FISCAL CLIFF 101

The following gives you an idea of just what constitutes the so-called "fiscal cliff."

- Income-tax cuts instituted in 2001, 2003 and 2009 will expire at the end of this year, forcing taxes to increase. Those provisions, with the already-expired alternative minimum tax, would reduce the deficit by $225 billion in 2013.

- The two-percentage-point cut to the Social Security payroll tax, enacted in 2011. Its expiration would reduce the deficit by $85 billion next year.

- A variety of provisions termed "tax extenders," short-term tax breaks that expired at the end of 2011 or will expire at the end of this year. Failure to renew them would reduce the deficit in 2013 by $65 billion.

- The president’s health care law will raise about $18 billion in taxes next year.

- The sequester – automatic, across-the-board spending cuts totaling $1.2 trillion – is due to kick in over the next nine years, including $109 billion in 2013, split evenly between defense and nondefense spending.

- Extended unemployment benefits. Expiration of these benefits will reduce spending by $34 billion in calendar year 2013.

- The "doc fix," a temporary measure to stave off cuts to physician payments under Medicare. Its expiration would reduce the 2013 deficit by $10 billion.

If the country is allowed to go over the “cliff”, according to the Congressional Budget Office it will mean another recession and an increase in the unemployment rate to as much as 9.1% by the last quarter of 2013. Another item that is relevant to the budget talks is that the U.S. is expected to hit its statutory debt limit of $16.39 trillion by the end of 2012, although that can be pushed back a few months. Agreeing to an increase in the debt ceiling could be part of the fiscal cliff negotiations.