

\$4 trillion budget: Tax the rich, help middle class

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President Barack Obama, right, and Secretary of Homeland Security Jeh Johnson, left, take a tour of the National Operations Center before Obama delivered remarks on his FY2016 budget proposal, on Monday, Feb. 2, 2015, in Washington. Obama warned congressional Republicans Monday that he won't accept a spending plan that boosts national security at the expense of domestic programs for the middle class. (AP Photo/Evan Vucci)

WASHINGTON - Promising to help America's middle class, President Barack Obama on Monday sent Congress a record \$4 trillion budget that would hammer corporate profits overseas and raise taxes on the wealthy while boosting tax credits for families and the working poor.

Obama's budget also would steer hundreds of billions of dollars to the nation's crumbling infrastructure of roads and bridges, help provide two years of free community college and reverse the across-the-board, automatic budget cuts that have slammed the Pentagon and nearly every government department.

In the face of certain opposition from Republicans, an optimistic Obama hailed a "breakthrough year for America" of new jobs, lower unemployment and shrinking deficits after the great recession of 2008, and he called for moving past years of "mindless austerity." The blueprint for the 2016 budget year that begins Oct. 1 represents a 6.4 percent increase over estimated spending this year, projecting that the deficit will decline to \$474 billion.

However, Obama's plan ignores the new balance of power in Washington, with Republicans running both the House and Senate. The GOP found plenty to criticize in his proposed tax hikes that would total about \$1.5 trillion.

Republicans cited the nation's \$18 trillion debt and assailed what they call Obama's tax-and-spend policies for failing to address the spiraling growth of benefit programs such as Social Security and Medicare.

"Today President Obama laid out a plan for more taxes, more spending, and more of the Washington gridlock that has failed middle class families," said House Speaker John Boehner, R-Ohio. "This plan never balances - ever."

Republicans aren't offering specifics yet but will respond this spring with their own plan, a balanced-budget outline promising to get rid of "Obamacare," ease the burdens of the national debt on future generations, curb the explosive growth of expensive benefit programs and reform a loophole-cluttered tax code in hopes of promoting economic growth.

While Obama's plan was rejected out of hand on budget day, proposals to ease automatic cuts and boost transportation funding are likely to return later in the year and require extensive negotiation.

"These proposals are practical, not partisan," Obama said of his overall plans. "They'll help working families feel more secure with paychecks that go further, help American workers upgrade their skills so they can compete for higher-

paying jobs, and help create the conditions for our businesses to keep generating good new jobs for our workers to fill."

Some people would pay more. Many wealthy Americans would be able to take tax deductions at the 28 percent rate only even if their incomes were taxed at 39.6 percent, and some would also see an increase in their maximum capital gains rate.

However, a couple earning up to \$120,000 a year would qualify for a new "second earner" tax credit of up to \$500 as well as a maximum \$3,000 per-child tax credit for child care for up to two children, triple the current credit of \$1,000.

Obama's initiatives to tax the wealthy and to welcome an influx of immigrants into the United States are going nowhere in the new GOP-run Congress.

But there is a bipartisan desire to ease automatic spending cuts that are the product of Washington's failures to cut deficits beyond an initial round in 2011. Both Republicans and Democrats are howling that such broad cuts savage the Pentagon. Obama said he won't give more money to the Pentagon without receiving domestic funds he wants.

"It would be bad for our security and bad for our growth," Obama said Monday at the Department of Homeland Security.

The centerpiece of the president's tax plan is an increase in the capital gains rate on couples making more than \$500,000 per year. The rate would climb from 24.2 percent to the Reagan-era top rate of 28 percent. Obama also wants to require estates to pay capital gains taxes that reflect the increase in value of assets like homes and stocks prior to death instead of after inheritance. And he is trying to impose a 0.07 percent fee on the roughly 100 U.S. financial companies with assets of more than \$50 billion, raising \$112 billion over 10 years.

All told, Obama proposes higher receipts of about \$2 trillion though his budget: about \$1.5 trillion from tax increases and almost \$500 billion from fresh revenue as immigration reform lifts the economy and provides new workers.

His proposals would boost federal spending by \$74 billion - divided between the military and domestic programs - and would result in a spending increase of \$362 billion over the remaining six years the spending caps were to have been in place.

The deficit would remain under \$500 billion a year through 2018, but would rise to \$687 billion by 2025, according to administration projections - though levels of red ink could still be considered manageable when measured against the size of the economy.