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(623) 434-3322
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GOVERNMENT'S HAND IN MY POCKET

By Jon Christian Ryter
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Well, here we go again. George W. Bush blinked in the showdown with the socialists on Capitol Hill and lost the bid for his private account Social Security initiative; then failed to keep his promise to appease Harry Reid by putting Harriet Miers on the Supreme Court; and when he wasn't smart enough to see where Joe Wilson and the antiwar crowd was taking Wilson's "private" indignation about Dick Cheney outing his wife until the grumbling to impeach the vice president was on the lips of every talk show host in the country. George W. Bush is the first president to successfully alienate all of the voters—including his core constituents—all at the same time.

Now he's losing the budget war as well. Like any good Democrat—oh, wait a minute, GW is a Republican—the president hasn't found a spending bill he doesn't like. Bush needs to put the brakes on spending before he completely

I prefer to call the the Snow proposals what they are—unarmed robbery with a federal badge.

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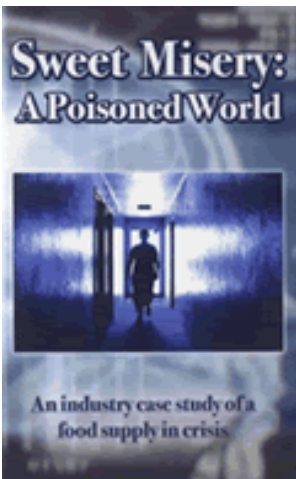
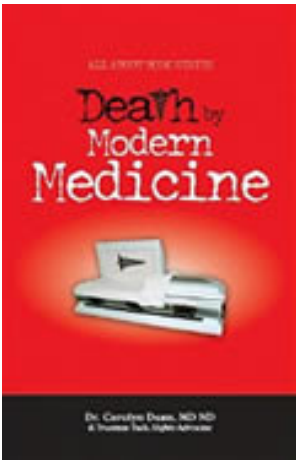
bankrupts not only the Fed but the consumers as well. Bush and the GOP-controlled Congress are becoming so proficiently Democratic in robbing Peter to pay Paul that it's now reached the point where, when they put their hand in Peter's pocket to pay for their most recent largess to Paul, the only thing they are finding in Peter's pocket is their own left hands, still searching for whatever small change they missed with the last tax hike. It's no wonder the middle class is looking for a new hero. Bush has now apparently decided he wants to become a tax and spend liberal.

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Instead of addressing the needs of the American people through their eyes, Bush has decided to tackle another impossible hurdle—overhauling the federal income tax system. This time, if the people of the United States don't firmly align to stop him, Bush will succeed—and that is bad. The Fed bankers know they must change the tax code and eliminate the home mortgage interest deduction. Why? Because the Fed is almost broke. They need your money. And, by using those old "inside-the-beltway" smoke and mirrors as they tell you they are lowering your tax rate and simplifying the tax forms, they plan to dig even deeper in the pockets of middle class America.

For the past decade new private home building has pretty much been the spine of the American economy. Never in the history of this nation have so many private citizens owned their own homes. What does that mean to the Federal Reserve and the US Treasury? It means that for the first time in history millions of low to low-middle income taxpayers who never exceeded their "standard deductions" (or least have not exceeded them since the last time the government simplified the tax code and eliminated most of the traditional tax deductions like interest payments on loans from loan institutions, interest on credit cards or on the family automobile from your local bank or from Ford, Chrysler or GMAC that we deducted from our taxes since those payments were "taxable income" to those who received them) now have the opportunity to reduce their tax liability even more. Maybe.

Because the bankers want him to succeed, Bush will succeed, Only his success will have a negative impact on the pocketbooks of the taxpayers in 2009 when the Democratically-controlled Congress of Hillary Clinton will complete the task of tax reform—by enacting new tax increases "on the rich." (Just remember, the rich—in the



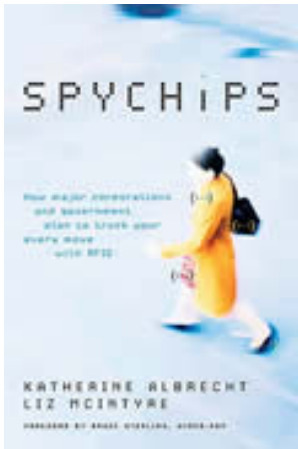
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view of the tax and spend liberal—is anyone with a household income of \$65,000 up.) Anytime the United States government offers the taxpayers a grand gratuity you can bet that buried in the fine print is the legalized theft of your assets. The federal government of the United States will never knowingly do anything that will benefit the taxpayers without taking far more from them than it gives.

The most recent gift horse to be dangled in front of that taxpayers is a promise by the Bush-43 Administration to lower income tax rates paid by all Americans. The last time Uncle Sam did that, the federal government eliminated 90% of the tax deductions followed, two presidents later, by the largest tax increase in the history of mankind. This time around, it appears Uncle Sam plans to take the rest of them. Treasury Secretary John W. Snow, who is heading a presidential commission appointed in January, 2005 to overhaul the federal income tax system, worked for 10 months before offering two plans—both of which, while promising to do better by the taxpayers, will penalize the middle class while offering minimal tax relief to the lowest tax brackets and more substantial tax relief to the highest tax brackets.



