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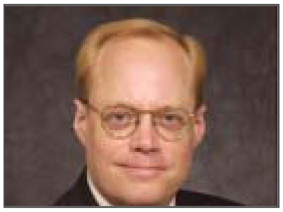

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Obama Eyes More Tax Hikes---By Executive Action

In another sign that the gloves have come off for the last 2 years of his term, President Obama suggests he can raise taxes by executive action. That's the same method he used for his controversial immigration 'reform.' The Congressional Budget Office says Mr. Obama's executive immigration action will increase federal deficits by $8.8 billion over the next ten years. Now, we may see unilateral tax hikes too.

The tax gauntlet was tossed down by his White House Press Secretary, Josh Earnest, who said the President was "very interested" in raising taxes through executive action. Some of the blame goes to Sen. Bernie Sanders (I-VT), who called upon the President to raise over $100 billion in taxes through IRS executive action. Sen. Sanders dispatched this letter to Mr. Obama's Treasury Secretary identifying actions the IRS can take without asking Congress.

Up until now, tax laws are passed by Congress and administered by the IRS and Treasury Department. But the precise line between administration of *existing* taxes and forging new ones can at times be blurred. Sen. Sanders claims the goal would be closing corporate tax loopholes, rather than implementing new taxes. The President seems pleased and seems unlikely to face resistance from the IRS, though the IRS is traditionally reluctant to act by fiat.

Sen. Sanders appears to have opened a veritable barn door for the President to act more broadly than is customary. Although the actions recommended by Sen. Sanders target corporations, it is worth noting that the tax hikes included in the President's budget are numerous. And, they are unlikely to be passed by a Republican-controlled Congress. That means Plan B.

According to Press Secretary Earnest, "the president has asked his team to examine the array of executive authorities that are available to him to try to make progress on his goals. So I am not in a position to talk in any detail at this point, but the President is very interested in this avenue generally." President Obama likes to raise taxes and to enact new ones, as his budget makes clear.

Sen. Sanders wants the President to fix "check the box" rules that allow multinational corporations to shield profits from taxation. He also wants to end the tax break for carried interests. But as long as executive action may expand to tax, it is worth asking what else from President Obama's budget might be considered. For example, of the many tax proposals in his budget, the President wants to increase taxes on retirement savings.

Taxing retirement savings is hard to understand given the fact that we so desperately need private savings. Our Social Security system is going broke, Americans are living longer and living costs keep going up. It almost seems impossible to have too much for retirement. Nevertheless, Mr. Obama proposes cutting back on allowable retirement savings. The cuts would be big, limiting retirement savings to an amount sufficient to generate $210,000 a year beginning at age 62. This may not be enough money for many retirees, especially in high cost of living cities.

The President also wants to change the independent contractor vs. employee playing field. Notably, Obamacare covers employees, not independent contractors. The President's proposal would put more power in the hands of the IRS to reclassify independent contractors as employees. The budget recognizes that the law is tough to apply and tough for businesses to understand. It states that, "New enforcement activity would focus mainly on obtaining the proper worker classification prospectively, since in many cases the proper classification of workers may not be clear."
Now *there's* an understatement.

The President wants more tax reporting too. Businesses that purchase more than $600 worth of goods or services from a contractor would have to get that contractor's Taxpayer Identification Number and check it with the IRS. If it doesn't check out, the business would have to withhold from 15% to 35% of the payment, sending it off to the IRS. It isn't an exaggeration to say that it would double or triple the reporting obligations of small businesses.

The President wants to deny tax deductions for donations linked to sports tickets. Many colleges and universities rely on event tickets to goose alumni contributions. Today, if you give to charity and your contribution makes you eligible to buy advance tickets, you can only deduct 80% of your contribution, not 100%. The White House says *no part of your donation* should be deductible, period.

Of course, these are only proposals, and there are many others. It appeared that a Republican Congress made these and other proposed tax changes stillborn. Yet if President Obama can give work permits, Social Security numbers, and drivers licenses to approximately 4 million illegal immigrants, perhaps some tax increases would be easy.

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