



DEMOCRATS' TICKING TAX BOMB, PART II

How Typical Taxpayers Will Be Affected on January 1, 2013 If the 2001 and 2003 Tax Reductions are not Extended

As described in [Part I](#) of this series, when the clock strikes midnight on December 31, 2012, the low-tax policies originally enacted in 2001 and 2003 – and extended, at Republicans' urging, by a Democrat Congress and President Obama in 2010 – are again scheduled to expire. If Congress does not prevent these massive, job-killing tax increases, it 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. The alternative minimum tax (AMT) will dramatically expand its reach into the middle class, targeting more than 31 million households for even higher taxes, while small businesses and family farms will face significantly higher death taxes.

House Republicans have announced plans to hold a vote prior to the August recess on legislation to once again extend all of these low-tax policies – while also establishing a pathway to pass and enact comprehensive tax reform next year – sending a clear signal to families, employers, and the financial markets that taxes will not go up on January 1, 2013, as a result of their expiration. The White House, meanwhile, has confirmed that the President is prepared to allow all of these tax hikes – totaling more than \$4 trillion over the next decade – to take effect at the end of this year. If the Democrats who control Washington ignore the warnings of former [President Bill Clinton](#), former Obama economic advisor [Larry Summers](#), [Senate Budget Committee Chairman Kent Conrad \(D-ND\)](#), and the growing bipartisan chorus urging an extension of these policies for all taxpayers, how will the budgets of typical taxpayers be affected starting January 1, 2013?

- **A family of four earning \$50,000** per year could pay almost **\$2,200 in higher taxes** (a five-fold increase in their tax liability).
- **A single mom earning \$36,000** per year could pay more than **\$1,100 in higher taxes** (nearly doubling her tax liability).
- **Married senior citizens earning \$40,000** per year could pay nearly **\$1,700 in higher taxes** (more than doubling their tax liability).

The following pages show sample tax return calculations for each of these typical taxpayers. 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 cannot afford.



**Typical Tax Return #1:
Low-Middle Income Family of Four with One Earner**

Filing status: Married filing joint return
 Children: 2
 Adjusted gross income: \$50,000

	2013 Without Democrats' Tax Hike	2013 With Democrats' Tax Hike
Standard deduction	\$12,100	\$10,150
Personal exemptions	\$15,400	\$15,400
Taxable income	\$22,500	\$24,450
Tax on taxable income	\$2,485	\$3,668
Child credit (non-refundable portion)	\$2,000	\$1,000
EITC	\$0	\$0
Additional child credit	\$0	\$0
Tax liability	\$485	\$2,668

Democrats' 2013 Tax Increase: \$2,183

Calculations are based on Joint Committee on Taxation (JCT) estimates of various tax parameters reflecting expected inflation adjustments for 2013.



Typical Tax Return #2: Low-Income Single Parent

Filing status: Head of Household
 Children: 1
 Adjusted gross income: \$36,000

	2013 Without Democrats' Tax Hike	2013 With Democrats' Tax Hike
Standard deduction	\$8,900	\$8,900
Personal exemptions	\$7,700	\$7,700
Taxable income	\$19,400	\$19,400
Tax on taxable income	\$2,275	\$2,910
Child credit (non-refundable portion)	\$1,000	\$500
EITC	\$0	\$0
Additional child credit	\$0	\$0
Tax liability	\$1,275	\$2,410

Democrats' 2013 Tax Increase: \$1,135

Calculations are based on Joint Committee on Taxation (JCT) estimates of various tax parameters reflecting expected inflation adjustments for 2013.



Typical Tax Return #3: Married Seniors

Filing status: Married filing joint return

Children: 0

Adjusted gross income: \$40,000, including \$5,000 in dividends (\$100,000 invested, 5 percent yield)

	2013 Without Democrats' Tax Hike	2013 With Democrats' Tax Hike
Standard deduction	\$14,500	\$12,550
Personal exemptions	\$7,700	\$7,700
Taxable non-dividend income	\$12,800	\$14,750
Tax on non-dividend income	\$1,280 (\$12,800 taxed at 10 percent rate)	\$2,213 (\$14,750 taxed at 15 percent rate)
Qualified dividends	\$5,000	\$5,000
Tax on dividend income	\$0 (\$5,000 taxed at special 0 percent rate for taxpayers in the 10 percent or 15 percent brackets)	\$750 (\$5,000 taxed at 15 percent ordinary income rate)
Tax liability	\$1,280	\$2,963

Democrats' 2013 tax increase: \$1,683

Calculations are based on Joint Committee on Taxation (JCT) estimates of various tax parameters reflecting expected inflation adjustments for 2013.

For more detail on how the Democrats' ticking tax bomb will affect specific kinds of taxpayers – e.g., middle-class families, senior citizens, small businesses, and investors – stay tuned for further documents in this series, coming soon.