

Hours From 'Fiscal Cliff,' Washington Still Awaits Deal

The Congress comes back on Monday without a deal to avert the “fiscal cliff” and with only a few hours of actual legislative time scheduled in which to act if an agreement materializes.

Negotiations involving Vice President Joe Biden and Senate Republican leader Mitch McConnell appeared to offer the last hope for avoiding the across-the-board tax increases and draconian cuts in the federal budget that will be triggered at the start of the New Year because of a deficit-reduction law enacted in August 2011.

A Republican Senate leadership aide described discussions between McConnell and Biden as “good talks,” saying they lasted late into Sunday evening.

Meanwhile, some Republicans said progress could be better served by open debate rather than “backroom” discussions.

“What we ought to do is put a bill on the Senate floor and let people actually offer amendments and vote on it. We shouldn’t be here waiting for people to cut deals in backrooms,” Senator John Barrasso, a Wyoming Republican, said on “The Early Show” on CBS.

“The American people ought to be able to watch the discussion and debate and how people vote on various issues,” he said.

A jolt from the financial markets could also prod the parties into action, as it has occasionally in the past.

“I believe investors will show their displeasure” at the lack of progress in Washington, said Mohannad Aama, managing director at Beam Capital Management, an investment advisory firm in New York.

Despite the uneven progress in Washington, U.S. stock index futures edged higher on Monday, setting up Wall Street to break a five-session losing streak. Stocks could still fall though on Monday when the cash markets open if there is no sign lawmakers are making headway on a deal.

Democratic and Republican leaders in the Senate had hoped to clear the way for swift action on Sunday. But with the two sides still at loggerheads in talks, Senate Democratic leader Harry Reid postponed any possible votes and the Senate adjourned until Monday.

The main sticking point between Republicans and Democrats remained whether to extend existing tax rates for everyone, as Republicans want, or just for those earning below \$250,000 to \$400,000, as Democrats have proposed.

Also at issue were Republican demands for larger cuts in spending than those offered by President Barack Obama.

Hopes for a "grand bargain" of deficit-reduction measures vanished weeks ago as talks stalled.

While Congress has the capacity to move swiftly when motivated, the leaders of the U.S. House of Representatives and the Senate have left themselves little time for what could be a complicated day of procedural maneuvering in the event of an agreement.

House Speaker John Boehner has insisted that the Senate act first, but that chamber does not begin legislative business until about noon Monday.

Other Business Also on the Agenda

And the cliff is not the only business on the House agenda. Farm-state lawmakers are seeking a one-year extension of the expiring U.S. farm law to head off a possible doubling of retail milk prices to \$7 or more a gallon in early 2013.

Relief for victims of Superstorm Sandy is waiting in line in the House as well, though it could still consider a Senate bill on assistance for the storm until January 2, the last day of the Congress that was elected in November 2010.

Expiring along with low tax rates at midnight Monday are a raft of other tax measures effecting tens of millions of Americans.

A payroll tax holiday Americans have enjoyed for two years looks like the most certain casualty as neither Republicans or Democrats have shown much interest in continuing it, in part because the tax funds the Social Security retirement program.

The current 4.2 percent payroll tax rate paid by about 160 million workers will revert to the previous 6.2 percent rate after December 31, and will be the most immediate hit to taxpayers.

A "patch" for the Alternative Minimum Tax that would prevent millions of middle-class Americans from being taxed as if they were rich, could go over the cliff as well. Both Republicans and Democrats support doing another patch, but have not approved one.

At best, the Internal Revenue Service has warned that as many as 100 million taxpayers could face refund delays without an AMT fix. At worst, they could face higher taxes unless Congress comes back with a retroactive fix.

After Tuesday, Congress could move for retroactive relief on any or all of the tax and spending issues. But that would require compromises that Republicans and Democrats have been unwilling to make so far.

Obama said on Sunday he plans on pushing legislation as soon as January 4 to reverse the tax hikes for all but the wealthy.

Editing by Christopher Wilson and David Brunnstrom

