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Here's the Tax Beat broadcast for April 2

Subject Line: Follow the Bouncing Ball

For decades, Republicans have been the party of tax cuts. Ronald Reagan spearheaded the Economic Recovery Tax Act of 1981, which curbed the top personal rate from 70% to 50%. In his second term, he signed the Tax Reform Act of 1986, cutting it further down to 28%. George H.W. Bush initially promised no new taxes but later signed legislation hiking it to 31%. That's a big part of why he didn't get a second term. It climbed back up to 39.6% under Bill Clinton. But George "Dubya" Bush signed legislation trimming it back down to 35%. It went back up to 39.6% under Barack Obama. Finally, in 2017, Donald Trump oversaw yet another cut, down to 37%.

Now, though, the Tax Cuts and Jobs Act of 2017 is scheduled to expire. Republicans, with a tiny House majority, are scrambling to extend current rates, along with populist proposals to eliminate taxes on tips, overtime wages, and Social Security benefits. But now, those at the top of the financial food chain may find themselves in for a surprise that reflects the Republican party's evolution from the party of the rich to the party of the working class.

Right now, the current top rate starts at $609,351 for single filers and $731,201 for joint filers. That roughly corresponds to the top 1% of taxpayers. For 2021, they earned about 26.3% of total adjusted gross income and paid 45.8% of all federal income tax. Like everyone else, they've expected the new administration to work to protect them from paying more. On Friday, though, *Axios* reported that White House officials are leaking a proposal to let that top rate bounce back up, in exchange for Trump's seemingly offhand proposal to cut tax on tips.

Just how much are we talking here? When Joe Biden proposed raising the top rate back to 39.6% on incomes above $400,000, the Tax Foundation estimated it would raise $48.3 billion in 2024 and $169.8 billion from 2025-2034. The same group says that eliminating tax on tips would cost the Treasury $91.5 billion from 2025-2032. Either way, it would be a tiny fraction of our current budget deficit. Of course, as Senator Everett Dirksen famously said, "A billion here, a billion there, and pretty soon you're talking real money."

Letting top tax rates rise in favor of tip-earning servers would also head off criticism from Democrats, who are currently attacking the administration for a budget resolution proposing to slash $880 billion from Medicaid. "If we renew tax cuts for the rich paid for by throwing people off Medicaid, we're going to get . . . slaughtered," *Axios* quotes one official as saying, throwing in the gerund form of a vulgar four-letter word dating back to Chaucer's time.

Letting tax rates rise may not be the only surprise for some of Trump's richest backers. In February, the White House signaled once again they want to close the infamous "carried interest" loophole, which lets private equity, hedge fund, and real estate fund managers pay lower capital gains rates on their income from those funds. According to the Joint Committee on Taxation, that loophole benefits fewer than 10,000 taxpayers in any given year. Yet it costs the Treasury up to $6.3 billion per year, depending on how markets perform. Barack Obama, Joe Biden, Kamala Harris, and Donald Trump have all supported shutting down that boondoggle. That says a *lot!* Yet, like Jason from the *Friday the 13th* movies, or Michael Meyers from *Halloween*, it refuses to die.

This week's story reminds us that nothing about extending the 2017 tax rules is over until the fat Senator sings. That's why we're watching closely to make sure we'll have the right recommendation for *you*, no matter where rules and rates eventually land!

Kevin