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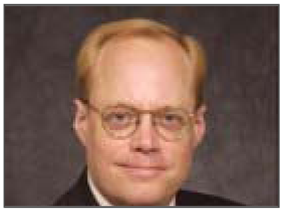

Robert W. Wood
THE TAX LAWYER

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No Deal, So Cliff Taxes Rise But Millionaire Tax Held Unconstitutional

(Image credit: Getty Images via @daylife)

Reports from the Cliff talks through the weekend have been guarded and now seem downright pessimistic. See [“Fiscal cliff” talks stall in final hours](). If a tax deal is not struck before midnight New Years Eve, the Bush administration’s 2001 and 2003 tax cuts will finally expire triggering an increase in rates. Meanwhile, a whopping $110 billion in automatic spending cuts will also begin to take effect. Both domestic and military spending will be impacted as a result of last year’s federal debt ceiling standoff.

Whether you blame Republicans, Democrats, the President, or the whole bunch of them, this isn’t anyone’s idea of how to run a country. Americans may still want to rename French fries freedom fries, but the French may look a good deal more organized than Americans right now. After all, as promised, their President François Hollande put a 75% rate in place on millionaires.

Now France’s Constitutional Council has struck down this Socialist government policy linchpin as “confiscatory.” Even then the French look efficient. Prime Minister Jean-Marc Ayrault volleyed back that the government would reintroduce a revised version of the tax. It will take into account the criticisms of the Constitutional Council. See French Council Strikes Down 75% Tax Rate.

Of course, the 75% rate angered the wealthy, including France's wealthiest man and CEO of LVMH, Bernard Arnault. Worse, beloved actor Gerard Depardieu also had enough. Both applied for Belgian nationality. See Gerard Depardieu Shows Tax Exiles Can Fight Back. With all the U.S. talk of a millionaire's tax, there's an odd serendipity to all this. See Millionaire Tax Now Likely, But President Obama Wants More.

In an American-style patch, the French millionaire's tax was set to expire in two years and would have applied only to annual income above €1 million, about $1.3 million. It would have impacted very few taxpayers. The government says it's needed to cut the budget deficit. See If U.S. Had 75% Tax Rate, You'd Leave Too.

Sound familiar? It doesn't really seem about revenue or deficit reduction. Experts say the French budget deficit is a whopping $112 billion this year alone. The symbolic 75% tax—assuming it is eventually validated—will only collect a few hundred million dollars. See French Court Rejects 75% Tax Rate.

And a populist revolt could be coming. Edouard Leclerc, the founder of one of France's biggest supermarkets, said that the government's attitude to the rich recalled the rhetoric of the French Revolution. See France's constitutional council rejects 75% tax rate. Meanwhile, some are calling for Mr. Depardieu to come back to his beloved France. After all, now he'll only face a 45% tax rate. Even that 45% rate is no bargain, applying to income above 150,000 euros, about $198,000. Previously the top rate was 41%.

Yet it's clear France isn't off the tax increase bandwagon. Indeed, the controversial taxing of capital gains at the same rates as income was upheld by the same Constitutional Council. That provision will impact far more in the country than the millionaire's tax. Meanwhile, on our shores we're right up to the cliff with no deal.

Yet Congress spins, is quite malaised;
Frenzied meetings, bruised and dazed.
We voted for them, liked their nerve;
But now it seems they've little verve.
This isn't Greece, or even Spain!
Can't you save us from this pain?

For more, see Fiscal Cliff in Verse.

Robert W. Wood practices law with Wood LLP, in San Francisco. The author of more than 30 books, including Taxation of Damage Awards & Settlement Payments (4th Ed. 2009 with 2012 Supplement, Tax Institute), he can be reached at Wood@WoodLLP.com. *This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*