

# Trump is expected to sign relief package



President Donald Trump has been calling for a temporary payroll tax holiday. Treasury Secretary Steven Mnuchin (right) says the extended tax-filing deadline would not apply to large corporations, but did not stipulate conditions. J. SCOTT APPLEWHITE / Associated Press

## Among provisions: A tax-filing extension.

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**P**resident Trump is expected to sign a sweeping package of economic relief legislation into law on Friday, including an extension of time to file and pay taxes normally due on or before April 15, 2020.

U.S. Treasury Secretary Steve Mnuchin said Wednesday that lawmakers have been working on an economic relief package, which is expected to include enhanced unemployment insurance, paid sick leave, and food assistance, according to Rosalind Sutch, CPA with Drucker & Scaccetti in Philadelphia.

That short-term bill is not expected to include specific tax cuts, such as the proposed suspension of payroll taxes, and other items that Democrats and Republicans currently disagree on. Those more contro-

versial issues will likely be addressed in future legislation focused on economic stimulus, Sutch noted.

As for tax payments due April 15, 2020, Mnuchin said the U.S. Treasury doesn't need Congress to approve the delay in the tax deadline, without penalty or interest, for "virtually all Americans other than the super rich." He clarified that the extended deadline would not apply to large corporations but did not provide thresholds or definitions for those whom these would apply.

### What's the cost?

In response to the expected economic downturn because of the coronavirus, Trump argued for a temporary payroll tax holiday that would eliminate all Social Security and Medicare payroll taxes until Dec. 31, 2020.

The president has repeatedly called for legislation to accomplish this but it has little support in Congress. He acknowledged that the payroll-tax measure won't win approval in the short term but "I think at the right time, Congress will go along with it."

The Penn Wharton Budget Model (PWBm) calculated the budgetary, economic, and distributional effects of this proposal, estimating that:

The payroll tax holiday would cost the federal government \$807 billion if the holiday were run from April 1 through Dec. 31, 2020.

Households in the bottom 20% of incomes — those households with the highest willingness to spend their tax savings — would receive about 2% of the total tax cut and only a third of these households

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# Relief

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would see any tax benefit due to their low levels of taxable income, limiting the policy's stimulus potential.

The payroll tax holiday would have little net impact on the short-run economy, but the additional federal deficits resulting from the holiday would slow the long-run economy by 0.1% in 2030.

The full PWBM payroll tax holiday analysis is online at <https://budgetmodel.wharton.upenn.edu/issues/2020/3/12/president-trump-payroll-tax-holiday>.

What else could the government do?

Dennis Kelleher, president of Better Markets, a nonpartisan, independent think tank in Washington, argued for the following: "First, the priority has to be a comprehensive, data-driven, science- and medical-based effort led by public health professionals to limit the spread, treat the ill, and find a vaccine for the virus. That will require preparing for a tsunami of patients overwhelming the health-care system as has already happened elsewhere. Supply-chain shortages of critical medical devices and ingredients used to make about 150 prescription drugs will have to be addressed," he said.

Second, all medical expenses incurred by those with or suspected to have the virus could be covered by the government,

along with all the expenses of the medical system, from hospitals to nurses and ambulances to quarantine facilities. In addition, any of those people who miss work should be provided with paid sick leave, Kelleher argued.

"The government should expand automatic stabilizers including food stamps and unemployment insurance. Some of that will have to be direct cash payments to families and some can be direct transfers from the government to financial firms on their behalf," he said.

## Recession likely

"The pandemic is grinding things to a halt around the globe, disrupting global supply chains, making things difficult on small businesses everywhere, and causing people to re-think their spending decisions in a variety of ways," said Ben Carlson, who manages portfolios for institutions and individuals at Ritholtz Wealth Management.

"I would be shocked if the economy didn't slow considerably because of this. Eventually, we'll get back on track because this, too, shall pass, but that doesn't mean an economic slowdown in the meantime won't be painful for many people and businesses. It's been a long time since we've been in a recession. Start preparing for it now because it could be here sooner than you think."

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