



DPCC FACT SHEET: FAILURE TO EXTEND THE PAYROLL TAX CUT COULD TIP THE U.S. INTO RECESSION

Zandi: “We’ll Likely Go Into Recession” If the Payroll Tax Cut Expires. In October, Mark Zandi of Moody’s Analytics said of the 2010 payroll tax cut that is set to expire in December, “We’d be in recession right now without it. So I think if they don’t do that, at the very minimum, we’ll likely go into recession.” Zandi wrote, “It is critical (and assumed in our baseline outlook) that lawmakers agree at least to extend and increase the payroll tax holiday for workers through 2012 as proposed by President Obama. This would reduce next year’s fiscal drag to less than 1 percentage point—still a heavy lift for the economy, but doable.” [MSNBC, 10/7/11; AP, [9/9/11](#); Moody’s Analytics, [10/10/11](#)]

- **Zandi: Payroll Tax Cut Would Create 750,000 Jobs.** [McClatchy, [10/4/11](#)]

STATE BY STATE STATISTICS

Click [HERE](#) for a Payroll Tax Cut Calculator, where you can see how much you’ll save if the tax cut is adopted and how much you’ll lose if it expires.

Click on the map [HERE](#) to find out how many businesses in your state will receive a payroll tax cut (Item #1).

Click on the map [HERE](#) to find out how much money a typical household in your state will receive through the payroll tax cut (Item #4).

Click [HERE](#) to find out how many people in your state benefited from the 2011 payroll tax cut enacted last year, along with how much money the payroll tax cut pumped into your state.

Click [HERE](#) to find out how much the median family will save in 2012 by county, along with how much that same family would lose if the payroll tax cut expires.

Payroll Tax Cuts Could Create More Than 50,000 Jobs A Month. “Preliminary analyses of the White House plan estimate that the tax cuts could create more than 50,000 jobs a month, a significant boost considering that employment climbed by 35,000 jobs, on average, in each of the last three months... Joel Prakken, senior managing director at Macroeconomic Advisers, a forecasting firm, said that the benefits of creating more than half a million jobs next year should not be minimized. ‘It’s going to make the unemployment rate lower than it otherwise would be,’ he said.” [New York Times, [9/9/11](#)]

- **Macroeconomic Advisers: “Meaningful Drag” on the Economy if Payroll Tax Cut Expires.** Discussing the possibility that congress would allow the payroll tax cut to expire, Joel Prakken,

chairman of Macroeconomic Advisers in St. Louis, said, "And it occurs quite quickly at the beginning of the year... It's a meaningful drag." Macroeconomic Advisers estimates that it would reduce GDP growth by 0.5 percent and cost the economy 400,000 jobs by the fourth quarter. Joel Prakken at Macroeconomic Advisers said the benefits of the payroll tax were somewhat muted earlier this year because of a spike in gas prices. He added that an extension next year could produce greater benefits. [USA Today, [11/15/11](#); Washington Post, [11/22/11](#)]

Ameriprise Financial Economist: Payroll Tax Cut Could Add More Than 1 Million Jobs. "This additional spending capacity in the hands of consumers should continue to foster improvements in aggregate domestic demand. And ultimately, it is demand and demand alone that will lead to more business hiring," said Russell Price, senior economist for Ameriprise Financial Services. "Price estimates the increased payroll tax holiday for workers by itself is likely to add between 750,000 to 1 million jobs, and that the new break on payroll taxes for employers could add an additional 100,000 to 200,000 jobs. He added that gross domestic product, the broadest measure of the nation's economic activity, could get a 1.5 percentage point boost as well." [CNMoney, [9/9/11](#)]

JPMorgan: Allowing Unemployment Benefits and Payroll Tax Cut to Expire Could Slow Growth By Up to 2%. "What's more important for the economy in 2012 though is the fate of a number of stimulus measures, including a 2 percent cut in employee payroll taxes and extended unemployment benefits, that are due to expire at the end of the year, JPMorgan economist Feroli said. If Congress doesn't continue them, 'the drag from tightening fiscal policy could subtract 1.5 to 2 percentage points from GDP growth next year,' the former Fed economist added in a Nov. 10 note to clients." [Bloomberg News, [11/19/11](#)]

- **JPMorgan: Current Payroll Tax Cut Boosted Consumer Spending.** Discussing the payroll tax cut in a September note, JPMorgan wrote, "Although real consumer spending was subdued in the first quarter, when the tax cut kicked in, nominal consumer spending grew at a 6.1% annual rate, the fastest pace so far in the current expansion." [JPMorgan, Economic Research Note, 9/9/11]

