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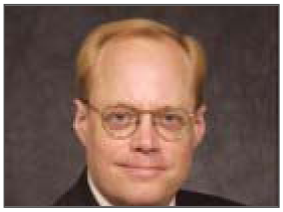

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Millionaire Tax Now Likely, But President Obama Wants More

Speaker of the House Rep. John Boehner (R-OH) (Image credit: Getty Images via @daylife)

In the fiscal cliff horse trading, President Obama wants a tax increase on anyone earning over $250K. (However, here's the latest update to this story: In Tax Hike Haggle, Obama at $400K, Boehner at $1M: Now What?) House Speaker John Boehner and the Republicans? No tax increase, thank you. But now the Speaker has signaled that tax hikes on those earning over $1 million would be OK. See Fiscal Cliff Talks: GOP Poses Millionaire Tax-Rate Increase.

It's compromise time as the fiscal cliff moved ever closer. And Mr. Boehner doubtless thinks the spending cuts he wants in return–and the need for some kind of deal–make it worthwhile. See Boehner Agrees To A Millionaire Tax–And Moves Closer To A Fiscal Cliff Deal. After all, the Bush Era cuts are expiring and there's no patch in sight.

Semantically, perhaps a tax increase is a misnomer if the cuts simply expire. Yet these lines have long been drawn on this issue. Extensions of the Bush Era cuts for at least some seem almost inevitable, yet for whom?

Some of the debate focuses on the rates themselves, including the 35% to 39.6% rate hike. But some of the provisions are harder to absorb, including the phase-out of deductions and credits. Then there's the expiring 15% capital gain rate and the new 3.8% investment tax under Obamacare.

In his new offer, Mr. Boehner for the first time moved off the no-rate-increase stance and made the first move toward compromise. Mr. Boehner's proposal would extend all current tax rates, but raise rates only on incomes above $1 million. Those earners would face the jump from the current high of 35% to 39.6%.

But Mr. Boehner expects spending cuts to the tune of at least $1 trillion, and at least some of those cuts would come from entitlement programs such as Medicare. Some savings would come from closing certain tax loopholes and limiting deductions. More compromises are likely on the way.

But tax increases now seem quite likely for those earning over $1 million, with top rates jumping from 35% to 39.6% in January. As for long term capital gains, the current 15% rate jumps to 23.8% January 1, 2013 wrought from a combination of the new 20% rate plus the 3.8% health care add on that will hit most with incomes above $200,000.

There is no deal yet, of course, but the fact that Mr. Boehner has moved off the no-increase platitude suggests there will be a compromise. Mr. Obama may not get all he wants, and his $250,000 threshold may not hold. Mr. Boehner's $1 million benchmark may not either. But this may be the first positive sign that it may not be too late for a deal.

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