

[House, Senate Dems break from Obama's tax policy for wealthy](#)

By Bernie Becker - 03/20/11 06:00 AM ET

Democrats in both chambers of Congress are pushing for legislation that would raise taxes on millionaires, breaking from President Obama who has long endorsed tax increases for families making more than \$250,000.

The strategic shift comes as lawmakers on Capitol Hill are beginning to discuss tax reform, and are poised once again to engage in the debate over whether the Bush-era tax rates should be extended.

In an interesting development, liberals are calling for taxes to be raised on people making more than \$1 million annually while Obama and other party leaders have embraced \$250,000 or more per year. The left-leaning lawmakers stress that while they still support what Obama wants to do, the president wasn't able to convince the Democratic-led Congress to pass his tax blueprint last year.

The group of legislators, which includes Sen. Bernie Sanders (I-Vt.) and Rep. Jan Schakowsky (D-Ill.), argue that poll numbers suggest the public is on their side and that added revenue is needed to narrow deficits and keep programs such as Head Start from being placed on the chopping block.

But they downplayed the dollar figure differences between their plans and the president's.

"I don't think there's anything magical about 250,000 or a million. It's how much money do you need," said Sanders, whose proposal would set a 5.4 percent surtax on income over \$1 million a year. "In my view, the Democrats and the president should be very strong on this issue: that our goal is shared sacrifice and let's not balance the budget on the backs of the working and middle class."

Schakowsky signaled that her legislation – which would create a 45 percent bracket for income between \$1 million and \$10 million a year, with a top rate of 49 percent for income of \$1 billion a year and above – could work in concert with a plan to return rates to Clinton administration levels. The current top individual tax rate of 35 percent would rise to 39.6 percent at the end of next year, unless Congress again extends existing high-income rates.

"I certainly don't see it as a counter to the real and specific debate on the Bush tax cuts," Schakowsky said. "The fact is, Republicans don't want to do anything to take away tax breaks from the richest Americans, and we want to stimulate that debate."

Still, the legislation offered by Sanders and Schakowsky comes just months after Democrats debated whether to push to allow the Bush-era tax rates to expire for income above \$200,000 for individuals and \$250,000 for couples or to extend the tax rates for income up to \$1 million.

In the end, the Senate rejected both those proposals during last year's lame-duck session of Congress, paving the way for a compromise hashed out by the White House and Republicans that extended the Bush-era tax rates for two years at all income levels.

Sen. Charles Schumer (D-N.Y.), the main proponent of the tax increase on millionaires, said at the time his proposal was defeated that he would continue to fight for that sort of plan. Schumer last year urged the White House to back his plan, though Obama opted to keep to his \$250,000 policy.

Infuriating progressives in Congress, the president later signed off on a deal with the GOP extending all of the Bush-era income tax rates that also included additional unemployment benefits. The bipartisan accord on the tax rates expires at the end of 2012, and Obama has said he is looking forward to engaging Republicans in a debate on tax reform in the 112th Congress. Other Democrats, however, are wary of that looming fight.

While Obama has moved to the middle on various issues since the midterm elections, he has stuck to his \$250,000 figure, which was included in the White House's fiscal 2012 budget request.

Some supporters of tax increase for millionaires say that they learned some lessons from the lame-duck debate last year. They contend the new bills give Democrats a simpler message: Republicans want to help millionaires and Democrats are for the middle class.

They also point to a recent NBC News/Wall Street Journal poll that found roughly eight in 10 adults thought it was either totally or mostly acceptable to impose a surtax on people making more than \$1 million a year.

"It's an understandable option ... We didn't want to get into too much nuance about, well, should it be 250, 300, 275," said Rep. Raul Grijalva (D-Ariz.), a co-chairman of the Congressional Progressive Caucus. "I think setting the cap where it is — millionaires — sets a starker option."

Sanders and Schakowsky say their millionaire proposals would raise as much as \$50 billion in Sanders' measure and roughly \$79 billion in Schakowsky's as well as eating into what both lawmakers say has been a stark increase in income inequality.

But, with Republicans now controlling the House, even Schakowsky admits that her measure faces an uphill climb. The bill, introduced this week, has nine co-sponsors, while only Sen. Barbara Mikulski (D-Md.) has signed onto Sanders's legislation.

House Minority Leader Nancy Pelosi (D-Calif.) and Senate Majority Leader Harry Reid (D-Nev.) have publicly endorsed Obama's \$250,000 threshold. But some Democratic centrists and other Democrats who hail from high-cost-of-living states have balked at the president's definition of wealthy.

Sanders did not express much confidence that the White House would get on board with his proposal, which he has framed as a way to fund the government this year without making crippling cuts to important programs.

"We have not heard – and I'm extremely disappointed, but not surprised – but we have not

heard that the president has indicated that he is interested in coming up with revenue, just that he wants to negotiate with Republicans on spending cuts," Sanders said.

Even so, Democrats believe that higher taxes on the wealthy, and possibly on millionaires, could be a central part of broader discussions on getting the nation's books in order.

Congressional Republicans continue to push their case that the path to fiscal health is through reining in spending, not increasing taxes.

"Job-destroying tax hikes on small businesses and American families are not the answer to out-of-control Washington spending," Sen. Mitch McConnell (R-Ky.), the minority leader, said this month.

But a Senate leadership aide said that any long-term deficit reduction agreement would have to confront tax cuts for the wealthy.

"It goes to the heart of whether we are serious about reducing the deficit, as opposed to just shrinking government," the Democratic aide said.