



## **No, Romney Won't Raise Your Taxes \$2,000**

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In a campaign stop at Rollins College in Florida last week, Barack Obama suggested that the middle class should resent Mitt Romney's tax proposals:

"I want everybody to understand here -- he's not asking you to pay an extra \$2,000 [in taxes] to reduce our deficit; he's not asking you to pay an additional \$2,000 to help care for our seniors; he's not asking you to pay an additional \$2,000 in order to rebuild America or to fight a war," the president said. "He's asking you to pay more so that people like him can pay less."

But here is the actual truth: Mitt Romney is not asking the middle class or anyone else to pay more taxes. Mitt Romney is proposing to cut tax rates for everyone, across the board. That would finally liberate the economy for a long overdue recovery. Increased revenues from that booming economic growth, combined with savings from cutting Obama's runaway spending and closing loopholes that mostly benefit the highest income taxpayers, would enable a U-turn, from the four straight highest deficits in world history to a balanced budget in 5 years. The roadmap for doing that is Paul Ryan's 2013 budget, which has already been adopted by the Republican controlled House. (The Democrat majority Senate, by contrast, has never shown up for work.) This is classic tax reform, cutting rates and closing loopholes.

### **Obama's Tax Plan: Higher Taxes, No Jobs**

The only candidate in this race proposing to increase taxes is Barack Obama. He has already enacted increases in the top rates of virtually every major federal tax, which will go into effect January 1. That is when the tax increases of Obamacare will hit, and when the Bush tax cuts will expire. (Remedial education for Obama supporters: "Bush tax cuts expire" means tax increases).

As a result, the top two income tax rates are already scheduled in current law to increase by nearly 20 percent; the capital gains tax rate is slated to soar by nearly 60 percent; the tax rate on dividends will explode to nearly three times its current level; the Medicare payroll tax rate will rocket up by 62 percent for disfavored taxpayers (the nation's job creators, investors, and successful small business entrepreneurs); and the death tax will rise further from the grave with a 57 percent increase in the top rate.

This is all on top of the corporate income tax rate, which under President Obama is already the highest in the industrialized world at 35 percent -- or nearly 40 percent counting state corporate

rates on average. Even Communist China has a lower corporate income tax of 25 percent. The average in the social welfare states of the EU is less than that. Germany has an 18 percent federal corporate rate. Canada, which has been booming under a conservative government, is now at 15 percent.

American businesses are uncompetitive in the global economy under these tax policies. But with President Obama there is no relief in sight. Instead he is continually barnstorming the country calling for still more tax increases. Under his so-called Buffett rule, the capital gains tax rate would increase by 100 percent, to the fourth highest in the industrialized world.

Then in 2014, the Obamacare mandate tax will go into effect, requiring every employer and every worker in the country to buy the expensive health insurance plan that the federal government decides you must have. That is another tax increase on the middle class, which -- in addition to all the other tax increases in Obamacare they will have to pay -- trashes Obama's central campaign promise in 2008 not to raise taxes on working people.

Obama promised in 2008 that he would only increase tax rates on the wealthy -- the nation's job creators, investors, and small business owners -- to the levels that existed under President Clinton. But this talking point, which he and his brain dead supporters are still repeating, is now long outdated. In total, these tax increases will raise top rates well beyond the Clinton rates, and in an even worse context. Other countries have learned the lessons of Reaganomics and slashed rates on capital in particular since then, and so they are already outcompeting America today. Thus, the combined effect of all those tax rate increases on "the rich" would be a renewed recession, double-digit unemployment, and a federal deficit that tops \$2 trillion.

### **The Romney Tax Plan**

Mitt Romney, in sharp contrast, actually has a very good tax plan that will get the economy booming again and restore the American Dream. The key is reducing tax *rates*, in particular marginal tax rates, which are the rates that applies to the next dollar of income. Marginal rates determine the incentive for productive activity, such as working, saving, investing, expanding businesses, starting businesses, or creating jobs.

