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Plan B: Who Wants To Be A Millionaire?

Being a millionaire isn't what it used to be. Even so, nearly everyone still wants to be one. In a [Strange Bedfellows](#) combination, President Obama, Speaker John Boehner and Warren Buffett all seem to be in sync about taxing them more.

With a fiscal cliff deal still not finalized, a 35% to 39.6% top tax rate hike will take effect January 1, 2013. Yet it's widely assumed that a fiscal cliff deal will still emerge. If it does, the rate hike will only hit some.

Mr. Boehner shrewdly moved off his no-rate-increase stance. He proposed to extend all current tax rates and to raise them only on incomes above \$1 million. Those top earners would face the jump from the current high of 35% to 39.6%.

Of course, President Obama has a long history of wanting tax increases on anyone earning over \$250,000. But the President too has modified his view. Recently, he said that raising rates for those earning over \$400,000 was enough. See [In Tax Hike Huddle, Obama at \\$400K, Boehner at \\$1M: Now What?](#)



Before the anticipated discussion of compromise figures between \$1 million and \$400,000, Mr. Boehner started talking about a Plan B. It is supposed to be an alternative to a fiscal cliff deal that would raise rates on incomes over \$1 million. But President Obama and his administration appear to see Plan B as stonewalling or worse. And like it or not, [Boehner's 'Plan B' Gets Pushback](#).

No matter how you slice it, tax increases for those earning over \$1 million seem quite likely. Top rates will jump from 35% to 39.6% in January, and rate hikes at lower levels are still quite possible. Indeed, rate hikes for **everyone** are still scheduled and there is no imminent deal.

For long term capital gains, the current 15% rate jumps to 23.8% January 1. That's composed of the new 20% rate plus the 3.8% health care add on that will hit most with incomes above \$200,000. See [Obama Or Romney, Higher Capital Gain Rates Hit Soon](#). Although no deal has been struck, the fact that Mr. Boehner moved off his no-increase platform suggests that there can (still) be a compromise.

Mr. Obama may not get all he wants, and may have to exceed his new \$400,000 threshold. Mr. Boehner's \$1 million benchmark may not stick either, despite his Plan B maneuver. See [Fiscal Cliff Talks: GOP Poses Millionaire Tax-Rate Increase](#). As Rodney King would say, "[Can't we all just get along?](#)"

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