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'Fiscal cliff' showdown at White House; Staten Island expert says 'uncertainty' can hurt economy

by DEBORAH YOUNG

STATEN ISLAND, N.Y. — This afternoon, President Barack Obama, Vice President Joe Biden, House Speaker John Boehner, House Minority Leader Nancy Pelosi, Senate Majority Leader Harry Reid and Senate Minority Leader Mitch McConnell are ensconced in a meeting in the White House, trying to negotiate some sort of deal to avert the tax hikes and spending cuts simply known as the fiscal cliff.

As most Americans have come to understand, the country's economic health, as well as individuals' financial well-being, hangs in the balance.

If an agreement is not reached, everybody from a minimum-wage earner to a multi-millionaire could be affected by tax increases.

Many programs could be hacked away at in ways lawmakers never intended when they came up with the clumsy "what if" scenario they now fight the clock to avert.

The so-called "cliff" threatens to lop off chunks of the country's defense budget, scale back Medicare reimbursement rates and cut loose millions of people from unemployment insurance, among other measures aimed at reducing the nation's deficit.

But the much ballyhooed Dec. 31 line in the sand is also more political than economic, other experts argue.

Lawmakers still have a chance to strap on their fighting gloves when legislative session resumes next year and fix the mess before many of the changes actually take effect.

Even so, most analysts agree, if elected officials fail to act, the country's global standing will suffer, and the stock market will almost certainly react badly — impacting 401K plans and other retirement accounts.

"Uncertainty is already bad for the economy; they should have reached a deal weeks ago," said Jonathan Peters, a professor of finance at the College of Staten Island. "The uncertainty from the public's perspective that their government can't reach these agreements is going to create uncertainty in the market and in people's spending, because they're not sure of their taxes."

If the fiscal cliff were to take effect, working Staten Islanders would see an increase of 2 percent in their payroll tax, as an automatic Social Security payroll tax increase takes effect.

Middle class Staten Islanders — those earning between \$50,000 and \$70,000 — would have an additional \$2,319 in taxes next year.

That's about \$45 a week.

Somebody who makes between \$75,000 and \$100,000 would see a tax increase of \$3,560, or about \$70 a week.

Those making between \$500,000 and \$1 million would see an increase of nearly \$35,000 on their tax bill. At the other end of the spectrum, those making \$20,000 to \$30,000 would see an increase of more than \$1,200.

The Tax Foundation has a handy calculator that allows people to punch in their financial data and get a sense of what the “cliff” means to them.

About 2.1 million unemployed Americans could also lose federally funded unemployment compensation if a deal can’t be reached to extend the benefits plan.

Those who depend on Medicare to pay for health care may also have to search around for new doctors, because many physicians may simply decide that the reimbursement cuts engineered into the “fiscal cliff” make it financially unfeasible to treat patients who don’t have private insurance or can’t pay cash.

“With no sign of action from Congress, physicians must prepare themselves and their patients for an impending Medicare crisis,” American Medical Association President Dr. Jeremy A. Lazarus said in a statement earlier this month. “With a full year to stop this drastic cut, it is absolutely inexcusable that Congress has failed to act, leaving Medicare patients and physicians to deal with the consequences.”

Physicians who are forced to restrict their involvement with Medicare because it threatens the viability of their practices should notify their patients promptly so they can explore other options for their health care and medical treatment, according to the national association of doctors.

But even without a deal before the New Year, many of these worst-case scenarios will not come to pass, said Wagner College Economics Department chairwoman Dr. Mary Rose Leacy.

“This is a moveable line in the sand, shifting sand. This is more of a political problem than an economic one, more and more people are coming to realize that,” she said, noting there is still time for Congress to debate many of the measures and come up with a solution before they take effect. “Obviously they’re going to have to correct it very soon, because if it does happen everyone’s taxes will go up.”

Meanwhile, the Associated Press reports a person familiar with the details says President Obama will not make a new offer during this high-stakes meeting with congressional leaders at the White House.

Obama instead is spelling out again a plan he says can pass the House and Senate, said the source, who spoke on condition of anonymity because he was unauthorized to speak publicly about the private meeting.

Obama wants a bill to halt looming tax increases on all families making \$250,000 a year or less and would extend unemployment insurance to many people about to lose it. His proposal would also cover other issues as the Jan. 1 deadline nears.

If he does not get a counter proposal that can pass both chambers, Obama will press for a straight up-or-down vote on his idea, the source tells the Associated Press.