Romney's tax plan proposes to:

- Extend all of the Bush tax cuts that are scheduled to expire in January.
- Repeal the unfair death tax, which taxes yet again a lifetime of savings that have already been taxed multiple times.
- Repeal all of the Obamacare taxes.
- Repeal the Alternative Minimum Tax (AMT), which was originally meant to stop the richest from avoiding taxes altogether, but which increasingly applies to millions in the middle class.

- Cut income tax rates by one-fifth across the board. So the top rate would be reduced from 35 percent to the 28 percent originally established in the Reagan tax reform. The bottom tax rates, paid by working people and the middle class, would be reduced to 8 percent and 12 percent -- even lower than under Reagan.
- Completely eliminate federal income taxes on long-term capital gains, dividends, and interest income for workers earning less than \$100,000 and married couples earning less than \$200,000.
- Reduce the federal corporate tax rate from 35 percent to a more internationally competitive 25 percent, close to the global average, which would restore international competitiveness for American business. That rate would be reduced further in conjunction with broader corporate tax reform to close the numerous and extensive loopholes.
- Allow a tax holiday for the repatriation of the trillions in profits that corporations have parked overseas to avoid the double taxation they face in bringing the money back to America. Over the long run he would eliminate that double taxation by adopting a system of territoriality, so taxes apply to corporate profits only in the country where those profits are earned. Romney also proposes to make the federal research and development tax credit permanent.

The central theme is actually to cut taxes on the middle class, multiple times, over and over. Romney nowhere proposes any tax increase on the middle class, or on anyone else for that matter. Obama's allegation that Romney would raise taxes on the middle class by \$2,000 per family is a complete fabrication. Obama did the same thing to Ryan's budget plan, alleging a litany of supposed cuts that were nowhere to be found in the plan. Obama just made them up well.

Even the Tax Policy Center study that Obama cites for his charge says that Romney "promises that low- and middle-income households will pay no larger shares of federal taxes than they do now." The study argues that in order to raise the same amount of money, the federal government would have to raise taxes on middle- and lower-class families -- but it does not suggest that any such thing has been proposed by Romney. In addition, the study fails to give nearly adequate credit to the fact that Romney's tax plan will increase economic growth and jobs -- and thus, tax revenue. Reagan cut overall tax rates by far more than Romney is proposing, and during the 1980s, federal revenue doubled.

The bottom line is that Obama is disgracefully campaigning as a damn liar, to the great shame of the entire Democrat Party that he represents. It is old-fashioned Soviet propaganda to publicly campaign on the opposite of the truth, as Obama is doing. That reflects Obama's Marxist upbringing and the nature of today's Che Guevara Democrat Party.

### **Reagan Republican Tax Policy**

Romney's tax plan simply flows from over 30 years of Reagan Republican tax policy. Reagan

and succeeding Republicans abolished federal income taxes on the working poor and on what the Left calls the working class, and they almost abolished them on the middle class.

It began with the Earned Income Tax Credit (EITC), which grew out of then-Governor Ronald Reagan's famous testimony before the Senate Finance Committee in 1972. Reagan proposed exempting the working poor from all Social Security and income taxes as an alternative to welfare, with the credit serving as a way to offset payroll taxes for low-income workers. As president, Reagan cut federal income tax rates across the board by 25 percent. He also indexed the tax brackets to prevent inflation from pushing working people into higher rates.

In the Tax Reform Act of 1986, President Reagan reduced the federal income tax rate for middle- and low-income families all the way down to 15 percent. That law also doubled the personal exemption, shielding a higher proportion of income from taxation for lower income workers than for higher income workers.

Newt Gingrich's "Contract with America" adopted a child tax credit of \$500 that also reduced tax liabilities for low-income people more than high earners. President Bush doubled that credit to \$1,000 per child, and made it refundable so that low-income people can get the full credit even if they do not pay \$1,000 in federal income taxes. Bush also adopted a new 10-percent tax bracket for the lowest income workers, which reduced their federal income tax rate by one-third.

