



Written by [Raven Clabough](#) on December 24, 2011

Payroll Tax Cut, Unemployment Benefits Extended 2 Months

The legislation — containing as it does both anti-tax and pro-spending provisions — is a mixed bag from the standpoint of fiscal conservatives who want to spend less as well as tax less. Of course, "mixed bag" legislation is not all that unusual in Washington, where compromises are reached and deals struck in order to get legislation enacted. But in the case of this particular deal, Congress will soon be debating it once again. Two months, after all, is not a long time.



The deal came together when House Republicans [conceded](#) to Senate demands for a two-month extension of the Social Security payroll tax cut and federal unemployment benefits. Just days earlier, the House was demanding that the Senate agree to a long-term payroll tax cut to be offset by a federal wage freeze and other such items. House GOP members, who were all set to shelve the Senate-passed payroll tax cut bill and force negotiations on a long-term deal, changed their minds.

Weeks ago, the Republican-controlled House voted 234-193 to extend payroll tax relief as well as unemployment insurance, freeze federal wages, increase pension costs for federal workers, and impose higher Medicare costs for seniors with an income of over \$80,000. The bill also included a controversial Keystone XL pipeline provision that would have forced the President to make a decision on the construction of the pipeline within 60 days.

The Senate passed a short-term measure to extend the payroll tax cut as well as unemployment benefits. It also included the Medicare "doc fix" and Keystone XL oil pipeline provisions. Costs of the bill would be offset by raising fees on new mortgages backed by Fannie Mae and Freddie Mac.

But the House warned it would reject the Senate-approved measure, demanding instead a long-term fix to the problem.

Thursday, however, House Republicans gave in to Senate and White House demands to ensure that 160 million workers do not face a two-percentage-point increase in the payroll tax on January 1, and that almost two million jobless Americans do not lose their unemployment benefits at the start of the new year. Likewise, doctors will now be temporarily spared from scheduled cuts in Medicare payments.

House Republicans changed their minds after Senate Minority Leader Mitch McConnell of Kentucky



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encouraged the lower chamber to accept the short-term measure. It became clear that the House conservative defiance was waning when two key opposition leaders changed their tone about the short-term solution.

“I don’t think that my constituents should have a tax increase because of Washington’s dysfunction,” declared freshman Rep. Sean Duffy (R-Wis.), a former reality show star.

“An ‘all or nothing’ attitude is not what my constituents need now,” Rep. Rick Crawford (R-Ark.) wrote in a letter to House Speaker John Boehner. “We are now in a position ... that requires Republicans to not only demand a willingness to compromise, but to offer it as well.”

The GOP Representatives were influenced by Senate Minority Leader Mitch McConnell, who urged them to do what House Speaker John Boehner was unwilling to do. In a statement issued by McConnell, however, he also said that Senate Majority leader Harry Reid should convene negotiators to work with Boehner’s team on a long-term renewal.

To save some face, House Republicans made sure to secure some concessions from Senate Democrats, by making sure there is a technical change to the payroll tax reporting requirements, which will lessen the burden on small businesses. “This is an issue where an overwhelming number of people in both parties agree,” Obama said in an appearance where he was flanked by several people who had tweeted the White House that they would be hurt by higher taxes. “Has this place become so dysfunctional that even when people agree to things we can’t do it?” he asked, adding, “Enough is enough.”

The Blaze noted of the negotiations,

The rapid-fire developments underscored the fragility of the standoff at a time when Americans deeply disapprove of Congress and are struggling to make it in an economy slowly recovering.... Politics also play a significant role: the standoff put Republican presidential candidates in an awkward position fewer than two weeks before the Iowa caucuses that begin the nomination process, on the cusp of the 2012 elections.

Both House Republicans and Senate Democrats have attempted to pin the blame on one another for the possibility of a payroll tax increase. Establishment Republicans were particularly upset about the possibility that the stricter conservatives in the group were unmoving, fearing that it could lead to the Democrats appearing as the heroes in this significant battle.

Boehner was adamant in this particular debate, even calling on Obama to send administration officials back to the Capitol so that they might negotiate an agreement on a long-term measure. Unsurprisingly, President Obama declined.

“The president told Speaker Boehner that he is committed to begin working immediately on a full-year agreement once the House passes the bipartisan Senate compromise that prevents a tax hike on 160 million Americans on January 1,” said a White House statement before the vote.

McConnell sided with the White House on this issue, in a move that was welcomed by the administration. Even though it was not Boehner’s first choice, he ultimately conceded to McConnell’s urging.

“We believe, as Senator McConnell suggested, the two chambers should work to reconcile the two bills so that we can provide a full year of payroll tax relief — and do it before year’s end,” said Boehner spokesman Kevin Smith. He did not give a specific response to McConnell’s suggestion that House Republicans back away from demands for a long-term deal.



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Reid had asserted that once the House agreed to the short-term provision, he would restart negotiations in the New Year on a long-term tax cut extension. "We have made good progress towards a year-long extension of all of these programs," he commented. "I will be happy to restart the negotiating process to forge a year-long extension."

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