate the future decrease in income and save the money, meaning it will not be spent in the economy. Both scenarios do nothing to stimulate the economy and only force individuals to conduct unnecessary accounting exercises during a time that has already been filled with fiscal uncertainty for many Americans.

The ineffectiveness of this policy is exacerbated by the fact that Department of Defense employees and service members have received no formal training or guidance about the implications it may have for their personal finances. In the past, when financial changes have been made to Department of Defense compensation models (as with the introduction of the Blended Retirement System), standardized and verifiable training was conducted to ensure all affected by the change were well-informed. Communication from your department on this matter has been passive and conducted without a mechanism in place to verify that affected employees understand the future reduction in their pay. This policy will likely impact the most junior employees and service members, who are more prone to spending a larger percentage of their paycheck each month, more than senior employees of the Department of Defense. Those with spouses or other family members who have lost their job due to the COVID-19 pandemic will face particular hardship due to the lack of education about how this policy affects their future income.

Other employers have recognized the impracticality of this policy. The vast majority of private companies have chosen not to participate, and federal entities including the House and Supreme Court have spared their employees from this unnecessary and ineffective tax deferment. Secretary Mnuchin has also indicated that allowing employees to make their own decisions about this policy is "reasonable." Currently, Department of Defense employees are being forced to participate, and you have not advocated on their behalf to make this voluntary. This year has been enormously stressful and many people are dealing with extreme financial uncertainty; putting an additional burden on federal employees and uniformed service members during this difficult time is simply unacceptable.

We urge you to take immediate action to confirm that all affected Department of Defense employees understand that this policy is merely a tax deferral, and that their paychecks will be reduced next year. Although education will only mitigate some of the issues created by this policy, it is your responsibility to verify that federal employees and service members at every level understand how their income is being affected. We also urge you to do everything in your power to allow federal workers and uniformed service members to choose whether their payroll tax obligations is deferred for the remaining months of this year, rather than forcing them to participate. Finally, you must prepare now to address the inevitable fallout from this policy, so that mechanisms are already in place to support your employees who find themselves facing financial hardship in the spring.

Sincerely,



Mazie K. Hirono
United States Senator



Chris Van Hollen
United States Senator



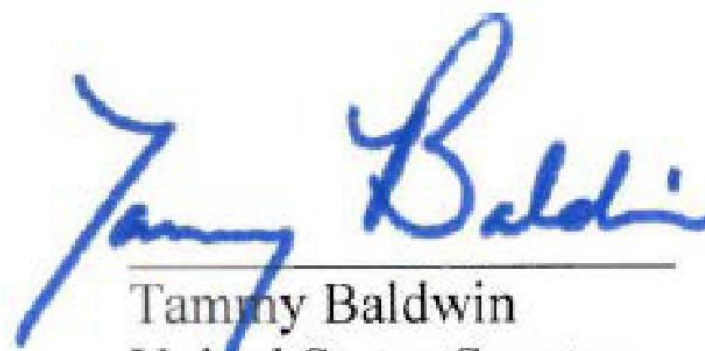
Richard J. Durbin
United States Senator




Kyrsten Sinema
United States Senator



Benjamin L. Cardin
United States Senator



Tammy Baldwin
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Thomas R. Carper
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