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Lawmakers Work on Tax Cut Compromise

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By Paul Strand

CBN News Washington Sr. Correspondent

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Democrat and Republican lawmakers are still arguing over whether or not to extend the Bush tax cuts for everyone.

Some members on both sides are working on a compromise measure.

If those tax cuts do expire, the increase in taxes would vary for certain groups of Americans.

The Bush-era tax cuts weren't just for show. They really meant big savings for just about every taxpayer. It's going to be a real hit to American wallets if Democrats and the Republicans can't come up with a deal to extend those cuts.

"On January 1, tax rates are increased on everyone, deductions and credits disappear," said Grover Norquist, president of Americans for Tax Reform. "Capital gains, dividend taxes, all jump up permanently."

"They will lose the benefit of the low 10 percent tax bracket," said Pete Sepp, executive vice president of the National Taxpayers Union. "Everything will be taxed at 15 percent, probably more."

The web site, mytaxburden.org, uses a tax calculator to show how the cuts will effect Americans. It shows a family making \$50,000 will pay \$2,800 in taxes without the cuts in place and just \$690 with them -- meaning their taxes jump more than \$2,100 if the Bush cuts expire.

"They will lose the child tax credit of \$1,000," Sepp said. "It'll go down to \$500. Start adding up the losses to your paycheck and very easily in a given pay period you could be one hundred dollars shy or more of what you're currently earning."

A family making \$100,000 will pay more than \$12,000 in taxes if the current cuts expire -- around \$8,000 if they don't -- for a difference of \$4,000 extra.

Both sides have agreed at least on one thing.

"Making sure that on January 1 middle-class families aren't seeing their taxes go up," Obama said.

The Republicans want the tax cuts extended for everyone. They have said that's the only deal they'll accept.

The problem lies in the fact that the Democrats insist on taxing everyone who makes more than \$250,000 a year. They see tax cuts for the wealthy as money frittered away, just like the tax break that went to a very rich dog.

"Trouble is Leona Helmsley's dog who inherited \$12 million," said Rep. Joseph Crowley, D-N.Y.

However, Republicans and conservatives generally believe the wealthy are people who run the businesses, and if they are taxed too much, their businesses can't grow or hire more people.

"This is going to pull cash out of our company so we are going to have [less money to invest](#)," said Drew Greenblatt, owner of [Marlin Steel Wire Products](#).

For a family making \$1 million, they will pay more than \$356,000 if the Bush cuts expire -- around \$310,000 if they don't -- or a whopping \$45,000 extra taxes without the cuts. That tax money could actually be used to hire new workers at their business.

"Raising taxes on job creators won't create jobs," said Rep. Mike Pence, R-Ind.

Pence and Sen. Jim DeMint, R-S.C. propose making the tax cuts permanent.

Negotiators are apparently talking about a compromise -- extending the cuts for the rich only 1 to 2 years. However, that risks leaving employers too uncertain to invest and hire more workers.

"They will sit on their hands because they don't want to make a commitment that will be damaged or trashed in one year, two years, three years," Norquist said.

"That could dash the hopes of a recovery to bits," Sepp said.

"Uncertainty is the enemy of our prosperity," Pence said.

If the Bush tax cuts ended for someone making \$10 million, they'll pay almost \$460,000 extra in taxes. Republicans said a hefty amount of workers could potentially get hired with that amount of extra money.

Yet, Democrats said Washington, D.C. can't afford to give these tax breaks to the rich, because it'll increase the deficit.

Norquist points out the Democrats act like the money was somehow the government's in the first place.

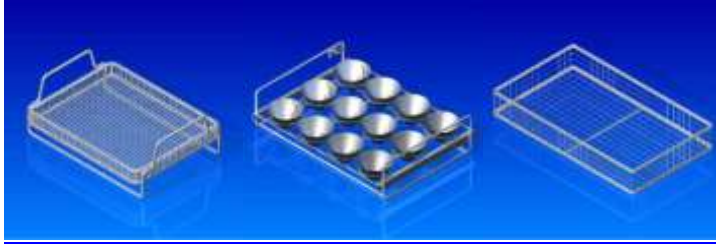
"When you pass a mugger on the street and he doesn't mug you, he just gave you what's in your wallet," he said. "That's their theory."

"America can't afford that theory, and without these tax cuts," Sepp said. "Whatever hopes we have of a recovery are gone. We're looking at a double-dip recession, right down the barrel."

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