

## **“DEAL OR NO DEAL!?” Winners and Losers Result from the Deadlock of the “Super Committee”**

The congressional Super Committee’s failure to complete its prime directive on coming up with a consensus on how to cut the deficit by \$1.2 trillion over a ten year period has wide ranging consequences on every American. The “super” failure will trigger automatic spending cuts for many years and has yielded both winners and losers.

### **WHO ARE THE SUPER WINNERS?**

*Social Security, Medicaid and Medicare recipients* who may have seen a reduction in healthcare and pension benefits. The committee was considering reforms in the big three entitlements to reduce the government's burden of providing benefits to an aging population.

*The pharmaceutical industry.* Democrats wanted to give government more power to regulate the price of prescription drug costs for Medicare. One suggested compromise would have reimbursed drug companies at the lower Medicaid price for those individuals who are eligible for both the Medicare health program for the elderly and the Medicaid health program for the poor.

*Hedge fund managers.* Hedge fund and private equity managers pay a 15% capital gains rate on most of their annual earnings instead the 35 percent ordinary income tax rate. This “carried interest” tax loophole will continue.

*Owners of second homes, corporate jets and yachts.* Committee members were considering limiting the mortgage interest deduction for second homes and yachts. The committee was also looking at closing an existing tax loophole for corporate jets.

*Wealthy individuals and Estates.* The committee members were considering the reduction of the Estate Tax and Gift Tax Exemptions from \$5,000,000 down to \$1,000,000.

*Charities.* The committee considered capping write-offs on charities as a percentage of each filer’s gross income.

### **AND THE SUPER LOSER AWARDS GO TO...**

*Department of Defense and Homeland security.* The committee's failure triggers a massive \$1.2 trillion in automatic cuts to start in January 2013. \$600 billion of those cuts will come out of the defense budget.

*Medicare providers.* The automatic cuts to Medicare fall on hospitals and other healthcare providers, although cuts to healthcare providers could have been even deeper if the committee had succeeded.

*Federal food, safety, and the environmental protection agencies*, along with a number of other domestic programs that will see their budgets cut under the automatic spending cuts.

*People that rely on food stamps, housing, education and heating assistance.* These programs could be slashed by the across-the-board spending cuts.

*The American people.* The U.S. debt, standing at around \$15 trillion, has nearly tripled over the last decade.