

AP Fact Check

Looming Tax Hike Would Not Be The Biggest Ever

BY STEPHEN OHLEMACHER
Associated Press

WASHINGTON — Republicans are calling it “Taxmageddon,” the big tax increase awaiting nearly every American family at the end of the year, when a long list of tax cuts are scheduled to expire unless Congress acts.

It would be, GOP leaders in Congress say again and again, “the largest tax increase in American history.”

Except it wouldn't be, not when you take into account population growth, rising wages, and most importantly, the size of the U.S. economy. When those factors are taken into account, the largest tax increases were those imposed to help pay for World War II — back when the U.S. raised additional revenue to pay for wars instead of simply borrowing.

Nevertheless, it is an exaggeration that has proved too tempting for top Republican leaders in Congress:

— “Any sudden tax hike would hurt our economy, so this fall — before the election — the House of Representatives will vote to stop the largest tax increase in American history,” House Speaker John Boehner, R-Ohio, said in a May 15 speech in Washington.

— “Millions are unemployed and millions more are underemployed and the country is facing the largest tax hike in history at the end of the year,” Senate Republican Leader Mitch McConnell said Thursday in a speech on the Senate floor.

— “This would be, without any exaggeration, the largest tax increase in American history,” said a May 17 letter from 41 Republican senators to Senate Majority Leader Harry Reid.

Republican presidential candidate Mitt Romney gives the claim a different twist, applying it to President Barack Obama's budget proposal for next year. That's an even bigger exaggeration.

THE FACTS: A huge collection of tax cuts are scheduled to expire at the end of the year, affecting families at every income level and businesses of many stripes. Many of the tax cuts were first enacted under former President George W. Bush and extended under Obama.

If Congress does nothing, income tax rates would go up, estate taxes and investment taxes would increase and the alternative minimum tax would hit millions of middle-income people. A temporary payroll tax cut that has been of benefit to nearly every wage earner in 2011 and 2012 would expire, costing the average family an additional \$1,000 a year.

In addition, dozens of other tax breaks for businesses and individuals that are routinely renewed each year already expired at the end of 2011. Congress was expected to renew many of them by January, so taxpayers could still claim them on their 2012 tax returns.

If Congress fails to act, businesses would lose a popular tax credit for research and development as well as generous tax breaks for investing in new

plants and equipment. Individuals would lose federal tax breaks for paying local sales taxes, buying energy efficient appliances and using mass transit.

In all, federal taxes would increase by about \$423 billion next year, according to figures from the nonpartisan Congressional Budget Office and the Joint Committee on Taxation, the official scorekeepers for Congress.

Combined with federal spending cuts scheduled to take effect next year, the combination of tax increases and spending cuts

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MITCH MCCONNELL

would probably send the U.S. economy back into recession, according to a recent CBO study.

Still, the tax increases would pale in comparison to those imposed to help finance World War II.

Before the 1940s, the individual income tax applied to only a small percentage of the population. By the end of war, the income tax was levied on most working people, with a top rate of 94 percent on income above \$200,000.

By comparison, the current top rate is 35 percent, on taxable income above \$388,350. If Congress does nothing, the top rate would return to 39.6 percent next year — the same rate that was in place for most of the 1990s.

In dollars, next year's tax hikes would be the biggest. But the size of the economy is 80 times bigger than it was in the 1940s, which is why economists usually measure taxes and government spending as a share of the U.S. economy.

The 1942 tax increase represented more than 5 percent of the U.S. economy, as measured by the gross domestic product, or GDP. The 1941 tax increase was 2.2 percent of GDP, according to a Treasury Department paper published in 2006.

Next year's looming tax increase, by comparison, would represent 2.6 percent of GDP — a huge tax hike but not the biggest.

Measured another way, the 1942 tax hike increased federal revenue by a whopping 71 percent, according to the Treasury Department paper. The 1941 tax hike increased federal revenue by 32 percent.

By comparison, next year's potential tax hike would increase federal revenues by 16 percent, according to CBO.

