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The tax proposal, examined

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The tax proposals being debated in Washington, D.C. do nothing to stop Barack Obama's EU-socialist agenda, much less roll back any of it. Despite the howls from liberal corners, the transformative train is still rolling down the track.

I think the whining by the left includes plenty of crocodile tears, which is to say methinks they doth protest too much. Public displays aside, Democrats are probably surprised that Republicans didn't demand more from them considering the November 2nd wind still behind their sails.

Under the current terms of the proposal, income tax rates in effect since at least 2003 will remain unchanged for two more years, contrary to the non-stop media blather about this deal involving "tax cuts for the rich." Tax rates on dividends and long-term capital gains as well as tuition and child tax credits will also remain in place for two more years. The death tax, which is currently 0%, will be reinstated at 35% (for estates over $5 million). Payroll taxes will be reduced temporarily by two percentage points.

Unemployment benefits will be extended for 13 more months with no offsetting spending cuts. The Obama administration insists this $56 billion expenditure, which applies to those laid off for more than six months but less than 99 weeks, is stimulative. (Where have we heard that before?)

Sen. Jim DeMint (R - SC) opposes the proposed legislation. He wants the existing income tax rates to be made permanent and is generally against extending unemployment benefits any further absent spending cuts or other modifications. Chris Chocola of Club for Growth said of the proposal:

> "This is bad policy, bad politics, and a bad deal for the American people. The plan would resurrect the Death Tax, grow government, blow a hole in the deficit with unpaid-for spending, and do so without providing the permanent relief and security our economy needs to finally start hiring and growing again. Instead, Congress should pass a permanent extension of current rates, including a permanent repeal of the death tax, and drop all new spending."

Singing a similar refrain, The Heritage Foundation concluded:

> "These are bad policies...the death tax...is bad for small business and wrong on principle. The unemployment benefits are not only bad for job growth but increase spending at a time when we need to be reducing it, and, as economists have long recognized, perpetuate long-term unemployment. As for temporary tax holidays, they have proven to be completely ineffective."

Daniel J. Mitchell of the Cato Institute said the proposed bill is "terrible" compared to ideal policy, but is "pretty good" versus what he was expecting. He sees little or no resulting economic stimulus. He breaks his analysis of it into the Good, the Bad and the Ugly. Among the Good, he lauds, among other things, the continuation of the existing income, dividend and capital gain tax rates. The Bad includes the temporary nature of the package, the reinstatement of the death tax, and the new budgetary burden from the unemployment benefits, the fiscal cost of which is "probably trivial compared to the human cost." Of the Ugly, Mitchell writes:

> "As happens so often when politicians make decisions, the deal includes all sorts of special-interest provisions. There are various special provisions for politically powerful constituencies. As a long-time fan of a simple and non-corrupt flat tax, it is painful for me to see this kind of deal."

So liberals should buck up and look on the bright side. If the current deal holds, America will still have the most progressive income tax system on earth, where the top 10% of tax filers pay 70% of all federal income taxes, and the happy days of inheritance taxes will be here again (these being, not coincidentally, two planks of the Communist Manifesto).