



Why the Fiscal Cliff and Deficit Reduction Negotiations Matter to Pilots

You cannot turn on a news program or pick up a newspaper without hearing about budget talks in Washington to avert the “Fiscal Cliff” and reduce the federal budget deficit. On January 1, 2013, the provisionally lowered payroll and income tax rates expire, the Alternative Minimum Tax limit expires, the Social Security payroll tax cut expires, and the estate tax rate expires. Additionally, an automatic set of budget cuts totaling more than \$1.2 trillion – known as sequestration – will take effect. The combination of these tax hikes and budget cuts could be so detrimental to our national economy that many have taken to referring to them collectively as the “Fiscal Cliff.”

Failing to address these fiscal challenges will likely slow the growth of our economy, which would reduce the modest gains we’ve seen in air traffic. The Congressional Budget Office estimates that [inaction by Congress could slow the growth of consumer spending by 1.7% and result in a loss of 0.5% in our GDP next year](#). Additionally, sequestration would significantly reduce the FAA’s budget, triggering reductions in air traffic, limited air service, and job losses. [As many as 5,000 flights per day would have to be cancelled](#). That translates into hundreds of millions of dollars not being spent on air travel, reduced growth for our employers, and a negative impact on our careers. ALPA and ALPA-PAC are firmly committed to solving our nation’s debt crisis and to preventing this cliff dive, but [we need your support](#) to enable our efforts in Washington.

It is not only vital for our futures as airline pilots that a deal is reached in this matter, but it is essential that that deal be positive for our careers. On the negotiating table right now are two sizeable threats to the security of your pay and your retirement: **a new tax on your employer-provided health care benefits** and **a reduced cap on permissible contributions towards your retirement**.

The idea of taxing your health care benefits is not new. It has been considered and rejected by previous administrations and congresses. President Ronald Reagan and Speaker Tip O’Neil concluded that the tax expenditure for employer provided health care benefits is a widely shared tax break, which served a worthy purpose. If such a tax were to be enacted, we would experience much higher costs for our healthcare and/or our employers could seek to drop coverage. No matter where you fly, or which health care plan you choose through your employer, your take home pay will take a significant hit if this proposal is allowed to become law.

Additionally, lawmakers are considering drastic lowering of the amount workers and employers can contribute to defined contribution retirement plans such as 401(k)'s. Currently, employees and employers are able to make tax-deferred contributions to retirement plans subject to a defined limit (known as the "415(c) limit"). In a career like ours with a mandatory retirement age and hard hit by bankruptcies, the security of our retirement is dependent upon our ability to contribute as much as possible into tax deferred retirement accounts. No matter how senior or junior you are today, a reduction in the contribution limit amount will put the stability of your financial future at risk.

The safety of your career and your paycheck is being threatened today in Washington, DC. We are focused on solving our nation's fiscal crises in a way that is healthy for our national economy, productive for the future of our industry, and does not harm our careers.

However, ALPA cannot be successful without your aid. I am asking you now to support our efforts on your behalf by [joining ALPA-PAC today with a contribution of \\$5 per month or more](#). The PAC is the strongest weapon we have in this fight; it allows us to gain information about the ongoing negotiations, educate Members of Congress about these issues, and forcefully advocate for our position.

If you are already a contributor, thank you. I'll ask you to please forward this message on to your fellow pilots and let them know that you are already standing up for our future. I encourage you to invite them to do the same.

It is only together, through the collective force of our union that we can win this battle. I hope I can count on your support.

Sincerely,

Lee Moak
President