



Working for a Fair and Sustainable Tax System for Over 30 Years



New York Times: In Obama's Plan to Tax Rich, \$250,000 Figure May Mislead

December 7, 2012 10:56 AM | [Permalink](#) | [SHARE](#)

[\(Original Post\)](#)

Effects of the president's tax plan on joint filers

Adjusted gross income	Percentage affected	Average tax increase for those affected	Share of income
Less than \$200,000	—	—	—
\$200,000–\$250,000	—	—	—
\$250,000–\$300,000	32.3%	\$669	0.2%
\$300,000–\$350,000	76.9%	\$1,481	0.5%
\$350,000–\$400,000	87.8%	\$2,564	0.7%
\$400,000–\$500,000	92.3%	\$4,090	0.9%
\$500,000–\$1 million	97.5%	\$16,837	2.5%
\$1 million and above	98.9%	\$140,538	4.8%

Source: Institute on Taxation and Economic Policy Microsimulation Tax Model via Citizens for Tax Justice

By CATHERINE RAMPELL and BINYAMIN APPELBAUM
Published: December 6, 2012

President Obama's insistence that marginal tax rates rise for families making more than \$250,000 has convinced millions of affluent Americans that they are likely to be writing larger checks to the government next year.

But many of those families have no reason to fret.

A close look at the president's plan shows that a large majority of families making up to \$300,000 — as well as hundreds of thousands of families with even larger incomes — would not pay taxes at a higher marginal rate.

Because the complexity of the tax code makes it difficult to draw clean lines, they are the beneficiaries of choices the administration has made to ensure that families earning less than \$250,000 do not pay higher rates.

Some of those affluent households would pay higher taxes next year under other parts of the president's tax plan and increases imposed by the Affordable Care Act, but not under the centerpiece, the part most frequently promoted by the president and most bitterly opposed by Congressional Republicans.

John Boudreau, the president of a Connecticut construction firm who expects to make about \$300,000 this year, said that was a welcome surprise. He voted for Mr. Obama and said he was ready to pay taxes at a higher rate. But he would rather not.

"I'm willing to, but if it works that I'm not, so be it," he said. "I will not be a person that's going to stick an extra check in my tax bill as my donation to my country."

Unless the White House and Congress are able to reach an agreement, federal taxes are scheduled to rise sharply next year for

a large majority of Americans. Tax cuts first passed in 2001 and 2003 under President George W. Bush are scheduled to expire. So are cuts passed during Mr. Obama's first term.

The president's plan would prevent most of the scheduled increase for those below an income threshold Mr. Obama generally describes as \$250,000. The Senate has passed similar legislation.

But Democrats remain at loggerheads with House Republicans, who want to prevent scheduled increases for the most affluent households, too. And the parties disagree about how to prune federal spending.

The number that now divides the parties was introduced by Mr. Obama in 2007, in the early days of the presidential campaign, when he promised to extend the Bush tax cuts for families that made less than that amount. "I can make a firm pledge," Mr. Obama said in September 2008. "Under my plan, no family making less than \$250,000 a year will see any form of tax increase. Not your income tax, not your payroll tax, not your capital gains taxes, not any of your taxes."

When policy makers talk about income, however, they do not mean the amount of money a family earns; they mean the portion subject to taxes. For those who itemize their tax deductions, the government does not tax interest payments on mortgages or charitable donations, among other things, up to certain limits. As a result, two families with the same incomes will most likely have different taxable incomes.

To guarantee that tax rates do not increase for any family making less than \$250,000, the Obama administration proposed in 2009 to raise marginal rates on taxable income above roughly \$230,000 — because the minimum amount of income a family is entitled to shelter from taxation is roughly \$20,000.

But the average amount families in that income range are entitled to shelter from taxation is much larger, closer to \$60,000. In other words, families with taxable income of \$230,000 on average earned about \$290,000 in 2009.

"They wanted to be able to say that 'Absolutely nobody making less than \$250,000 could possibly pay higher taxes under our plan,'" said Robert S. McIntyre, the director of Citizens for Tax Justice, a liberal advocacy group. "So they had to assume the most ridiculous assumptions, that even if you're a childless couple with no itemized deductions making \$250,001, your taxes still won't go up. They figured that if this couple existed and their taxes went up, somebody would find them and jump on 'em."

Furthermore, to remain consistent with the president's original promise, the administration has adjusted the original numbers for inflation. When Mr. Obama says \$250,000, the White House says he means "in 2009 dollars." It is now proposing to raise marginal rates on families with taxable incomes above \$246,000 — meaning, on average, families earning more than about \$305,000.

