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EXTENSION

The word of the week is “extension.” According to the non-Mayan Washington calendar, December is hold your breath month and January consists of 31 doomsdays. The reason for the apocalyptic calendar is the one we have been pointing to since the Committee of 12 failed to reach a super deluxe federal deficit reduction deal: Boatloads of long time tax relief provisions ranging from estate tax relief to top individual marginal rate relief all expire on December 31st; across the board cuts (sequestration) in government spending start on January 1st; the government is likely to bump out against the debt ceiling again; and, the more current tax relief (aka the two percent payroll tax relief for employees) will expire at the end of the year.

The words of the last three months have been “lame duck.” Any business owner who visited Washington in the last three months was told, “Your issue (fill in the blank) will be taken care of during the lame duck.” As I have been opining for a while, we should be so lucky. If the Republicans “run the table” and take the House, Senate and Presidency, it is hard to imagine the Democrats doing the

Republicans any favors during the lame duck. A comprehensive deal during the lame duck to keep the sun from setting is more likely if the status quo will remain the status quo in the New Year, that is, the President is re-elected and the Republicans keep a solid hold on the House. Republicans “running the table” is not going to produce a magic result at the beginning of 2013. Regardless of what party controls the Senate, the filibuster breaking arithmetic does not add up to a simple quick resolution.

Therefore, that is why “extension” has become the word of the week on Capitol Hill as in “During the lame duck let’s postpone the sequestration and extend the tax cuts for a short period of time in 2013 (three to six months) while a comprehensive deal is worked out.” May still be wishful thinking.

It should be noted that this new talk about “extension” should not be confused with renewal of the “tax extenders.” There is a loose conglomeration of various credits and deductions that have a history of short-term renewals. The R&D Credit, which has already expired again, is a prime example. When folks talk of “extension” in the current context, they are thinking the big ticket items like the lower individual rate, lower capital gains

tax rate or estate tax relief. At the end of the day, the “tax extenders” might hitch a ride on the big-ticket items extension. Confusing, I know. That’s why you have me ☺

WEEKLY

Next Weekly is scheduled for June 11th.

This blank space for sale until Congress and the President do something worth reporting on. If we can sell it, there might be an IPO in SBLC’s future.