



TAX HIKES FOR ALL

If Dems Fail To Extend Bush Tax Cuts, Small Businesses And All Taxpayers Will Suffer

“The Senate Finance Committee On Wednesday Will Examine The Future Of Individual Tax Rates And Their Effect On Economic Growth.” (Jay Heflin, “Finance To Hold A Hearing On The Bush Tax Cuts,” *The Hill’s* “On The Money” [Blog](#), 7/12/10)

EXPIRATION OF BUSH TAX CUTS WILL HAMPER RECOVERY AND AFFECT ALL AMERICANS

Senator Evan Bayh (D-IN) Thinks Expiration Of Bush Tax Cuts Will Hurt An Economic Recovery And Says “We Don’t Need To Raise Taxes Now.” “In a rare moment of bipartisanship, Sen. Evan Bayh (D-Ind.) on Monday said he agrees with House Minority Whip Eric Cantor’s (R-Va.) statements that tax increases would hurt the economic recovery. ‘We don’t need to raise taxes now,’ Bayh told CNBC’s Squawk Box. ‘Eric is exactly right.’ Cantor said President Barack Obama should abandon his campaign pledge to only extend the Bush tax cuts for the middle class, and instead keep all of them beyond their Jan. 1, 2011, expiration date.” (Jay Heflin, “Bayh: Tax Increases Will Hurt Recovery,” *The Hill’s* “On The Money” [Blog](#), 7/12/10)

The Expiration Of Bush Tax Cuts Will Hit Everyone, Not Just The Rich. “The Bush tax cuts don’t just offer tax relief to the wealthiest Americans. They offer it to just about anyone who pays federal income taxes. Their scheduled demise next year will raise the tax bill of nearly every taxpayer, unless Congress makes changes and the president jumps on board.” (Bob Bischoff, “How The Expiring Bush Tax Cuts Affect You,” [SmartMoney.com](#), 7/7/10)

All Individual Income Tax Rates Will Increase When The Bush Tax Cuts Expire. “You may have been led to believe that only individuals in the top two brackets will face higher federal income taxes when the Bush cuts go bye-bye. Not true! Unless Congress takes action and President Obama goes along, rates will go up for everyone -- not just a sliver of the wealthiest Americans. The current six rate brackets of 10%, 15%, 25%, 28%, 33% and 35% will be replaced by five new brackets with the higher rates of 15%, 28%, 31%, 36% and 39.6%.” (Bob Bischoff, “How The Expiring Bush Tax Cuts Affect You,” [SmartMoney.com](#), 7/7/10)

PARTICULARLY PEOPLE WHO ARE MARRIED ...

The Standard Deduction For Married People Will Decrease When The Bush Tax Cuts Expire. “Right now, the standard deduction for married joint-filing couples is double the amount for singles. For this, we can thank the Bush tax cuts, which included several provisions to ease the so-called marriage penalty. The penalty can force a married couple to pay more in taxes than when they were single. Starting next year, the joint-filer standard deduction will fall back to about 167% of the amount for singles unless Congress takes action and the president approves. We don’t know if that will happen. If not, lots of lower and middle-income couples will face higher tax bills.” (Bob Bischoff, “How The Expiring Bush Tax Cuts Affect You,” [SmartMoney.com](#), 7/7/10)

Joint-Filers Will Be Hit By Higher Taxes When The Lowest Two Tax Brackets Are Contracted For Joint-Filers. “Now, the bottom two tax brackets for married joint-filing couples are exactly twice as wide as those for singles. That ratio helps keep the marriage penalty from biting lower- and middle-income couples. Starting next year, the joint-filer tax brackets will contract, causing higher tax bills, unless a change is made.” (Bob Bischoff, “How The Expiring Bush Tax Cuts Affect You,” [SmartMoney.com](#), 7/7/10)

HAVE CHILDREN ...

If The Bush Tax Cuts Expire, The Child Tax Credit Will Be Cut In Half. “Below, see a selected list of the tax increases that could occur on January 1, 2011. These are only the most well known provisions of the Bush tax cuts that, if allowed to expire, would come to the immediate attention of the nation's taxpayers. ... The child tax credit will fall from \$1,000 to \$500.” (William Ahern, “Fate Of Bush Tax Cuts Uncertain As Expiration Approaches,” [The Tax Foundation](#), 5/26/10)

OWN A FARM OR BUSINESS ...

Death Tax Will Come Back Next Year With A Vengeance. “The estate tax lapsed temporarily on Jan. 1 after the Senate failed to extend it last year. If lawmakers do nothing, the tax will resume in 2011 with a 55% rate on estates above about \$1.2 million. Last year, estates of more than \$3.5 million for an individual were subject to a 45% tax.” (Laura Saunders, “Sanders Estate-Tax Proposal Would Hit Wealthy Harder,” [The Wall Street Journal](#), 6/25/10)

Death Tax Goes After Family-Owned Businesses And Workers “Particularly Hard.” “Despite the common misconception that the death tax impacts only wealthy estates, economists now generally agree that it is actually a tax on capital because of its impact on businesses and workers. Capital--whether it is cash, equipment, or other types of property--is necessary for businesses to create new jobs and pay higher wages. There is a general consensus among economists that taxing capital is harmful to the economy. Yet because it is a tax on capital, the estate tax hits America's family-owned businesses and their workers particularly hard.” (Curtis Dubay, “Estate Tax A Killer For Family-Owned Businesses And Their Workers,” [The Heritage Foundation](#), 11/19/09)

