

Free Enterprise

November 2010

In Your Corner

MASSIVE TAX HIKE LOOMS

Publication Date: November 2010

Congress Is Running Out of Time



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President Obama's former director of the Office of Management and Budget, Peter Orszag, favors it, at least temporarily. A CNBC poll shows that a majority of Americans support it. So do a panel of leading economists surveyed by CNNMoney.com and a growing number of Democrats in the House and Senate. The "it" is an extension of the current tax rates for all taxpayers. Doing

so is exactly the right medicine for what ails our tepid recovery—it would increase consumer spending, bolster small businesses, relieve the tremendous sense of uncertainty paralyzing businesses of all sizes, and help create jobs.

Some argue that high earners—families making more than \$250,000—don't need their current tax rates extended. These households account for almost one-quarter of all consumer spending in a normal economy, according to Mark Zandi, chief economist for Moody's Analytics. He says that increasing their taxes would cost 770,000 jobs by mid-2012.

Extending current tax rates for high income earners would also dramatically benefit small businesses, which create 60% to 80% of new jobs. Why? Because many of them file taxes on their personal returns. In fact, nearly half of the net income of sole proprietorships, partnerships, and S corporations would be subject to higher rates.

Extending current tax rates could also help increase investment. At stake are rates on capital gains, which could rise 33%, and dividends, which could rise by as much as 164% if current rates aren't retained. Such increases would discourage badly needed investment and hurt all taxpayers who receive dividends from investments in 401(k)s and other retirement accounts.

In one bold move, extending current tax rates for all taxpayers would substantially boost investor, business, and consumer confidence and infuse our economy with fresh momentum. Every day that Congress fails to act is another day of business uncertainty that keeps our economy stuck in neutral.



U.S. Chamber of Commerce