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## Dems Reject Tax Cut Extension

By fitsnews • on December 9, 2010

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Lame duck Democrats in the House of Representatives have rejected a tax cut compromise reached by Republicans and President Barack Obama – setting up a showdown over the “do no harm” deal that could potentially usher in a mammoth tax increase on January 1.

“In the caucus Thursday, House Democrats supported a resolution to reject the Senate Republican tax provisions as currently written,” outgoing Speaker Nancy Pelosi said in a statement. “We will continue discussions with the president and our Democratic and Republican colleagues in the days ahead to improve the proposal before it comes to the House floor for a vote.”

Additionally, 53 liberal Democrats in the House sent Pelosi a [letter](#) urging her to stand firm against the compromise.

An angry Obama [defended the deal](#) earlier this week, referring to some of his liberal allies as “sanctimonious” while likening Republican negotiators to “hostage-takers.” Obama also sent Vice President Joe Biden to Capitol Hill in an effort to convince wary Democrats – an effort that obviously failed.

As we’ve noted previously we support the deal – although it clearly isn’t ideal from a policy standpoint.

In fact, putting some much-needed perspective on the compromise is senior fellow Daniel J. Mitchell of The Cato Institute, who argues in a piece called [“The Good, The Bad and The Ugly of the Tax Deal”](#) that there will be “little economic boost from this deal.”

“This probably won’t have a positive effect on economic performance since current policy will continue, but at least it delays anti-growth policy for two years, Mitchell writes, adding that “people generally don’t increase output in response to short-term provisions.”

That’s true ... what’s needed now are broad-based tax cuts that will stimulate private sector hiring, income growth and expanded capital investment.


Under the provisions of the compromise, tax cuts passed in 2001 and 2003 would be temporarily extended for all income brackets for two years. In addition to these tax cuts, Obama’s [earned income tax credit](#) for middle class families would also be temporarily extended.

Also, the dreaded [“Death Tax”](#) – which was set to return at 55 percent in 2011 (and expand to impact thousands of additional estates) – would be reinstated at 35 percent with an exemption for any estate valued at less than \$5 million.

In return, Republicans would agree to support Obama on an extension of federal unemployment benefits – which could cost as much as \$265 billion in 2011.

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Tags: [Barack Obama](#), [Jim Clyburn](#), [Nancy Pelosi](#), [U.S. Tax Policy](#)



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