



## \$5 Trillion Tax Hike Coming

Here is a partial list of taxes that will increase unless Congress intervenes:

- The 2001 and 2003 Bush “tax cuts” expire
- Taxes on investment income
- Estate and gift taxes
- Income taxes
- Marriage penalty returns
- Child credit drops
- Taxes on first \$8700 of wages increase by 50 percent
- Payroll taxes go from 4.2 percent back to 6.2 percent



But that is only a start. The *Heritage Foundation* did an [in-depth analysis](#) of all the tax increases scheduled for next year and found that Lori forgot some:

- The Alternative Minimum Tax (AMT) will increase in size and reach
- Five new Obamacare taxes will start
- Some 50 “tax extenders” will go away
- Small business owners can no longer write off business equipment purchases immediately

Adding them all together, the total is \$500 billion. And that’s just in 2013. Over the next decade, the tax increases will exceed \$5 trillion.

The effect of this tidal wave is already having a dampening effect on the economy. Curtis Dubay, the author of the *Heritage* study, wrote:

Families, businesses, and investors need to know how much tax they will pay in the future before making important economic decisions. The uncertainty caused by Taxmageddon means they are stuck in neutral while they wait for President Obama and Congress to act. This is slowing job creation and stopping many of the millions of unemployed Americans from going back to work.

Sucking half a trillion dollars out of the economy is going to have a severe negative impact on growth. Mark Zandi of Moody’s Analytics estimates that the nation’s GDP (Gross Domestic Product) would be reduced by at least three percent. Considering that current estimates of growth are less than that, these tax hikes could push the economy back into recession.

And then there’s the IRS and its problems. If Congress changes nothing, the IRS is fully prepared with the new rules and rates and forms. But if Congress waits until the last possible moment to address the issue, then, according to IRS Commissioner Douglas Shulman, “you could have a real disaster in the filing season where there’s total confusion.” Few have much sympathy for any problems the IRS might have, but it’s possible that the tax filing date scheduled for April of 2013 might have to be pushed back, exacerbating the deficit because of the delay in collecting the taxes.

Politically, President Obama thinks he is holding the ace of spades: He has said he will veto any bill that extends the Bush tax cuts unless those cuts are eliminated for the highest income earners. White House Deputy Press Secretary Amy Brundage said, “The president has made clear that he will veto any bill



Written by [Bob Adelman](#) on April 6, 2012

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that extends the Bush-era tax rates for the wealthiest 2 percent of individuals.” Liberal Senator Charles Schumer (D-N.Y.) said that “politically it’s going to be very harmful [for the Republicans] to say, ‘I’m not for something like the Buffet Rule’, when even 60 percent of Republicans are for it.”

And then there’s the debt ceiling, currently at \$16.4 trillion. With government spending continuing out of control, that limit could be reached before November, forcing Congress to address the issue. The last time Congress extended the debt ceiling it almost shut down the government before a spending-cut compromise was enacted at the last minute.

If the issue can be delayed until after the election, then a “lame duck” Congress will be forced to deal with it. And if the President is reelected, then he holds all the cards: no more pressure from citizens to get in his way and a Congress stymied in its ability to bring sanity and respect for the Constitution back into play. If the President isn’t reelected, he has little motivation to make things easier for the incoming Congress or for the taxpayer.



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