



Few Tennesseans may feel tax-increase bite

By: Paul C. Barton – December 10th, 2012

WASHINGTON - President Barack Obama's insistence on raising tax rates on upper-income Americans stands as either political opportunism or realistic fiscal policy, depending on where you stand in the ideological spectrum.

But if he succeeds, the impact in Tennessee will be concentrated in a relatively few ZIP codes, Internal Revenue Service data show.

As Congress struggles to resolve the "fiscal cliff," the combination of sharp income tax increases and large federal spending cuts scheduled to take effect automatically on Jan. 1, the issue of tax rates is front and center.

Obama says a more gradual plan for resolving the nation's debt and deficit problems should involve higher tax rates on the wealthy.

"The issue right now that's relevant is the acknowledgment that, if we're going to raise revenues that are sufficient to balance with the very tough cuts that we've already made and the further reforms in entitlements that I'm prepared to make, that we're going to have to see the rates on the top 2 percent go up. And we're not going to be able to get a deal without it," Obama said this week in an interview with Bloomberg Television.

Most Republicans express a willingness to cap income tax deductions and close loopholes but say absolutely not when it comes to increasing tax rates, even if only on the most wealthy - the upper 2 percent of incomes. Such a move, they argue, would harm small-business owners who pay business taxes through their individual returns and take away from the capital flows that are the lifeblood of a free-market economy.

And some conservatives say they suspect a hidden agenda in Obama's tax proposals.

"He (Obama) sees this as an opportunity to break the spirit of the Republican Party," said Dan Mitchell, fiscal policy analyst at the Cato Institute, a Washington think tank.

IRS tax data by ZIP code for 2008, the most recent available, breaks down the income tax returns from those areas by levels of adjusted gross income.

The IRS category showing adjusted gross income levels of \$200,000 and above includes the earners Obama is targeting - those making \$250,000 or more.

In all, just 11 ZIP codes in the state are home to about a third of the households making \$200,000 or above.

The ZIP codes with the most returns at that level are:

- 37027 (Brentwood): 3,937, or 6.8 percent of returns.
- 37215 (Forest Hills): 2,202, or 3.8 percent.
- 37205 (Belle Meade): 2,078, or 3.5 percent.
- 38017 (Collierville): 1,954, or 3.4 percent.
- 38139 (Germantown): 1,651, or 2.8 percent.

"It's really a mandate from the election," Gabe Horwitz, policy analyst at the moderate think tank Third Way, said of why Obama is so adamant on the issue.

Numerous polls and exit polling, he said, showed voters believe the wealthy should be paying more as a part of deficit reduction.

The president's position also meshes with his repeated calls for a more progressive tax code, Horwitz said, adding that Obama also contends the math of long-term debt and deficit reduction doesn't work unless tax rates on the wealthy are increased.