



Written by [Raven Clabough](#) on December 16, 2011

Congress Negotiates Spending Deal; Now Focused on Tax Cut

There never seems to be a dull moment in the United States Congress, which has neared a government shutdown several times in the past two years. On Thursday night, lawmakers may have once again averted a government shutdown by reaching a tentative deal to fund a number of different government agencies through September 30. Unfortunately for the American people, the deal includes massive spending, totaling \$1 trillion.



It is expected to come up for a vote in both the Senate as well as the House of Representatives on Friday to avoid what would be a shutdown of major Washington operations this weekend, including the Environmental Protection Agency and the Department of Homeland Security.

The Guardian [reports](#), "A deal on a \$1 trillion spending bill was reached after Republicans agreed to drop language that would have blocked President Obama's liberalized rules on people who visit and send money to relatives in Cuba. But a GOP provision will stay in the bill thwarting an Obama administration rule on energy efficiency standards that critics argued would make it hard for people to purchase inexpensive incandescent light bulbs."

That deal secures cuts accomplished by Republicans in previous spending negotiations that averted past government shutdowns. It funds 10 Cabinet departments, including the Pentagon, and provides a slight increase to the military and veterans' programs while cutting many other domestic programs.

Whether that deal will actually pass in the House of Representatives remains to be seen, however. House Speaker John Boehner fears that his conservative Republican caucus will be disoriented by the hefty price tag. Republican Representative Joe Walsh has already indicated that the bill is difficult to support because of the cost.

With the spending bill hammered out and awaiting a vote, Congress is now resuming negotiations on the payroll tax cut and long-term unemployment benefits. Up until Thursday, Senator Reid had threatened not to vote on a spending deal hoping to use that as leverage to push Republicans on a tax cut vote, but Reid realized he was running out of time.

"We hope that we can come up with something that would get us out of here at a reasonable time in the next few days," said [Senate](#) Majority Leader [Harry Reid](#) (D-Nev.).

According to the [Los Angeles Times](#), Congress is now considering a temporary solution to the tax cut issue: "Negotiators are considering a two-month extension of the payroll tax holiday, which is set to expire Dec. 31, in case they could not agree to continue it for a full year...The measure trims workers'



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Social Security tax from 6.2 percent to 4.2 percent, providing an average \$1,000 annual benefit for 160 million working Americans.”

The short-term extension evolved after Democrats agreed to drop the demand for a surtax on those who earn \$1 million or more to pay for the tax cut. That plan would also involve a temporary continuation of the unemployment benefits.

Meanwhile, Democrats and Republicans are continuing to try to figure out how the tax cuts will be paid. Because Democrats gave up on the million dollar surtax, however, they now are forced to consider some of the Republican plans for how to pay for the tax cuts, which includes spending cuts. Democrats remain adamantly opposed to other Republican proposals, however, including a reduction of unemployment benefits and charging seniors more money for Medicare. Democrats have also discussed the possibility of repealing a tax loophole on corporate jets, a proposal that garnered bipartisan support earlier in the year.

Still, even with a two month extension, both Democrats and Republicans remain hopeful that a long-term compromise will be reached.

"We're still working on the long-term," bill, Reid told reporters as he left the Capitol on Thursday after a day of talks over both the payroll tax and spending measures. As for the two-month version, he said, "We'll only do that if what we're working on doesn't work out."

Likewise, Senate Minority Leader Mitch McConnell's spokesman Donald Stewart states, "We're 12 hours into this debate, they just started talking. I wouldn't hit the panic button."

The Obama administration supports the two-month plan, aware that it's the best plan for now until the Democrats and Republicans can reach a deal on how to pay for the tax cuts. But the short-term extension will cost \$40 billion, though it will be paid for by the \$120 billion in savings that lawmakers are considering, including raising fees that Fannie Mae and Freddie Mac charge to back mortgages.

Some contend, however, that it could put President Obama in an uncomfortable position discussions will be revisited during the heart of the presidential and congressional elections in 2012.

In addition to the expiration of the tax cuts and unemployment benefits on December 31, doctors' Medicare payments will be automatically reduced by 27 percent on January 1 as well, prompting a number of doctors to likely stop seeing Medicare patients.

"Right now, Congress needs to make sure that 160 million working Americans don't see their taxes go up on January 1," said Obama, referring to the tax cut extension.

House Speaker John Boehner echoed those sentiments with a positive spin. "We can extend payroll tax relief for American workers, help create new jobs and keep the government running. And frankly, we can do it in a bipartisan way," he said.

Boehner also implied that a compromise on the proposed Keystone XL oil pipeline from Canada to Texas Gulf Coast refineries, featured in the House-passed tax cut bill, is still possible, indicating that construction alone "will put 20,000 people to work immediately. And there are about 115,000 other jobs directly related to it."

But most expect that House-passed bill to fail in the Senate. President Obama has already threatened to veto the House-passed bill because he had recently announced he would put off a decision on the pipeline until after the 2012 elections, when the government would have had more time to study



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supposed environmental concerns.

White House Press Secretary Jay Carney said, "What the president said, I would remind you, is that he would reject a provision — he would reject a proposal that tried to mandate approval of the Keystone project."

The President is also displeased with the House-passed bill's inclusion of a federal pay freeze and increased pension contributions from federal employees, as well as higher Medicare premiums for seniors with incomes of over \$80,000, starting in 2017. Likewise, it would remove \$40 billion from Obamacare.

As far as the payroll tax cuts, President Obama pushed for Congress to actually reduce the tax cut further, to 3.1 percent, but Republicans have only articulated a possible interest in renewing them at the current level. The president insisted that Congress reach a deal on the tax cuts before their holiday break.

"Congress should not and cannot go on vacation before they have made sure that working families aren't seeing their taxes go up by \$1,000 and those who are out there looking for work don't see their unemployment insurance expire," Obama said.

In addition to the spending and tax cut negotiations discussed on Thursday, the Senate also [approved](#) the updated version of the National defense Authorization Act, costing \$662 billion, which funds military personnel, weapons, and the wars in Iraq and Afghanistan. That bill passed 86-13 despite the unconstitutional nature of the bill that would permit Americans to be detained indefinitely without due process if suspected of engaging in terrorism.



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