ROMNEY: “President Obama has failed to even pass a budget. In February, he put forward a proposal that included the largest tax increase in history, and still left our national debt spiraling out of control, and the House rejected it unanimously,” Romney said in an April 4 speech to newspaper executives and editors.

ROMNEY AGAIN: “Rapidly rising federal spending and debt threatens our economic future, and the president has responded by proposing the largest tax increase in history,” Romney said in a Feb. 22 release.

THE FACTS: Obama's budget

proposal would represent one of the largest tax increases since World War II, if you count letting the payroll tax cut expire as a tax increase. But again, it wouldn't be the largest ever. Obama's 2013 budget proposal mixes tax cuts designed to improve the economy with long-term tax increases aimed at reducing the federal budget deficit.

Obama has proposed extending Bush-era tax cuts for families making less than \$250,000 and ending them for families that make more. He would end tax

breaks for oil and gas companies but make permanent the research and development tax credit.

In 2013, Obama's budget proposal would increase tax revenue by \$195 billion over

current policy — if you include the tax increase from letting the payroll tax cut expire. The tax increase would represent 1.2 percent of GDP. Or, measured a different way, it would increase tax revenue by 7 percent.

That would rank as the fourth-largest tax increase since World War II, behind tax hikes enacted in 1950, 1951 and 1968, according to the Treasury Department paper.

Further dousing Romney's claim, House Republicans have passed a budget for next year — which Romney has embraced — that would raise just \$7 billion less in taxes than Obama's budget in 2013. That's the equivalent of a rounding error, when you're talking about revenues of \$2.7 trillion.

Lights

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where we can reinvest back into our hospital and back into this community,” Freeburg said.

The building of a new kitchen area was discussed during the planning process when the current hospital was built more than 30 years ago. Ultimately the decision was made to keep food preparation in the Benedictine Center located to the south of the hospital because Sister James Nursing Home was also located in that facility.

Over the years, the need for an upgraded kitchen remained, but clinical and technological projects were always more important, Rezac said.

“We have waited over 32 years to have that kitchen and cafeteria in the hospital,” she said.

Dr. Michael Pietila, Yankton Medical Clinic chief of staff, said he is excited about the expansion, noting that the importance of food services for a hospital shouldn't be overlooked.

“You may think, ‘Why does a hospital need a large cafeteria and meeting areas?’ But they are im-



COURTESY IMAGE

This artist's rendition, shown from the northeast, depicts the new “Northern Lights” project at Avera Sacred Heart Hospital. The emergency room entrance is located to the left of the new addition.

portant parts of what goes into caring for patients on a day-to-day, week-to-week basis,” he said.

Along with improving the hospital's healing environment, the “Northern Lights” addition will enhance five other major areas for ASHH, Rezac said. These include expanding space for diagnostic services, allowing for the expansion of information technology and biomedical services, improving functions and workflows for several patient areas, making areas more conducive for utilizing team

concepts of medical care, and allowing for future expansion in the main hospital.

“We believe that, when we're done with this in 18 months, we will be in a better position to meet important immediate health care needs, and also we will be more responsive to the changes that are yet to be evolving in health care on our horizon,” she said.

You can follow Derek Bartos on Twitter at twitter.com/d_bartos

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Semi-Homemade Recipes

For our upcoming July/August HerVoice Magazine



Semi-homemade recipes should consist of ingredients where at least one ingredient is a boxed mix, canned or frozen ingredient.

Example: Lasagna Soup

This recipe starts with a box of Hamburger Helper Lasagna mix.

Example: Chicken Casserole

This recipe starts with a fresh chicken, cooked, fresh veggies, a can of cream soup and a box of macaroni & cheese.

Deadline: June 19th

Watch to see if your recipe has been selected!

Send Recipes To: Press & Dakotan HerVoice Recipes
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Pictured left to right: Christine Kronaizl, Ashley Hovorka, Sue Gengler, Justin Kronaizl and Danielle Lucas

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