
Details of the tax compromise revealed

By Editor Test *Wed, Dec 8, 2010*

The package would cost about \$900 billion over the next two years, to be financed entirely by adding to the national debt, according to The New York Times.

"This compromise is an essential step on the road to recovery. It will stop middle-class taxes from going up. It will spur our private sector to create millions of new jobs, and add momentum that our economy badly needs," said President Obama this week, describing his tax compromise with Republican legislators.

The package would cost about \$900 billion over the next two years, to be financed entirely by adding to the national debt, at a time when both parties are professing a desire to begin addressing long-term fiscal imbalances, according to a report in *The New York Times*.

Payroll taxes. It would reduce the 6.2 percent Social Security payroll tax on all wage earners by two percentage points for one year, putting more money in the paychecks of workers. For a family earning \$50,000 a year, it would amount to a savings of \$1,000. A worker slated to pay the maximum tax, \$6,621.60 on income of \$106,800 or more in 2011, would save \$2,136.

Tax on capital gains and dividends. The top rate of 15% on capital gains and dividends would remain in place for two years, and the alternative minimum tax would be adjusted so that as many as 21 million households would not be hit by it.

Unemployment benefits. The agreement provides for a 13-month extension of jobless aid for the long-term unemployed. Benefits have already started to run out for some people, and as many as seven million people would potentially lose assistance within the next year, officials said.

Estate tax. The White House did not give details about treatment of the estate tax, but many publications have published the \$5 million exemption and 35% rate figures, citing unnamed White House sources, *National Underwriter* reported.

© 2010 RIJ Publishing LLC. All rights reserved.