

Wait and See

What was thought to be a very active summer in terms of tax legislation has essentially turned to mush. Once again Congress has failed to pass any substantial tax legislation in a given month.

While the Dems are continuously crying that the Republicans are the party of “NO”. Seems strikingly strange that a party that has an enormous majority in both the House and the Senate can’t seem to reach consensus with themselves to get anything passed. Thank goodness for the mid-term elections. With polls giving Congress an 11% approval rating, it appears that many of the moderate Dems are more concerned about keeping their jobs than “ramming through” any more hugely unpopular legislation.

The next big question is what to do about the extension of the Bush Tax Cuts. The White House solidly favors repealing the tax cuts for individuals making more than \$200,000 and couples making more than \$250,000, whereas many in Congress, thankfully, understand the suicide of raising taxes during a period of sluggish recovery. I’m afraid that this decision will go late into the 4th quarter before we have any answers to this question.

Meanwhile the uncertainty of what Congress and the White House will do concerning the Bush Tax Cuts keeps the markets and many small businesses holding their breaths and locked down and makes any kind of meaningful recovery almost impossible for the remainder of this year.

Don’t expect much more to happen before the August recess and little to happen before the mid-term elections in November. In September, the Charlie Rangel ethics violations trial is due to take place and already many Dems are lining up against him, calling for his resignation, in a posturing move that might earn them some points in the mid-terms and possibly get the embarrassment of this crook off the front pages. Needless to say, that after Congress gets back from their August recess all eyes and efforts will be on the mid-terms.

If, in fact, the control of the House (and in a long shot, the Senate) passes back to the Republicans, there is tremendous uncertainty of what kind of legislation that could be rammed through during a “Lame Duck” session of Congress. The apprehension is that with nothing to lose the Dems could, with the help of a willing White House, pass through pieces of legislation that would take years to undo.

So it appears that what I once thought was going to be a summer of rapid fire tax legislation has turned into a waiting game. One of which that seems to have the economy in limbo, hopes of a strong recovery dashed, and intense uncertainty. Quite honestly no one knows exactly what to do. The markets are on hold, small business is uncertain on how much inventory to carry and how many new employees to hire, and consumers have essentially locked down their purse strings until there is a clear direction.

For now all we can do is wait and watch both parties refine their talking points for the mid-term elections, which could possibly be the most important election in our life time. Much rides on the outcome of this election. Possibly the difference of whether we re-define ourselves as the world's greatest hope, with the only true "free enterprise" country on the planet or do we slide into the abyss of a European style "Socialism" that rewards mediocrity and thwarts individuality and personal success. That is the question concerning this upcoming election. Never before has it been more important to make your voice heard. The future of our great nation depends upon the action of an intelligent electorate that truly understands the severity of where we are in our history.

Till next time,

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