And Farmers Whose Assets Are “Tied Up In Land, Buildings And Equipment. “Estate taxes are especially harmful to farmers and ranchers because their businesses are capital-intensive with a high concentration of assets tied up in land, buildings and equipment. Estate taxes tend to be more onerous for farms than other small businesses because 80 percent of farm and ranch assets are land-based. When estate taxes exceed cash and other liquid assets on hand, surviving family members may be forced to sell land, buildings or equipment needed to keep the business operating. This has a multiplier effect because rural communities and the businesses they support also suffer when farms and ranches downsize or disappear.” (John Hart, “Estate Tax: Onerous Burden For Family Farms And Ranches,” [Focus On Agriculture](#), 1/11/10)

... OR ANYONE WHO HOLDS DIVIDEND-PAYING STOCKS

If The Bush Tax Cuts Are Allowed To Expire, The Top Rate For Capital Gains Will Increase To 20 Percent And The Top Rate For Dividends Will Go To 39.6 Percent. “Right now, the maximum federal rate on long-term capital gains and dividends is only 15%. Starting next year, the maximum rate on long-term gains will increase to 20%. The maximum rate on dividends will skyrocket to 39.6% unless action is taken to limit the rate to 20%, as the president has repeatedly promised. Plan on 39.6%, and hope I'm wrong.” (Bob Bischoff, “How The Expiring Bush Tax Cuts Affect You,” [SmartMoney.com](#), 7/7/10)

After 2003 Bush Tax Cuts, Cuts To Taxes On Dividends And Capital Gains Along With Lower Income Tax Rates “Boosted Incentives For Work, Savings And Investments.” “But the real story here is the success of the 2003 Bush tax cuts. As expected, cutting taxes on dividends and capital gains and paring marginal income tax rates boosted incentives for work, savings and investments. Lower tax rates produced a dramatic increase in economic growth. ... Just as predictably, cutting taxes eventually produced more, not less, tax revenues for the federal coffers. In 2005, federal tax revenues increased by \$274 billion, a whopping 15 percent hike over the previous year. For the first nine months of the 2006 fiscal year, tax revenues are up another 12 percent-plus, or \$206 billion.” (Robert J. Caldwell, Op-Ed, “Bush's Strong Economy Performs,” [The San Diego Union-Tribune](#), 6/16/06)

Lower Taxes On Dividends Helped Promote Long-Term Economic Growth. “These reductions also helped promote economic growth in the longer term. They lowered the cost of capital. A lower cost of capital encourages more capital formation, which raises labor productivity and living standards. They also reduced the double tax on corporate profits, which lessens the role played by taxes in a number of important economic decisions such as the tax bias against investment in the corporate sector, the tax bias favoring debt over equity finance, and the tax bias against company dividend payments.” (Robert Carroll, “The Economic Effects Of The Lower Tax Rate On Dividends,” [The Tax Foundation](#), June 2010)

MEANWHILE, ALREADY STRUGGLING SMALL BUSINESSES CAN EXPECT MORE PAIN IN FUTURE

Fear Of Higher Taxes From The Expiration Of Bush Tax Cuts Is Causing Fear Among Small Businesses. “Mom-and-pop firms, usually the first to resume hiring, are stymied by slow demand, the real estate slump and uncertainty about the future. ... Adding to the uncertainties for businesses of all sizes are the shaky global economy and the prospects of higher taxes to deal with the federal deficit and higher costs to deal with healthcare and the recent government overhaul of financial regulations. ... Joy Staveley of Flagstaff, Ariz., said it was clear to her why people are more scared to take a risk on a new business: There are more regulations, taxes and government-mandated costs — and fears of more to come — with President George W. Bush's tax cuts expiring soon, new healthcare rules and pending legislation on energy.” (Don Lee, “Small Business Sidelined In Slow Recovery From Recession,” [The Los Angeles Times](#), 7/3/10)

Obama’s Income Tax Rate Increase Will Hit Small Businesses That Create 60 To 80 Percent Of New Jobs, “Discouraging” Their “Growth Or Expansion.” “They want to restore the higher, Clinton-era tax rates on the top two individual income brackets, increasing the 33 and 35 percent rates to 36 and 39.6 percent. But these higher rates won’t just hit high wages; they’ll hit business income ... Depending on how we define ‘small business,’ these higher tax rates would raise taxes on 45 to 55 percent of small business income ... So why should we pay attention to the way our tax code treats small businesses? They are an important source of innovation and risk-taking, creating between 60 and 80 percent of net new jobs, employing over half the labor force ... Higher income tax rates reduce the investment spending of entrepreneurs and the likelihood that they invest at all, discouraging the growth or expansion of small businesses.” (Robert Carroll, “Small Business And The Personal Income Tax Rates,” [Tax Foundation](#), 10/28/08)

Obama’s Higher Income Tax Rates Will Stifle Entrepreneurship And Hurt “An Important Source Of innovation.” “The impact of the higher tax rates on the entrepreneurial sector is also particularly troubling. An often underappreciated feature of our tax system is that roughly one-third of all business taxes are paid by owners of flow-through businesses ... when they file their individual tax returns. These businesses are an important source of innovation and risk taking.” (Robert Carroll, “The Economic Cost Of High Tax Rates,” [Tax Foundation](#), 7/29/09)