Payroll tax rise cools off shoppers

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A payroll tax increase of 2 percentage points has hit workers who have received their first paychecks of the year.

The tax increase came when Congress decided not to renew a temporary payroll tax reduction as part of the fiscal cliff negotiations at the end of December. The rate returned to 6.2 percent.

While the increase won't likely have a significant effect on the economy overall, it could change buying habits and where people choose to shop, especially for lower-income households, economist Joel Naroff said.

"The people at the lowest incomes are going to be the most stretched, the least able to take it out of savings and sustain their spending pattern," said Naroff, president and chief economist at Naroff Economic Advisors in Holland, Pa.

Nearly one-third of store managers say shoppers are cutting back on spending because of the payroll tax increase, according to a survey.