



Written by [Bob Adelman](#) on January 19, 2015

## **“Audacious” State of the Union Speech to Push for Higher Taxes on Rich**

In what the *New York Times* termed [an “audacious”](#) move, President Obama will use his State of the Union speech on Tuesday night to push for higher taxes on the rich and big financial institutions, and give the money to the middle class still caught in the clutches of a slow economic recovery from the Great Recession.



The details are straightforward: During the last six years of the Obama administration, the capital gains tax rate has increased from 15 percent to 23.8 percent. Under the president’s new plan, according to anonymous White House sources, it will increase again — this time to 28 percent — nearly a 100-percent escalation in less than six years. Obama is expected to couch the rise in terms deliberately designed to make conservative Republicans nervous: This is the same rate as “under Ronald Reagan,” implying that if it was fine for him, it’s fine for us.

He wants to change the tax code’s provision for a “step-up” in basis when assets are passed by inheritance from one generation to the next. But his manipulators have changed the language. He will characterize this as a loophole that must be closed, calling it the “trust fund loophole,” utilizing the image of Republican trust fund babies avoiding paying taxes on all that wealth — estimated in the billions as the Baby Boomers pass their assets on to their children. It’s a clever appeal to the greedy and the mindless — a nearly perfect strategy to diss the capitalists in favor of the working stiffs. It’s another millstone Democrats hope to hang around the neck of Republicans just in time for the 2016 presidential election.

If passed, this will raise about \$210 billion over the next 10 years, with another \$110 billion coming from a fee charged to more 100 financial institutions with \$50 billion in assets, in order to make it more expensive for them to engage in borrowing to fund their derivatives trading desks.

Once in hand, Obama has plans for the new monies:

Providing students up to \$2,500 a year towards completing a college degree, estimated to “help” 8.5 million families;

Tripling the child-care tax credit to \$3,000 per child under age 5, estimated by the White House to “help” another 5 million families; and



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Creating a new \$500 “second earner” tax credit to help support households where both spouses work, “helping” another 24 million couples.

The president is expected to couch his tax increase and distribution of free money in terms of a recovering economy. He wants to make sure that the “recovery” is shared by everyone. Expect to hear more than once the phrase: “Now that the economy has recovered, we want to make sure this prosperity is shared by the middle class.”

On Tuesday, also expect to hear about America’s “comeback,” the economy’s “momentum,” “rising wages,” and “growing incomes.”

The average American, if he listens to any of the class-warfare rhetoric expected Tuesday night, will likely wonder where the president is dredging up his information on the alleged recovery. According to Rasmussen, only 38 percent of Americans see any recovery, while Pew reports that only one in four say the economy is either good or excellent. Pew notes that more than half of the middle class can’t keep up with the cost of living and only six percent — that’s *one in every 16* — say their paychecks are keeping ahead of inflation.

Obama’s State of the Union rhetoric is also likely to disappoint some Republicans while enraging the rest. New Senate Majority Mitch McConnell said he hopes the president will announce a “new day” in working with a Congress now heavily laden with Republicans:

Tuesday can be a new day. This can be the moment the president pivots to a positive posture. This can be a day when he promotes serious realistic reforms that focus on economic growth and don’t just spend more money we don’t have.

We’re eager for him to do so.

Freshman Representative Steve Russell (R-Okla.) says the GOP has a plan “to lift the burden on small business” and repeal ObamaCare’s 30-hour work week definition “so we can get people working again full-time.” He wants the president to approve building the Keystone XL pipeline and for his agencies to regulate with “more honesty, thrift and transparency.”

Both are likely to be disappointed. With Obama’s proposed increase in the capital gains tax rate, the closing of the so-called trust fund loophole, and increased fees on the big bad wealthy financial institutions, any thought of “reconciliation” with a Congress that is much more interested in eliminating the capital gains tax and the estate tax altogether will evaporate like a snowball in Miami.

What the president appears to be doing, knowing that Congress is likely to shun his proposals out of hand, is sowing the grist for the 2016 elections. He hopes to portray Republicans once again as the party of the rich, the trust-fund babies, and the big financials while painting Democrats with the deceitful aura of sympathy and concern for the hard-working middle class.

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