

Americans Beware of the Coming 'Taxmageddon'

A huge slew of tax cuts, breaks and benefits are set to expire on New Year's Day. The result could be so devastating, it could send the recovering economy right back into recession.

'Taxmageddon'

A tax increase so massive is headed America's way Jan. 1, some congressional aides are calling it "Taxmageddon."

Federal Reserve Chairman Ben Bernanke warns these tax hikes, along with simultaneous spending cuts, could lead to major problems for the weak economy.

"There's going to be a massive fiscal cliff of large spending cuts and tax increases," the Fed chief recently told a congressional panel.

"It's \$500 billion of higher taxes just in 2013 alone," Curtis Dubay, a senior policy analyst for the Heritage Foundation, told CBN News.

"A tax hike of that size for just one year is simply unprecedented," he said. "It's going to take an enormous chunk of the economy out of the hands of the businesses and people and families that earned the income and give it to Congress to spend."

Not only will the Bush-era tax cuts end, but much more:

- The Social Security payroll tax, which currently stands at 4.2 percent, will be restored to 6.2 percent.
- Parents who've been writing off \$1,000 in taxes for each of their children, will now only be allowed to write off \$500.
- The fix of the marriage penalty will disappear, meaning many

married couples will suddenly have to pay more taxes.

- The patch on the Alternative Minimum Tax will get unpatched, which means many more middle-income Americans will get treated like the wealthy in the eyes of the IRS and taxed much more.

“Seventy percent falls directly on middle- and low-income taxpayers,” Dubay said.

But not everyone sees hiking taxes next year as a bad thing, especially if it hits the nation’s wealthy.

“Raising taxes in the short-term and spending it, particularly taxes on the top end, will produce more jobs,” Robert Borosage, with the left-leaning Campaign for America’s Future, told CBN News.

“We have a lot of corporations and a lot of very wealthy people sitting on their money,” he said.

Borosage predicts the government will use all the new tax revenue to rebuild America’s infrastructure.

“Because our infrastructure is so decrepit, you’d put people to work, create the demand that then would get those wealthier people and the so-called jobs-creators to create some jobs,” he said.

But Dubay said it’s the threat of such tax hikes that keeps businesses from investing.

“There’s so much uncertainty, they don’t know if they can add new workers. They don’t know if they should make a new investment, so they’re holding back and waiting,” Dubay said.

“So ‘Taxmageddon’ is really hurting the economy today,” he concluded.

But Borosage is worried that without new tax revenues, massive spending cuts will devastate public schools, public works,

Pell Grants for college students, and so much more.

“Food stamps and Medicare and aid for the most vulnerable seniors, people at the end of their life—we’re too rich a society to make those kinds of cuts,” he said.

Dubay insisted the best way to help everyone in America is get business thriving and get everyone back to work. He said “Taxmageddon” will only retard all that.

“It will slow job creation, it will slow wage growth, and it will really hamper the still staggering economy from recovering fully,” he told CBN News.

The White House and Congress could stop Taxmageddon, but currently there’s no political will to tackle it until after the presidential election in November.