



February 15, 2023

The Honorable Jason Smith
Chairman, Committee on Ways and Means
U.S. House of Representatives
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member, Committee on Ways and Means
U.S. House of Representatives
372 Cannon House Office Building
Washington, DC 20515

Re: In consideration of Social Security

Dear Reps. Smith and Neal:

The American Payroll Association¹ and Global Payroll Management Institute² bring to your attention information in consideration of legislation on Social Security reform. In particular, domestic and global impacts on payroll management.

The United States maintains Social Security Totalization Tax Treaties with more than 30 countries. These agreements alleviate double social security taxation for expatriate employees working temporarily (generally up to 5 years) in a foreign country. Totalization agreements

¹ Established in 1982, the APA is a non-profit organization serving the interests of more than 20,000 payroll professionals nationwide. One of the APA's core missions is providing representation for payroll professionals at the federal, state, and local levels. This is done primarily through APA's Government Relations Task Force in which members educate government and community leaders about the payroll industry and the best practices associated with paying America's workers.

² The GPMI is the world's leading community of global payroll leaders, practitioners, researchers, and technology experts. Founded in 2015, GPMI provides education and professional support to more than 12,000 subscribers in 110+ countries. GPMI provides a platform that fosters networking and collaborative opportunities, and access to education and publications dedicated to supporting global payroll professionals throughout their career.

ensure the social security benefits of workers who divide their careers between the U.S. and other countries are counted by the home country to establish benefits.

If the social security system in the U.S. is privatized or significantly altered, these treaties might become invalidated. This potentially could cause loss of benefits for U.S. citizens when only paying foreign social security because they will not be credited for their periods of work in other countries. Workers could also pay social security twice for the same work. Upon retirement, these workers may not be able to receive benefits from the other countries they have paid social security taxes.

For example, Argentina maintains a private system for which the U.S. does not have a totalization treaty. A U.S. citizen who works as an expatriate (an employee working in a country other than their country of origin or citizenship) in Argentina is obligated to pay into Argentina's social security system, depending on the Argentina Tax Code. The employee will pay both the U.S. and Argentina social security taxes for the same work. This worker will not be credited in the U.S. and is unlikely to receive benefits from Argentina.

For payroll management, an employer must first determine whether the country an employee will be working in has a program that is comparable with the U.S.'s social security program. If it does, the employer must research the program's requirements. Then, payroll professionals must look to see if the United States has signed a totalization agreement with the country in question. Employee wages and withholding are then managed accordingly.

With an economy that is global, these totalization treaties are critical to protecting U.S. workers who work in two or more countries. The APA and GPMI urge you to consider these issues when determining how to proceed with the U.S. social security program.

Sincerely,



Alice P. Jacobsohn, Esq.
Director, Government Relations
APA



Nathan North
Director, Strategic Initiatives
GPMI