Congress Sticks It to Us Again: More Taxes, Government, Debt

On New Year's Eve, weren't you inspired to see how our elected representatives worked late into the night to keep this country from plunging over the fiscal cliff? And what a great deal they got for us! Taxes are guaranteed to go up for the vast majority of Americans. Spending cuts will be postponed. Government is going to get bigger. So will the deficit.

Barack Obama can gloat that he forced Republicans to accept higher taxes. In fact, an anonymous "official close to the talks" told *FOX News'* Ed Henry that getting the GOP to break their tax pledge is "one of the most consequential policy achievements of the last couple of decades."

My, doesn't that make you feel better?

Conservatives in the House made a last-ditch effort to include some mandatory spending cuts in the legislation. But that effort failed when Democratic leaders in the Senate said they would refuse to consider any changes in the legislation they had approved the night before. When the final tally was taken, the measure passed the House 257-167, with about a third of the Republicans voting in favor of it.

The margin of approval was even bigger in the Senate, where it passed by a vote of 89-8. Among the tiny minority that voted nay were such Tea Party favorites as Marco Rubio (R-Fla.), Rand Paul (R-Ky.), and Mike Lee (R-Utah).

And even though everyone is sick of all the politicking and posturing, we're going to go through all of it again over the next couple of months. That's when we run smack into the debt ceiling, have to deal with mandatory budget cuts, and are supposed to come up with some sort of budget for the next fiscal year.

Treasury Secretary Timothy Geithner added fuel to the fire when he said last week that the United States would reach its debt limit on December 31 and, thus, presumably run out of money. But then he piously proclaimed that he could use some "extraordinary measures" to find the funds to keep government going for another couple of months. So the rhetoric to raise the debt ceiling from $16.394 trillion, where it is now, will get a lot hotter between now and March 1.

There is no rest for the wicked — or for the big spenders in Washington.

In a classic example of premature congratulations, the stock market celebrated the new accord. The *Washington Post* reported: "The Dow soared 308 points, or 2.4%, on Wednesday, the biggest point to start a year in history, after posting the biggest ever year-end point gain of 166 points on Monday."

But don't expect the euphoria to last for long, as the realities of what this new agreement does and doesn't do begin to strike home.

Just how bad is this Frankenstein's monster? The bill is packed with pork for many of the administration's pet projects, including subsidies for plug-in electric vehicles, special deductions for film and television productions, a $12.1 billion tax credit for wind energy and even first-time home buyers in the District of Columbia. Numerous subsidies, tax credits, and other goodies are buried in the legislation. You can be sure that the more we learn about what's in the bill, the less we will like it.

Although Barack Obama campaigned on promises to raise taxes for anyone making more than $200,000 a year and couples earning $250,000, the final legislation raised the base a bit higher. The new limit is families and small-business owners earning $450,000 a year. They will see their personal income tax rate go from 35 percent to 41 percent.

But that's a fraction of the hit that income from investments will take. Thrifty seniors who lived within their means all of their lives will see the taxes on their investments go up dramatically, while the incentive for anyone to invest in productive businesses will go down. That's because taxes on dividends and capital gains will go from 15 percent to 23.8 percent. (The final number includes an Obamacare investment income surtax of 3.8 percent.)

In addition to those higher tax rates, couples earning $300,000 or more a year will see their deductions and exemptions phased out. The more they earn, they less they will be able to deduct.

One of the few pieces of good news in the measure is that the estate tax won't be quite as bad as was feared. If we had gone over the fiscal cliff, the death tax would have been 55 percent on all estates worth $1 million or more. The new number is 40 percent for estates valued at $5 million.

But there is another tax increase that will hit every wage earner in America. That is the payroll tax collected for Social Security, which will rise from 4.2 percent to 6.2 percent. This is because a temporary reduction in payroll taxes that Congress approved two years ago, ostensibly to help stimulate the economy, expired on Jan. 1.

So every person earning $50,000 a year or more will pay an additional $1,000 in payroll taxes. So much for the myth that only "millionaires and billionaires" will have to ante up to help pay for Obama's additional spending.

Taken all together, the Congressional Budget Office says this compromise legislation will add $4 trillion to the national debt over the next 10 years. And even that estimate assumes that the budget cuts required by sequestration actually do take effect this year. I wouldn't bet on it. Although the sequestration cuts were supposed to begin on January 1, the fiscal cliff compromise kicked that can down the road for another two months.

The bottom line is that this legislation raises income taxes, capital gains taxes, dividend taxes, death taxes and payroll taxes. It is a huge victory for Obama and his big-spending buddies in Congress and a big setback for everyone who believes that Washington has a spending problem, not a revenue problem.

In effect, we've given some chronic alcoholics the keys to the liquor cabinets. And now we hope they will somehow sober up? Don't count on it.

Until next time, keep some powder dry.

***Chip Wood** was the first news editor of* The Review of the News *and also wrote for* American Opinion*, our two predecessor publications. He is now the geopolitical editor of* Personal Liberty Digest*, where his Straight Talk column appears weekly. This article first appeared in PersonalLiberty.com and has* *been reprinted with permission.*

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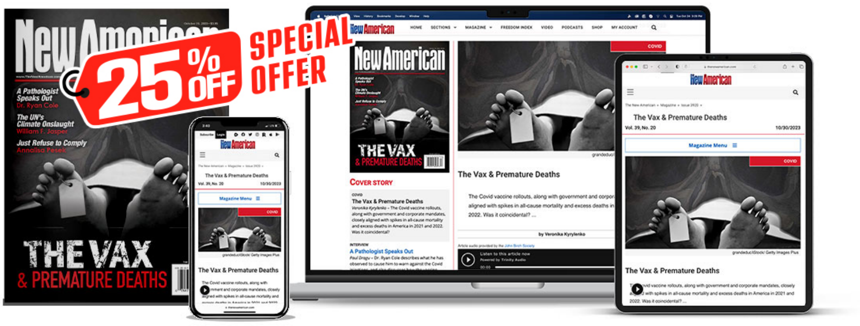

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