

Tinkering Around The Edges

December 2, 2011

Because the U.S. Congress doesn't pass budgets in Washington, D.C. anymore (it's been nearly 1,000 days since the U.S. Senate approved an annual spending plan), the federal government's trillion dollar annual deficits are being rung up incrementally via a series of continuing resolutions.

Hence the frequent battles to avert "government shutdowns."

The latest continuing resolution – or "CR" – funds the constantly-expanding overreach of our federal government through December 16, which means that lawmakers are currently horse-trading in an effort to muster the votes necessary to "kick the can" another nine months.

One of the items on the chopping block? The temporary extension of payroll tax relief for American businesses.

As we noted two months ago when the Democratic-controlled U.S. Senate **shot down** Barack Obama's "jobs plan," we don't necessarily oppose the extension of payroll tax relief. It obviously hasn't helped to create jobs, but getting rid of it would result in a net tax increase of \$175-265 billion over the coming year – which would cost the private sector jobs.

"A temporary extension of the payroll tax holiday is better than nothing — assuming, of course, it is not poisoned by accompanying class-warfare tax hikes," **writes** tax expert Daniel J. Mitchell of the Cato Institute.

Democrats – well, and U.S. Sen. Susan Collins (RINO-Maine) – wanted to "pay for" this extension of tax relief with a new 3.25 percent tax on individual income above \$1 million (a.k.a. a "millionaire's tax"). Of course Mitchell makes clear that "this discussion of payroll taxes and incremental reform should not distract us from the enormously important issue of genuinely fixing entitlement programs, something that is needed to save America from Greek-style fiscal collapse at some point in the future." Amen to that.

In addition to the payroll tax issue, Democrats also want to spend \$55 billion on extended unemployment insurance payments. We oppose this, because it amounts to nothing more than incentivizing joblessness. Other items being debated within the context of the government's latest spending plan? A one-year "patch" to prevent the expanded implementation of the dreaded Alternative Minimum Tax (AMT). Enacted in 1969 to prevent wealthy Americans from taking advantage of tax deductions, the AMT has become a black hole sucking in millions of America filers and forcing them to pay punitively-high IRS payments. Unless lawmakers take action prior to the end of the year, expect more Americans to be ensnared by this creeping menace.

Here's the bottom line ... Washington politicians spent at least \$1.3 trillion in money they didn't have in the fiscal year that ended on September 30. It's the fourth consecutive year that politicians in Washington have spent at least \$1 trillion that they don't have – which is why our deficit has nearly doubled over the last seven years.

Seriously ... five years ago the annual deficit was just \$160 billion. Ten years ago, there was a *surplus*. Against these numbers, the refusal to make real, immediate spending cuts that we're seeing right now in Washington, D.C. is inexcusable.

Also inexcusable? Any effort to achieve deficit reduction on the backs of American taxpayers ...