



Robert W. Wood

THE TAX LAWYER

Dec. 23 2011 — 9:51 am

Parsing the Puny Payroll Tax Postponement

It's truly good news for everyone that the House and Senate got the payroll tax cut done, albeit only for 60 more days. Like a small meal when you're really hungry, this takes the edge off, which is good. It buys time, which is good.

Some Republicans had wanted a longer extension with more meat. Yet sometimes we all need something to tide us over. If Congress hadn't managed it, millions of Americans would see their payroll tax spike from 4.2% to 6.2%. Sure, that would hit businesses with lots of employees.

On a more human level, it translates to about a \$40 hit to each paycheck for a family having a \$50,000 annual income. That figure was the genesis of the **"What Does \$40 Mean to You?"** slogan being circulated to garner support for the extension of the payroll tax cut.

There are of course other pieces to this puzzle, including extending unemployment benefits and preventing reduced Medicare payments for doctors. More famously, there are also the entirely unrelated issues, including the controversial Keystone XL oil pipeline which

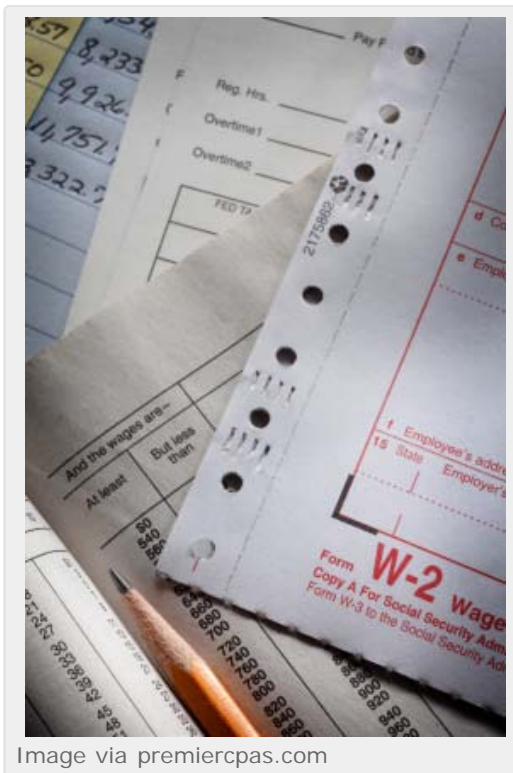


Image via premiercpas.com

environmentalists adamantly oppose. Discussion of the **payroll for pipelines** deal is surely coming back, so expect more political fisticuffs within the next 60 days.

Sure, everyone has and will continue to apply a certain spin on this nearly Christmas Eve deal. That is politics, after all. (How can everyone proclaim victory anyhow?)

Twitter Tax Effect? Yet as we all wipe our mouths after our small meal, one post-meal reflection is this: It's pretty hard to do much planning based on the fits and starts that our tax laws have become. Whether resorting to two-month extensions, one-year reprises or two-year tax patches (remember the AMT?), Congress is having an increasingly hard time committing to the long term. It's the Twitter Tax Effect, I guess.

So as Congress adjourns for its much needed holiday break from sausage-making, it paves the way for many more teachable moments and much more post-holiday wrangling. It is a kind of sport of kings. It's something to look forward to in those dark days of January and February too.

We too can get caught up in it, the fervor of last minute infomercial deals, but you must act in the next 20 minutes! We watch the count-down for the last minutes, for they can make those **special limited time only** deals **so** satisfying. Besides, this way there are no leftovers.

For more, see:

[Taxes As Seen On TV?](#)

[Paying Taxes Pennies On The Dollar](#)

[AMT Patch Nicely Embroidered](#)

*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.*