

Obama's 95 Per Cent Tax Lie

I gave the media the benefit of the doubt. I was patient. But I, along with much of the American electorate, have now experienced three Presidential debates and not once was candidate Obama asked to explain how he can give a tax cut to 95 per cent of working families when more than 30 per cent of them already pay *zero* income tax – thanks to the Bush tax cuts. No, Messrs. Lehrer, Brokaw, and Schieffer simply let Obama say he was going to cut almost everyone's taxes. I did not hear the follow-up question, "*What about the 30 per cent who currently pay no taxes?*" from any of the three moderators. (And, much to his discredit, nor did I hear it from John "Bob Dole redux" McCain.)

Candidate Obama, and his friends in the mass media, are eager to let the voters know that he will tax the heck out of people earning \$250,000 or more, but will give every other working American family a \$1,000 tax credit. Who hasn't heard *that*?

But did Lehrer, Brokaw, Schieffer (or McCain) even bother to remind everyone that *Obama will allow the Bush tax cuts to expire in 2010*? Gee, I can't recall *that* question coming up in the debates either.

We did hear McCain say that he would double the income tax deduction for dependent children from \$3,500 per child to \$7,000 per child. One would think that might peak the interest of more than a few voters – at least the ones with children. But, so far, no dice.

"All I know is that McCain equals Bush, and Obama will give 95 per cent of us a tax cut." Well, that's what many people believe, and that's what may get Obama elected - along with ACORN vote fraud and \$500 million in free media publicity. As a service to the American voter, therefore, who no doubt isn't going to get this information from Obama's henchmen in the media, let us here present some actual numbers from Internal Revenue Service tax tables.

The table below shows the federal income tax that was payable under the 2000 tax schedules, for a married couple filing jointly, *before* the Bush tax cuts were implemented. That is column B, labeled "2000 Income Tax." The "2007 Income Tax" column (column C), shows the tax for calendar year 2007 for the same income; this of course *includes* the Bush tax cuts. *You may want to notice the difference between the B and the C columns, because the beneficent and benevolent Barack is going to allow that reduction in your taxes to **expire** come 2010.*

Column D shows the "Obama Tax rate with Obama Credit," and reflects the effect of the \$1,000 Obama tax credit *and* the removal of the expiring Bush tax cuts. Column E reflects the \$1,000 Obama tax credit while *retaining* the Bush tax

cuts (which *may* still apply *if* Obama can be persuaded to renew those tax cuts.) Finally, column F shows the “Bush Tax Rate with McCain Credit” - the effect of renewing the Bush tax cuts *and* applying McCain’s \$7,000 per child credit.

A	B	C	D	E	F
	2000 Clinton	2007 Bush	Obama Tax Rate	Bush Tax Rate	Bush Tax Rate
Taxable	Income	Income	with	with	with
Income	Tax	Tax	Obama Credit	Obama Credit	McCain Credit
0	0	0	-\$1,000	-\$1,000	0
\$10,000	\$1,504	\$1,003	\$504	\$3	\$303
\$20,000	\$3,004	\$2,221	\$2,004	\$1,221	\$1,303
\$30,000	\$4,504	\$3,721	\$3,504	\$2,721	\$2,671
\$40,000	\$6,004	\$5,221	\$5,004	\$4,221	\$4,171
\$50,000	\$8,307	\$6,721	\$7,307	\$5,721	\$5,671
\$60,000	\$11,107	\$8,221	\$10,107	\$7,221	\$7,171
\$70,000	\$13,907	\$10,354	\$12,907	\$9,354	\$8,671
\$80,000	\$16,707	\$12,584	\$15,707	\$11,584	\$11,104
\$90,000	\$19,507	\$15,354	\$18,507	\$14,354	\$13,604

Comparing columns D and F, note that, with one exception, the taxpayer with two children will be better off if the Bush tax cuts remain in place *and* McCain’s \$7,000 per child deduction is implemented. The taxpayer would, in some cases, be marginally better off with Obama’s \$1,000 tax credit *if* the Bush tax cuts are renewed (column E). Obama has, however, pledged to let those cuts expire in 2010.

If the Bush tax cuts are allowed to expire, a working family with two children should compare columns D (Obama as President) and F (McCain as President). If the Bush tax cuts are renewed, a working family with two children should compare columns E (Obama) and F (McCain).

Obama argues that he is cutting taxes for everybody when, in fact, for most people he is **raising** them. He gets away with this because, in the minds of Obama, his advisors, and the media, allowing the Bush tax cuts to expire "isn’t raising taxes" – it’s just, well, letting those evil Bush tax cuts expire. Obviously, if you’re the one writing the check on April 15 of each year, you may prefer calling the tax cut expiration what it really is: a tax increase.

For most taxpayers with children, the McCain tax plan is better than the Obama plan because of the increase in the exemption for children. Of course, for those families with more than two children, the tax burden would be even less under McCain than under Obama. Single taxpayers, in some cases, fare marginally better under the Obama plan, as they have no ability to take a deduction for children. No doubt some childless couples and single taxpayers will have a gripe with the McCain plan because of that, but there is also no doubt that raising children is expensive. McCain's tax proposals recognize that, but also retain the Bush tax cuts for *all* taxpayers.

The one place in the chart above where the Obama plan is more generous than the McCain plan is for taxpayers who have no tax liability at all. Under the McCain plan, if you do not earn enough to have a tax liability, your taxes are of course zero. (Until Obama's proposal, that has always been the case in the U.S. tax code.) Those working Americans with *zero* tax liability currently account for more than 30 per cent of the "taxpayers."

