

BIPAC

ELECTION INSIGHTS

Talking Taxes ?
By Gregory S. Casey

As this Congress limps towards its August "recess," which is scheduled to begin this week and be one of the longest ever, the specter of increased taxes hangs over everything.

As everyone knows, unless action is taken, the 2001 and 2003 tax relief provisions will expire in 2011. Personal income tax rates will increase across the board, the marriage penalty will re emerge, the child tax credit will return to \$500 and the death tax will be reinstated. Congressional failure to index The Alternative Minimum Tax (AMT) means there will be a nasty new little surprise for millions of American families. Investors will be hit by an increase in capital gains taxes (keeping even more cash out of the market) and businesses will see significant reductions in their ability to deduct expenses.

The new health care bill will usher in its own set of new "taxes" under the guise of reform as it hikes taxes on early withdrawals of Health Savings Accounts (HAS) and restricts use of Flexible Spending Accounts. The list goes on and on.

While everyone expects Congress will do something to stave off the avalanche of tax hikes that come with the expiration of the "Bush tax cuts," the devil will be in the details and jockeying is intense . Only the hopelessly naïve don't equally expect Congress to use the cover of populism to cut deals and extend some of the most obvious provisions so it can stick it to others.

The fact is, now is simply a really crummy time to be raising taxes on any one or any industry. Even those who support letting "tax relief" expire for just the "wealthy" are having a difficult time arguing the rationale with a straight face. The Chairman of the Federal Reserve and the Secretary of the Treasury aren't even on the same page. I give kudos to Senate Democrats Kent Conrad and Ben Nelson who, along with others, have expressed the truth. Tax increases now make little to no sense at all. As remarkable as it may seem, some are still talking about taxing energy companies and changing international tax deferral, hoping no one will notice or care.

The old saying, "don't tax him, don't tax me, tax the guy behind the tree" comes to mind. American business can ill afford to allow itself to again be splintered and maneuvered piece by piece, with special dispensations to some at the expense of others. Although it may seem an easy thing to raise taxes on oil and gas companies today, it's a Faustian bargain to be sure. Who is next? Rather, with a limited time left for Congress to act after they return from recess and adjourn again for the elections, all will benefit if the message from business to Congress is short, unified and unequivocal: raising taxes is precisely the wrong prescription for this ailing economy. Period. As Abraham Lincoln admonished, "You cannot strengthen the weak, by weakening the strong."