

Federal tax change may catch up with economy

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Lori Doherty already knows how she's going to spend next year's federal income tax refund - flying family members to Las Vegas for her wedding.

Like many Americans, the bartender at Zio's Italian Kitchen in Tulsa annually budgets ahead for that check from Uncle Sam - either to pay bills, meet utility needs or fulfill dreams.

"Last year it paid for us to go to Vegas and I paid my student loans," said Doherty. "One year it paid for my car. It's a pretty big deal."

It's also a looming headache for a nation still overcoming recession.

As part of the Obama administration's stimulus package, this spring the federal government scaled back its income tax withholding to leave more money in strapped taxpayers' pockets. But it did not reduce the amount of tax owed.

That means Doherty and many other wage earners - some analysts estimate 50 percent or more - could face tax bills from the Internal Revenue Service this winter, not refunds.

"It's kind of like an anti-stimulus package for those folks," said Greg Womack, the president of Edmond's Womack Investment Advisers.

Since many salaried and hourly wage earners did not realize the tax withholding change and annually count on refunds when budgeting their Christmas shopping and other holiday plans, the difference could wound many household budgets through the first half of 2010.

"I anticipate a bit of a correction after the holidays anyway," said **Melanie Hasty-Grant, managing principal of Waterstone Private Wealth Management of Owasso.** "This issue will just add to it."

On an individual basis, the effect may not land too critical a blow. Jim Russell, a professor of economics and chair of the undergraduate program at the Oral Roberts University School of Business, doubted many individuals

would take a hit bigger than the Bush administration's 2008 stimulus checks, which paid \$600 to many individual taxpayers, \$1,200 to married couples.

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