Obama would change that with his "tax cut for 95 per cent of American families," because his tax *cut* would instead be a *refundable* tax credit, allowing the zero-tax families to get an annual "refund check" for \$1,000 every April 15th – despite the fact that they owe no taxes! That check for \$1,000 (\$500 for individuals) would *not* be a refund of taxes paid; it would be a check for \$1,000 even if there is no tax liability at all. *In other words, this would be a direct transfer of wealth from taxpayers to the poor: \$1,000 per family per year, every year, every April 15.*

Have you got a no-account brother-in-law who refuses to get a job? No problem, just have him work a few days at a part-time job and file a 1040 form next April 15, and Uncle Barack will send him a \$500 check.

Are the two college kids living next door tired of working during the summer to help pay for college? That's okay, they can quit their jobs a few weeks early, hang out at the beach, and each get a check for \$500. (That sure beats frying burgers, doesn't it?) What if their parents, your neighbors, make more money than you do? Sorry, their kids will still get the checks. Is it fair that your neighbors' kids will get an extra \$1,000 from the government while you are struggling to pay your bills? Apparently that's all right with Obama and his team of economic advisors.

How about illegal immigrants who nevertheless manage to obtain Social Security numbers? Can millions of them file 1040 forms every year and get \$1,000 or \$500 checks? Who's going to stop them? Obama's buddies at ACORN? The ones who helped them illegally cast ballots for him?

This tax scheme is part of what candidate Obama meant when he told the now-famous "Joe the plumber" on October 12, *"I think when you spread the wealth*

around, it's good for everybody." (Well, it's certainly good for those people who will have the cash spread to them.)

Needless to say, that large group of millions of Americans – about 49 million of them - will be pleased to receive that annual check. They will also become a dependable source of votes for Obama and his friends, who will likely promise to “up the ante” at every Presidential election - knowing full well that no Republican could ever dare try to end the cash giveaway. *How about \$1,500 for the 2010 election? Maybe \$2,000 for the 2016 election? Where will it end?*

The Tax Foundation calculates that, after you figure in other tax credits Obama has proposed, an astounding 63 million Americans – 44 per cent of all tax filers – would have *no* income tax liability and would get annual “refund” checks from the government. The Heritage Foundation’s Center for Data Analysis predicts that, if Obama’s plan is enacted, by 2011 there will be an *additional* 10 million people added to that group. The cost? Within 10 years, the *annual cost* of such a giveaway will be over *one trillion dollars* – more than *four times* what is now spent on welfare checks.

The devil is in the details, and somewhere along the line this giveaway has to be paid for. *Every year*, Obama will need even more money than was spent on the “Wall Street bail-out” to fund this massive money hand-out. Some of the funds will be obtained by increasing the tax rate on those making over \$250,000 - to a mind-boggling 39.6 per cent. (*Would you like to pay \$99,000 in federal income taxes on your \$250,000 salary? And that’s not counting Social Security taxes, Medicare taxes, and any state income taxes.*) Obama will get even more tax revenue by allowing the Bush tax cuts to expire in 2010.

What Obama doesn’t get from individual income taxes, he will have to get from business taxes or other fees, all of which will be passed on to the consumer in the form of higher prices. There are 28 million owners of small businesses who file as sole proprietorships, partnerships, and S corporations. If they make \$250,000 or more, they will face a 39.6 income tax rate under Obama, plus 15.3 per cent in Social Security and Medicare taxes, for a total of 54.9 per cent. Add to that 54.9 per cent any state income or business taxes, and you may wonder why “Joe the plumber” (or anyone else) would be crazy enough to start a business under an Obama administration. For those who are lucky enough to stay in business, they will likely try to stall price increases as long as they can (to remain competitive with other businesses), but eventually those Obama taxes will be passed on to the consumer as higher prices. Hold onto your wallets, shoppers.

In case you were wondering, businesses that employ fewer than 100 people account for 42 million American workers. If you’re one of those 42 million workers, you may want to reconsider the logic of hiking taxes on your employer to over 50 per cent. It doesn’t take much imagination to suspect that the boss will eliminate your job before he eliminates his own.

Yes, if McCain extends the Bush tax cuts, that has to be paid for too. But under the McCain plan, if someone's tax is zero, it is zero - he won't get a "refund check." And extending the Bush tax cuts in the middle of an economic crisis makes more economic sense than dramatically raising taxes on individuals and businesses in order to give tax "refunds" to people who paid no taxes in the first place.

And, yes, Americans did receive a one-time "stimulus" check in 2008 to help keep the economy going when gas prices were skyrocketing. But the \$1,000 refundable tax credit promised by Obama is *not* a one-time stimulant. It is a *permanent* change to the tax code, to be repeated each and every year ad infinitum. Even if you are marginally better off with Obama's tax rates than those of McCain (and most people will not be, after the Bush cuts expire in 2010), you may not be quite as eager as Obama to redistribute the nation's wealth.

In 1972, the centerpiece of Democrat candidate George McGovern's Presidential campaign was a one-time \$1,000 check to all Americans. In inflation-adjusted terms, that was a significant bribe for votes. But in the end, McGovern was largely ridiculed for pandering to the voters, and lost the election by a landslide. Apparently candidate Obama believes the 2008 electorate is dumber than the 1972 electorate, and thinks the giveaway gimmick will work for him if he makes the pandering an annual event – and if he can keep the details and the cost of the plan a secret from the voters.

If you're not too fond of the idea of \$500 and \$1,000 checks being passed out like Halloween candy to 60 million Americans every year, you're probably not alone. Most of your taxpaying friends, relatives, neighbors, and co-workers probably wouldn't like the idea either – if only they knew about it.

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