

Fiscal Cliff: You may be wondering why you did not hear from me during the last few weeks of the "fiscal cliff" machinations in Washington. For one thing, I figured that many of you were enjoying the holidays with your families and friends and did not want me to interrupt that with depressing news. Additionally, however, things were moving so fast that anything I wrote you would have been obsolete by the time you read it. I had about a dozen "laptops" in my head each day, but, by the time I sat down to write them, the circumstances had already changed.

Well, unless you were abducted by aliens or have just gotten back from your Mayan end-of-the-world worship ceremony in South America, you know about the deal that was passed by the Senate and the House on New Year's Day. To say I didn't like the "deal" would be to understate the case. I hated it.

I don't want to raise taxes. That feeling is not driven by a pledge, as many liberals would like to argue in order to portray we conservatives as the mindless lemmings that some of said liberals are. I think that having the federal government take roughly 20% of all the production of the people of the United States is more than enough to accomplish what the federal government has to do. I also think that having all levels of government take 1/3 of all the value of goods and services produced by all of us is equally sufficient. Those numbers are roughly where we are now.

During the 12 years during which I have served in 3 legislative bodies, I have observed a couple things about the operation of the loyal opposition. (1) There is no end to the number of programs that Democrats will fund with taxpayer money as long as they can get their hands on that money. (2) They will passionately describe why this need and that need must be fulfilled, which in the aggregate will require taxes on everyone to double, triple or even quadruple (if you actually wanted to do it all without deficits). So, in order to stop this madness, we must starve the beast. We must limit the tax revenue so that real choices have to be made between what it is truly worth confiscating the people's earnings for and the things which do not rise to such a level.

Furthermore, I believe that we are at a tipping point in taxation at which additional taxes will cause people to change their behavior in such a way as to result in less revenue. This will become supremely evident soon in my home state of California, where the recent tax increases have already passed that tipping point. People, businesses and money are and will be rushing out of California to other states where success and accomplishment are welcomed rather than despised and punished. This exodus is in part fueled by the fear that the tax and regulation

behemoth that is now the formerly free state of California is not finished taxing and regulating. That fear is well placed.

So, the last thing in the world I wanted to do was raise taxes. But, I understand that the people made an exceptionally bad choice in reelecting Barack Obama as president in spite of his complete lack of accomplishment or agenda for prosperity, national security, reducing the deficit or anything else. Raising taxes for the purpose of "revenge" (his word, not mine) was the singular thing he demanded as though that would somehow cure all the nation's ills. So, Speaker Boehner, on November 7th, offered to give the president tax increases in exchange for spending reductions. By doing this, at least in theory, we would reduce our deficit.

The final "cliff deal" definitely included tax increases. And, in spite of the advertised threshold of \$450,000, taxes were actually increased starting at \$250,000 because of the limitation on deductions that was included. And of course, with the expiration of the payroll tax holiday, everyone will now see a tax increase unless you earn under \$250,000 and 100% of that income is from dividends, interest and other investment income. The dozens of Obamacare taxes also went into effect January 1st, which will directly tax many and will indirectly tax everyone on "medical devices" as ubiquitous as band aids.

But, the tax increases were not accompanied by any spending cuts in this deal. If that had been the case, I might have even been able to swallow that deal. But, what I absolutely could not abide was that these tax increases were coupled to \$600 billion in spending **increases!**

That fact made my "no" vote on this package one I cast with vigor. Late New Year's evening before the vote, I argued vociferously with the Republican leadership to return the bill to the Senate with the tax provisions included but amended with all or most of the spending increases removed. Many others joined me in this appeal. But, that request was rejected.

What were these spending increases? Well, from my perspective they were pretty bad. To start, an extension of the up to 99 weeks of unemployment payments, in spite of all the evidence that long unemployment payments perpetuate unemployment rather than reduce it. And, an extension of a greater "earned income tax credit". This is the refundable tax credit where people who pay no taxes can get a check from the government. This is universally recognized as the single most abused program of any sort in the federal government. The IRS, who administers the program, has said that this is effectively a welfare program and they are not built to administer welfare programs. So, they have no way to know if the checks they are sending are

to legitimate recipients, and estimates of abuse of this program run upwards of 30% of all the money sent. But.....we just expanded it.

And then, of course, there is the spending that occurs through the tax code. We just extended for up to 10 years, a whole bunch of special interest tax credits that can be described by no other word but "pork". For example, tax breaks for Disney and Hollywood film production companies, subsidies for mine companies to train their employees on safety, subsidies for rum production in Puerto Rico and the U.S. Virgin Islands, special tax provisions benefiting New York City, subsidies for "2 or 3 wheeled plug-in electric vehicles", subsidies for growing algae for "cellulosic biofuel research", a wind energy production tax credit, and tax credits for private railroad companies to maintain their own tracks. The list goes on and on.

No, this was not a close vote for me. But, it passed. So, we need to move on.

And, move on we will. By the end of February, the Treasury says that they will run out of cash due to reaching the debt limit. Also, at the end of February, the delayed "sequester" spending cuts will go into effect. And, at the end of March, the authority of the federal government will run out.

Tune in to the next laptop report for my thoughts on the "debt limit cliff". Same bat time. Same bat channel. (Yes, I realize I'm showing my age here!)