Position Paper

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Introduction

Bieg & Toland (2009) affirm that, with the rising economy, Federal Insurance Contribution Act policy is imperative. As noted earlier, the taxes obtained from employees and employers are directed towards the medical care and the social Security Trust Fund. This may seem to be an income constraint, especially to employees and the self-employed. However, they should note that the taxes levied are charged, according to the amount of salaries receivable. As such, no person will be charged beyond the limits. In addition to that, the fringes obtained from the reserves will return to the same persons or their families.

Looking at the History of America before the policy, we get the difficulties that people faced during this time. Kondo (2000) notes that earlier on the United State Federal Government had not declared the retirement benefit scheme. This meant that immediately one reached the retirement age one would have any other earnings. This in particular applied to those who did not willingly save money during their working years. Consequently, the rich fellows went back to scratches. This is what the government is keen to eradicate.

Similarly, the disability insurance kitty was not in the place. As a result, for most disabled people, disability meant no income and no future. This resulted into alienation and inconsideration. Weygandt & Kimmel (2003) allude that the policy formulation in 1930 set forth the change, and that is why there is a need to support it. Such policies as FICA will enhance the contributions. In addition, there were no reserves for medical care, especially for the aged and the incapacitated. The formation of the insurance policy to enable financial assistance for such individuals is inevitable and should be supported through such Policy Acts as the FICA.
Arguments for the Policy

The policy is vital particularly to employees with low salaries. This is because the policy scheme survives as an immediate bank where people deposit part of their income for the future benefit. It will be hard for people to save, especially when their salaries are not even enough to cater for personal needs.

Secondly, according to Lasser (2011), the Medicare securities accumulated throughout will assist in emergencies and other operations that may be higher for the patient to pay. For instance, an occurrence of a disease in old age will not pose a challenge to the individual who has been saving one’s part of income in the Medicare kitty. On the contrary, without the policy, we shall have extremely high premature deaths due to lack of funds to facilitate treatment. This applies primarily to pronounced ailments like cancer that would need operations.

Thirdly, taxes are the sources of revenue to the government. One of the ways the taxes are gotten is through taxes levied to consumers. Kondo (2000) says that such a policy will mean that the government adds the sources of revenue that will facilitate planning and providence of the general society without neglecting of any. The policy brings in the essence of equality and consideration, especially since the elderly, the widowed and orphaned, as well as the poor, will be catered for.

Lastly, the insurance is a protection. The purpose of FICA policy is to secure them from any unexpected calamities. For instance, if one dies during his working years, there is a possibility that their families are catered for in the Social Security Trust Fund.

In view of the above, Lasser (2011) asserts that the policy rates should be appreciated, in order to have pronounced revenue for the long-term support of the society. However, the terms of payment imposed should be different between the self-employed and the employed. The self-
employed should be charged at lower rates than the employed class. This is because the self-employed have inconsistencies in their earnings and this can adversely affect their operations.

**Points against the Policy**

The progressive tax feature alienates one from supporting it. It refers to an amount of tax by which tax increases in relation to the taxable grounds. Weygandt & Kimmel (2003) point out that the rate marginal rate will tend to be higher than the average taxes, thus implying that the rates will tend to progress from low to high levels. Therefore, this will pose a constraint to those willing, but unable to pay because of constrained incomes. This is an implication that the policy terms are not considerate.

A second implication of the same is that the taxes are imposed in such a way that the rate of tax seems to reduce as the amount of income goes up. This is in relation to actual incomes and expenditure at the regressive point of view. Therefore, it will mean that the marginal rate of tax tends to be lower than the average rate of tax. When considered in terms of wealth and income, the notion will seem to pose challenges to the poor, while favouring the rich.

**Arguments for not Supporting the Policy**

According to Lasser (2011), the high rate of tax rate, 15% will be a significant setback, especially to the sole proprietor. This is because the proprietor measures his success basing on his net profits. They are also the profits that amount to the salaries received by such self-employed people. In addition, self-employed individuals usually do not have allowances. Therefore, it means that the real income of such a person will be actually diminished, as compared to the employed persons who will still depend on allowances and other benefits. In fact, the policy will place such individuals to the risks of closing down their business.
The current economic status of the globe makes it worthwhile to mention that the cost of living has significantly escalated. Because of this, there is a need to increase, rather than decrease individual incomes. Bieg & Toland (2009) confirm that the policy is aimed at diminishing the actual income of individuals. In addition to overwhelmed expenditures, there is also a hiked cost in medical services. In relation to this, it is evident that the policy is aimed at helping the government meet such responsibilities other than just assisting the society. Most of the employees and employers who pay these taxes will not necessarily use such securities. This is because, most if not all of them receive allowances to medication that would cater for medical expenses. In addition, Kondo (2000) adds that insurance policies often induce negligence amongst individuals. The working class, for instance, will fail to save their earnings with a claim of having benefits with the FICA. As a result, there will be an issue of over dependency on the little that would be saved in the kitty.

Concerning the negativities of the policy, it is crucial that the act be amended, if not demolished, in order to house everyone’s interest. Most particularly, is the interest rates terms pertaining the regressive part. This is because it will cause significant imbalances in the economic sector, as well as the social sector. Lasser (2011) affirms that the self-employed individuals will feel discriminated. As a result, there will be a tendency of people not venturing into the sole proprietorship for fear of the extreme tax policies. Such a case will lead to various resources being untapped by individuals and the increase in the level of unemployment. On the other hand, the employees; and especial civil servants, will advocate for paying rise, in order to meet their demands. In addition, the issues of underemployment will come up; where employees will tend to yield less than expected of them, and some even working less hours and days than they are expected. This will be because they will be venturing into other activities that would
supplement their income and needs. As a result, the government will be constrained while trying to meet the requirements of the citizens.
References


