

Cato's Tanner reminds us taxes are going up, regardless of the fiscal cliff

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Even if President Obama and congressional Republicans somehow manage to reach a deal to avert the so-called fiscal cliff, [Michael Tanner](#) of the Cato Institute reminds us in a new National Review Online [column](#) that taxes are going up in the new year.

The president may be calling for \$1.6 trillion in tax hikes by 2022 in exchange for not driving the country over the cliff, but that does not count Obamacare, which will impose an additional \$1 trillion in new or increased taxes over the next ten years, a big portion of which take effect in 2013.

For example, we've heard a great deal about President Obama's demand that taxes go up for individuals earning \$200,000 per year or families making more than \$250,000. But under Obamacare, those families will already be hit with a 0.9 percent hike in the Medicare payroll tax on earnings over these thresholds starting January 1. Roughly 3 million Americans will end up paying more as a result of this hike, which is projected to raise \$86 billion. And while \$250,000 per year may seem like a great deal of money to most people, many of those earners are far from rich. Indeed, in New York City, for example, a teacher married to a police officer could fall into that bracket.

In addition, those families will now also have their interest, dividend, and capital-gains income subject to the 3.8 percent Medicare tax, a \$123 billion hit to the economy. At a time when the economy desperately needs more risk-taking and investment, we are about to make it harder for entrepreneurs to put their capital to work. And this tax will also fall heavily on many small businesses.

Moreover, it is important to realize that this tax hike would come on top of the tax hikes that President Obama is seeking as part of the fiscal-cliff talks. If the president were to get the tax increase on "unearned income" that he is currently demanding, adding Obamacare's tax hikes on high-income Americans would bring the total tax on interest and dividends for these people to 43.4 percent, while the tax on capital gains would hit 23.8 percent. Talk about falling off a cliff.