Barclays Capital: Allowing Unemployment Benefits And Payroll Tax Cut To Expire "Would Shave About 1.5pp Off Of Consumption Growth." Barclays Capital wrote, "Given the political climate, finding \$160bn of deficit savings needed to extend the payroll tax cut and the extended unemployment benefits at their current levels could be a high bar. The end of these stimulus measures would pose a noticeable headwind to disposable personal income growth early next year. We estimate if both stimulus measures expire, then the drag would shave about 1.5pp off of consumption growth (1pp off headline) on a q/q (saar) basis in Q1 of 2012." [Barclays Capital, 11/22/11]

Goldman Sachs: Allowing Payroll Tax Cut to Expire Could Cut Growth By Two Thirds of a Percent in Early 2012. "Goldman Sachs economic forecaster Alec Phillips estimated that allowing the payroll tax cut to expire would reduce growth by as much as two-thirds of a percentage point in early 2012." [Washington Post, [11/22/11](#)]

RBC Capital Markets: Failure to Extend Payroll Tax Cut Would Cut GDP By 1% in 2012. "RBC Capital Markets estimated that allowing the payroll tax cut to expire at year-end would reduce U.S. gross domestic product growth by 1 percentage point in 2012." [Christian Science Monitor, [11/21/11](#)]

University of Chicago Economist: "Employment Could Be Roughly Three Million Greater During The Period Of The Tax Cut Than It Would Otherwise." Casey B. Mulligan, an economics

professor at the University of Chicago, wrote, “the 3.1-percentage-point part of the president’s proposal could raise employment by at least a million, albeit the duration of job creation is related to how long the tax cut lasts. I expect that every percentage-point reduction in employers’ costs raises employment by about a percentage point and real gross domestic product by about 0.7 percentage point. That means employment could be roughly three million greater during the period of the tax cut than it would otherwise... The tax cut is proposed to last a year, and some of the estimated three million incremental job-years — a job that lasts a year, or 12 jobs that last a month — could be spread over time. So we might see only two million in the first year of the cut, with another one million after the cut expires. But still that’s a lot of jobs.” [New York Times, [9/14/11](#)]

CBO: Every Dollar of Employer-Side Payroll Tax Cuts Could Generate Up to \$1.20 in Economic Activity. The CBO reported that every dollar in reduced taxes on employers would generate up to \$1.20 in economic activity, while every dollar in reduced taxes on workers would generate up to 90 cents because workers tend to save a portion of their additional income. Moody’s Analytics estimates that every \$1 reduction in federal tax revenue resulting from an employee-side payroll tax cut expands the economy by \$1.27. [New York Times, [9/9/11](#); CBO, [2/23/10](#); CBPP, [9/7/11](#); Moody’s Analytics, [8/26/11](#)]

EPI: Failure to Extend Payroll Tax Cut Would Cost Nearly 1 Million Jobs. According to the Economic Policy Institute, failure to extend the payroll tax holiday would cost 972,000 American jobs in 2012. [EPI, [8/4/11](#)]

Moody’s: Letting Payroll Tax Cut Expire Would Shave .5% from GDP. Letting the payroll tax cut for employees expire would shave a half-percentage point from economic growth in 2012, Moody’s Analytics has reported. [New York Times, [9/7/11](#); Moody’s Analytics, [8/26/11](#)]

Nomura: Extending Payroll Tax Cut Alone Would Raise 2012 GDP By .5%. Nomura wrote, “The passage of measures within The American Jobs Act has the potential to alter our baseline forecast for US economic growth. For example, extending the 2% social security tax cut for employees would raise growth in Q1 2012 real GDP by as much as 1.0 percentage point, and by 0.5 percentage points in 2012 overall.” [Business Insider, [9/9/11](#)]

Payroll Tax Cut Will Benefit 160 Million American Workers. The Democratic plan would provide a tax cut for 160 million workers by expanding the payroll tax cut from 2 percent this year to 3.1 percent in 2012. For a typical family earning \$50,000 a year, this cut would translate to an extra \$1500 a year in their pockets. That’s more than \$125 a month for households to pay for gas, food, and other expenses. On the other hand, if Republicans block passage of the President’s payroll tax cut, the typical family making \$50,000 a year would see their taxes rise by \$1,000 next year. [White House, [11/22/11](#)]