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Democrats Seek Tax on 'Richest,' Aiming Gauntlet at G.O.P.

By ROBERT PEAR

WASHINGTON — In proposing a 5 percent surtax on incomes of more than \$1 million a year to pay for job-creation measures sought by President Obama, Senate Democratic leaders on Wednesday escalated efforts to strike a more populist tone and to draw Republicans into a confrontation over how much affluent Americans should pay to help others cope with a struggling economy.

The White House, after dismissing a similar proposal late last year, left the door open to backing the plan. "We are open to different ways of paying for the very important broadly supported measures in the American Jobs Act that would grow the economy and create jobs," said the press secretary, Jay Carney.

The new plan, devised by the Senate majority leader, [Harry Reid](#), Democrat of Nevada, has a twofold purpose: to draw a sharp contrast with Congressional Republicans, who have dug in against any increases in tax rates, and to quell a revolt brewing among some Democrats who objected to parts of the White House plan.

Mr. Reid said the surtax would raise \$445 billion over 10 years, just about the amount needed to pay for the jobs bill, though it appears unlikely it could make it through Congress.

The proposal, he said, would “have the richest of the rich pay a little bit more” — specifically, “5 percent more to fund job creation and ensure this country’s economic success.”

Mr. Reid’s proposal was to have taken effect in 2012. The White House suggested a one-year delay. Mr. Reid agreed. On Wednesday night, his office announced a change, saying: “The millionaires’ surtax will now take effect in 2013, not 2012. The surtax rate is also changed, to 5.6 percent from 5 percent.”

Many economists predict that the economy will still face serious problems, including high unemployment, in 2012, an election year. Mr. Reid made clear that he thought his party would gain a political advantage from the proposal.

“It’s interesting to note that independents, Democrats and Republicans and even the [Tea Party](#) agree it’s time for millionaires and billionaires to pay their fair share of taxes,” Mr. Reid said Wednesday.

The plan, pushed by Senator Charles E. Schumer of New York, the No. 3 Senate Democrat, comes after Mr. Obama earlier proposed a “Buffett Rule” that would force wealthy Americans to pay more in taxes. It also comes against a backdrop of protests against Wall Street, giving Democrats hope they can tap into some of that sentiment in next year’s elections.

Indeed, the Democratic proposal seems more about politics than policy. Even if wavering Democrats could be rounded up to support the president’s plan, Senate Republicans could block the proposal by denying Democrats the votes needed to overcome a near-certain [filibuster](#).

Republicans, who control the House, scorned the new proposal.

In an interview with Bloomberg Television, the House majority leader, Representative Eric Cantor, Republican of Virginia, said: “Here we go again, continued insistence in Washington — raise taxes on job creators right now. That’s not what we need. Most people in America think it’s counterintuitive to raise taxes if you want economic growth.”

Details of the surtax proposal are still being worked out.

Congressional aides said it would probably work this way: The government would collect an additional tax equal to 5.6 percent of the amount of income exceeding \$1 million. So for a person with income of \$1.1 million, the extra tax would be \$5,600, which is 5.6 percent of \$100,000. Estimates from the Congressional Joint Committee on Taxation indicate that 330,000 households have more than \$1 million of income, broadly defined.

The proposed surtax would apply to wages and salaries, capitals gains, interest, dividends and some other types of income, Congressional aides said.

Public opinion polls suggest some support for the Democrats' approach.

In a recent CBS News poll, 64 percent of people said taxes should be increased on households earning \$1 million a year or more and 30 percent said the government should address the budget deficit without increasing taxes on those households. Only a quarter said this tax increase would help job creation, 18 percent said it would hurt job creation and about half said it would not make a difference.

Tax rates on the wealthy have declined in recent decades. The total federal tax rate for the top one-thousandth of all earners — a group that now starts at about \$1.5 million in annual income — was 53.7 percent in 1980, according to research by the economists Emmanuel Saez and Thomas Piketty. By 2004, the latest year for which the economists have data, the total federal rate had fallen to 33.7 percent.

To pay for his jobs plan, Mr. Obama proposed a grab bag of tax increases. Individual Democratic senators objected to some of the proposals, including ones that would have eliminated tax breaks for oil and gas companies, limited the value of itemized deductions for high-income people and required owners of corporate jets to pay higher taxes.

Mr. Schumer said Wednesday that he hoped the new proposal would deflect criticism aimed at the president's proposals.

“Drawing the line at a million dollars is the right thing to do,” Mr. Schumer said. “In the eyes of many, it is hard to ask more of households that make \$250,000 or \$300,000 a year. Many of them are not rich. In large parts of the country, that kind of income does not get you a big home or lots of vacations or anything else that’s associated with wealth.”

Representative Doug Lamborn, Republican of Colorado, said he thought the Senate plan would be harmful to employers. “There are a lot of so-called millionaires who are small businesses,” Mr. Lamborn said. “They’re not a movie star, they’re not a Hollywood actor, they’re the dry cleaner on the corner.”

Mr. Schumer said the new proposal spared many small businesses whose income is passed through to their owners and taxed as personal income. If the owners’ income is less than \$1 million, Democrats said, they would not be affected by the “millionaires’ tax.”

The proposal may help unify Democrats, allowing them to present themselves as populists in a tax fight with Republicans.

Democratic leaders said they believed the new proposal would win support from Democratic senators like Mark Begich of Alaska and Mary L. Landrieu of Louisiana, who have expressed reservations about some of the tax changes in the president’s plan.

Jennifer Steinhauer contributed reporting.



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