



## DEMOCRATS' TICKING TAX BOMB, PART II

### How the Democrats' Year-end Tax Hike Will Affect Typical Taxpayers

As described in [Part I](#) of this series, starting January 1, 2011, Washington Democrats will impose a \$3.8 trillion tax hike on hard-working Americans. This tax increase will affect **every** American who pays income taxes through higher tax rates on individuals, families, and small businesses. Married couples and parents will be singled out for even higher taxes, and there will be significant tax hikes on the very investments that grow the economy and create good jobs. Even the death tax – repealed entirely for 2010 – will be resurrected on January 1, 2011. So far, Democrats have done nothing to disarm this ticking tax bomb.

So how will the family budgets of typical taxpayers be affected by these looming Democrat tax hikes?

- A family of four earning \$50,000 per year could pay more than \$2,100 in higher taxes.
- A single mom earning \$36,000 per year could pay over \$1,100 more in taxes.
- Married senior citizens earning \$40,000 per year could pay more than \$1,400 in higher taxes.

Here are the details:

| <b>Typical Tax Return #1: Middle-income family of four</b> |   |                                      |
|--|---|--------------------------------------|
| Filing Status: Married, filing joint return                |   |                                      |
| Children: 2  |   |                                      |
| Adjusted Gross Income: \$50,000                            |   |                                      |
|  | <b>Without Democrats' 2011 Tax Hike</b> | <b>With Democrats' 2011 Tax Hike</b> |
| Standard deduction   | \$11,600                                | \$9,750                              |
| Personal exemptions  | \$15,000                                | \$15,000                             |
| Taxable income   | \$23,400                                | \$25,250                             |
| Tax liability  | \$2,652                                 | \$3,788                              |
| Child credit (non-refundable portion)                      | \$2,000                                 | \$1,000                              |
| Total tax  | \$652                                   | \$2,788                              |
| <b>Democrats' 2011 tax increase: \$2,136</b>               |   |                                      |

*Calculations are based on Joint Committee on Taxation (JCT) estimates of various tax parameters reflecting expected inflation adjustments for 2011.*

| <b>Typical Tax Return #2: Modest-income single parent</b>                          |   |  |
|--|---|--|
| Filing Status: Head of Household<br>Children: 1<br>Adjusted Gross Income: \$36,000 |   |  |
|  | <b>Without Democrats'<br/>2011 Tax Hike</b> | <b>With Democrats'<br/>2011 Tax Hike</b> |
| Standard deduction   | \$8,600                                     | \$8,600                                  |
| Personal exemptions  | \$7,500                                     | \$7,500                                  |
| Taxable income   | \$19,900                                    | \$19,900                                 |
| Tax liability  | \$2,373                                     | \$2,985                                  |
| Child credit (non-refundable portion)  | \$1,000                                     | \$500                                    |
| Total Tax  | \$1,373                                     | \$2,485                                  |
| <b>Democrats' 2011 tax increase: \$1,112</b>                                       |   |  |

Calculations are based on Joint Committee on Taxation (JCT) estimates of various tax parameters reflecting expected inflation adjustments for 2011.

| <b>Typical Tax Return #3: Married senior citizens</b>   |  |  |
|---|--|--|
| Filing Status: Married, filing joint return<br>Children: 0<br>Adjusted Gross Income: \$40,000, including \$5,000 in dividends<br>(\$100,000 invested, 5% yield) |  |  |
|   | <b>Without Democrats'<br/>2011 Tax Hike</b>                                      | <b>With Democrats'<br/>2011 Tax Hike</b>       |
| Standard deduction  | \$13,800   | \$13,800                                       |
| Personal exemptions   | \$7,500  | \$7,500  |
| Taxable income  | \$18,700   | \$18,700                                       |
| Qualified dividends   | \$5,000 taxed at 0%<br>(special rate for taxpayers<br>in the 10% or 15% bracket) | \$5,000 taxed at 15%<br>(ordinary income rate) |
| Total tax   | \$1,370  | \$2,805  |
| <b>Democrats' 2011 tax increase: \$1,435</b>  |  |  |

Calculations are based on Joint Committee on Taxation (JCT) estimates of various tax parameters reflecting expected inflation adjustments for 2011.

While the effect of these Democrat tax increases on any particular taxpayer's family budget will depend on that taxpayer's specific facts and circumstances, these typical tax returns make clear that this is a massive tax hike that the American people simply can't afford.

As these examples show, married couples and taxpayers with children will be hit particularly hard by the Democrats' tax hike. For more detail about the re-imposition of the marriage penalty and the reduction in the child credit scheduled for January 1, 2011, stay tuned for Part III of this series, coming soon.

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