The President's Advisory Panel on Federal Tax Reform spent 10 months creating several proposals from which they selected two for Congress to consider. Both plans are a joke—or rather, they would be if screwing the taxpayers was funny. Snow devised the scheme for one reason and one reason only—to slash the deficit quickly and dramatically. "This administration knows that deficits matter," Snow told the Financial Times of London, "we know they're unwelcome. The clear priority of the administration right now is the deficit, making sure that we achieve the president's objective of cutting the deficit in half by the time he leaves office."

When Bush took office in 2001, there was a projected 10-year tax surplus of \$5,600,000,000.000.00. The war on terrorism drained that projected surplus and replaced it with a projected \$2,100,000,000,000.00 budget shortfall at the end of this decade although the annual deficit has been falling since the Bush tax cut took place because it stimulated both job growth and spending.



Overhauling The Federal Income Tax FOR THE AMERICAN FAMILY

	CURRENT RATE	SIMPLIFIED PLAN	INVESTMENT PLAN
TAX RATE	Six Tax Brackets 10%, 15%, 25%, 28%, 33%, 35%	Four Tax Brackets 15%, 25%, 30%, 35%	Three Tax Brackets 15%, 25%, 30%
ALTERNATIVE MINIMUM TAX	Affects 21 million in 2006 and 52 million people in 2015	Repealed	Repealed
STATE AND LOCAL TAX	Deduction for those who itemize expenses	Not Deductible	Not Deductible
HOME MORTGAGE INTEREST	Deduction available only to homeowners who itemize	Home Credit equal to 15% of the mortgage interest paid for the year. Available to all taxpayers—even those who do NOT item- ize. Limited to average regional price of housing (\$227,000 to \$412,000).	
HEALTH INSURANCE PREMIUMS	Grants tax-free status to an unlimited amount of premiums paid by the insured.	Taxpayers will revert back to paying their premiums with PRE-tax dollars, up to the amount of the average premiums for an individual or family.	

While both of the plans proposed by Snow's advisory panel would reduce the number of tax brackets, the lowest tax bracket—which is now 10%—would be 15%. Both plans would consolidate the personal exemption (how many family members lived in the household), the standard deduction and, if the taxpayer is eligible, the child care tax credit into a single "family credit." Snow's plan does this so you won't be able to see the slight of hand that will increase your adjusted gross income and, thus, your tax liability. To placate the liberals, Snow's plan does provide an additional tax break for the low-income wage-earner called a "savers' credit."

The President's Advisory Panel on Federal Tax Reform reduced the amount of interest on mortgages than can be written off. In tax year 2004, interest paid on mortgages of up to \$1.1 million per year could be written off your taxes. If either Snow plan is enacted, only the first \$227,000 (or \$412,000 in the super-inflated real estate markets) could be deducted from the taxpayer's adjusted gross income—providing that \$227,000 did not exceed 15% of the actual interest paid. What does that mean to you as a homeowner-taxpayer? Here is an example—I paid roughly \$18,500.00 in interest on my mortgage payments last year. The entire amount of that interest was deducted from my taxable income. Under the proposed plan, only \$2,775.00 of that money could be deducted. My taxable income (after all deductions) would have increased by \$15,725—and my taxes by another \$3,210.00 (46%) without taking into consideration any of the other write-offs, like credit for

State, county and local taxes—that would also be disqualified under the new Snow plan.

Gerald Howard, Executive Vice President and CEO of the National Association of Home Builders denounced the banking community's proposal as the "...biggest tax hike for homeowners ever considered." The life insurance industry is alarmed that the tax incentives for using banks to create private retirement accounts will divert billions of dollars from retirement income insurance policies and annuities. It will since the funds devoted to retirement programs through insurance premiums are not exempted from taxation. Lobbyists for the American Society of Pension Professionals & Actuaries warned that either plan proposed by the President's Advisory Panel on Federal Tax Reform would devastate the retirement security of the middle class American worker. Their warning, thus far, has fell on deaf ears.



In a rare display of intelligent thought, Charlie Rangel [D-NY], one of the senior members of the House Ways and Means Committee (with whom I almost never agree) called the Snow proposals "unwise and unfair." Rangel, in this instance, is too kind to the Bush Administration. I prefer to call the the Snow proposals what they are—unarmed robbery with a federal badge.

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Then, with what had to be a tongue-in-cheek comment, Snow said Bush won't abandon his low tax policies, claiming the new tax code would deprive the Treasury of "billions of dollars" a year (on capital gains taxes and taxes on stock dividends). To achieve deficit reduction and lower taxes, Snow added, reforming the US Tax Code was a priority for

the Bush Administration. Snow's plan to "reform" the US Tax Code will cost every low and middle class family in America at least 50% more in taxes at the onset. And under the next liberal's presidency or—God forbid—if the liberals regain control of the purse strings of America in 2006 or 2008, the middle class American taxpayer will once again be chained to the ox cart of tax servitude to the impoverished as the welfare state is reborn in America. The middle class will have no escape from the taxload since none of the expenses that the taxpayer had previously been able to use to reduce their tax liability will be eligible under the plans advanced by the President's Advisory Panel on Federal Tax Reform.

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Jon Christian Ryter is the pseudonym of a former newspaper reporter with the Parkersburg, WV Sentinel. He authored a syndicated newspaper column, Answers From The Bible, from the mid-1970s until 1985. Answers From The Bible was read weekly in many suburban markets in the United States.

Today, Jon is an advertising executive with the Washington Times. His website, www.jonchristianryter.com has helped him establish a network of mid-to senior-level Washington insiders who now provide him with a steady stream of material for use both in his books and in the investigative reports that are found on his website.

E-Mail: BAFFauthor@aol.com

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