from Phyllis Schlafly

March 12, 1992

The Democrats' Tax Bill is a Bad Deal

Do you get the idea you are just onlookers watching a charade when you hear about what Congress is doing about taxes? of course, the Democrats' tax bill is not a tax cut at all; it will not reduce federal revenues by $r, but really is a tax increase.

The Democrats are just doing a sleight-of-hand trick to rearrange the tax burden a trifle and make it even more complicated so that the American taxpayers can't figure out exactly how they are being ripped off. The highly-touted "middle class tax cut" would amount to a maximum credit of about $1 per day.

The Democrats' plan provides no benefit to children. A family with children will get no more relief than a couple with no children.

The pitiful amount of the tax cut is not the only cheat. The reduction would be effective for only two years (1992 and 1993), then disappear altogether. faxes may be forever, but tax cuts always seem to have their "final exit" scheduled.

Even worse is how this tax cut would be paid for. It would be financed by a permanent increase in tax rates to 35 percent on taxpayers whose income is above $85,000 for singles and $145,000 for marrieds.

After those two years, this tax increase will have to be extended deeper into the pockets of jobholders. The Joint Committee on Taxation estimates that, to pay for continuing the "tax cut," the 35 percent rate will have to start at $38,400 for singles and $64,000 for marrieds. That is even lower than the point at which the 31 percent bracket starts today.

The Democrats' plan is a massive redistribution of income amounting to $93.5 billon. We all know that high rates will bring back pressure for tax shelters and unproductive tax-motivated transactions.

The National Center for Po1icy Analysis estimates that the Democrats' plan will cost 100,000 jobs. In any event, it gives no incentive to create jobs or stimulate growth in the economy. Raising taxes is not the way to jump-start the economy -- lowering taxes is. The Reagan tax cut of l981 proved that.

The Democrats' yapping about “taxing the rich” is just an appeal to envy and a deliberate stirring up of class warfare. The Democrats' definition of “wealthy” is anybody who has a job.

The Democrats/ bill would extend the limitation on mortgage interest, charitable and other itemized deductions, and extend the personal exemption phaseout, thereby proving again that there is no such thing as a “temporary tax.” Both tax increase provisions were imposed in the 1990 Budget Agreement and are scheduled to expire in l995.

The Democrats' bill would forbid corporations to deduct executive compensation above $1 million. No limit, however, is proposed for salaries and perks enjoyed by sports stars, movie stars, rock stars, Congressmen's pay or pensions, or recipients of tax-funded grants.

The Democrats' bill hurls another destructive cannon ball at real estate and at banks that have loaned money on real estate by requiring even more stretched-out depreciation. The Democrats' bill would extend the deduction for health insurance for the self-employed a miserly six months, and then terminate it.

The Democrats' bill would require that a taxpayer move his residence at least 75 miles in order to qualify for the job-related moving expense deduction, up from the current 35-mile figure. That will make it more expensive to take a better job and surely will do nothing to help the economy or even produce more revenue.

The Democrats' bill would require taxpayers who pay by quarterly estimates to overpay their taxes. Taxpayers who estimate would have to pay 115 percent of their last year's tax.

The Democrats' bill violates the budget and its PAYGO requirements by planning to lose $12 billion in 1992 and $18.2 billion in 1993. The budget law will have to be rewritten in order to prevent massive 1992 and l993 sequesters of Medicare, farm programs, and student loans.

Consider the Democrats' dilemma. They had convinced themselves that Ronald Reagan's two-term victories were a political fluke attributable to his charisma and TV communications skil1s. They thought they could destroy George Bush by ridiculing his “extremism” on the Pledge of Allegiance and the Willie Horton issues.

Bush's victory in 1988 was a stunning shock. The Democrats then figured that the only way they could ever win the Presidency would be by having an economic recession. So they conned George Bush into reneging on his “no new taxes” promise, which promoted a recession and damaged his credibility.

The economic mess we are in is the direct result of the budget reduction package of October 1990, plus the massive increase in regulations passed by Congress during the last three years, principally the Clean Air Act, the Americans with Disabilities Act, and the Civil Rights Act of 1991. We got off the track when we abandoned Reaganomics -- which means economic growth through tax cuts and reduction of federal regulations -- and replaced it with higher taxes and giving authority to politicians and bureaucrats to micro-manage our economy.