This is how we reached the point at which, by 2007, after 25 years of Reaganomics and before President Obama was even elected, the bottom *40 percent* of earners, on net and as a group, paid *less than 0 percent* of federal income taxes, according to official IRS data, as reported recently by the Congressional Budget Office. Instead of paying at least some income taxes to help support the federal government, the federal government paid *them* cash through the income tax code. That same year, the middle 20 percent, the true middle class, paid less than 5 percent of all federal income taxes.

So when then-candidate Obama said in 2008 that Republicans cut taxes for the rich, but haven't "given a break to folks who make less," was he ignorant, or lying again?

### **It Worked**

But President Obama tells us on the campaign trail that we already tried Romney's approach, and it didn't work. So what does the record show?

The Bush tax cuts quickly ended the 2001 recession, despite the contractionary economic impacts of 9/11, and the economy continued to grow for another 73 months. In the four years after the rate cuts were fully implemented, the economy created 7.8 million new jobs, and the unemployment rate fell from over 6 percent to 4.4 percent. Real economic growth over the next three years doubled from the average for the prior three years, to 3.5 percent.

Business investment, which had declined for nine straight quarters, reversed and increased 6.7 percent per quarter. That is where the jobs came from. Manufacturing output soared to its highest level in 20 years. The stock market revived, creating almost \$7 trillion in new shareholder wealth. From 2003 to 2007, the S&P 500 almost doubled. Capital gains tax revenues *doubled* by 2005, *despite Bush's 25 percent rate cut!*

After the Reagan tax cuts were fully implemented, the economy took off on a 25-year economic boom (from 1982 to 2007). It was interrupted by two short, shallow recessions, but it is widely recognized in the economic literature, and by the National Bureau of Economic Research, as one long boom. During the first seven years alone, the economy grew by almost one-third, or the equivalent of adding an entire West Germany, the third largest economy in the world at the time, to the U.S.

Supply-side godfather Art Laffer and *Wall Street Journal* editorial board member Stephen Moore summarize in their 2008 book, *The End of Prosperity*: "We call this period, 1982-2007, the twenty-five year boom -- the greatest period of wealth creation in the history of the planet." Economist Henry Nau, writing in the *Wall Street Journal* on January 26, added that "the U.S. grew by more than 3 percent per year [in real terms] from 1980 to 2007, and created more than 50 million new jobs, massively expanding a middle class of working women, African-Americans and legal as well as illegal immigrants. Per capita income increased by 65 percent, and household income went up substantially in all income categories."

Similarly, Steve Forbes wrote in *Forbes* magazine in 2008:

Between the early 1980s and 2007 we lived in an economic Golden Age. Never before have so many people advanced so far economically in so short a period of time as they have during the last 25 years.... The U.S. kicked off this long boom with the economic reforms of Ronald Reagan, particularly his enormous income tax cuts.... Between year-end 2002 and year-end 2007 U.S. *growth* exceeded the entire size of China's economy.

These tax policies enjoy a history of bipartisan success. JFK proposed legislation to reduce income tax rates across the board by 30 percent, explaining:

It is a paradoxical truth that tax rates are too high today, and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the tax rates....[A]n economy constrained by high tax rates will never produce enough revenue to balance the budget, just as it will never create enough jobs or enough profits.

Kennedy's proposed tax cuts were adopted in 1964, and pulled the top rate from 91 percent down to 70 percent, while reducing the lower rates. The next year, economic growth soared by 50 percent, and *income tax revenues increased by 41 percent!* By 1966, unemployment had fallen to its lowest peacetime level in almost 40 years. *U.S. News and World Report* exclaimed: "The unusual budget spectacle of sharply rising revenues following the biggest tax cut in history is

beginning to astonish even those who pushed hardest for tax cuts in the first place." Arthur Okun, the administration's chief economic advisor, estimated that the tax cuts expanded the economy in just two years by 10 percent above where it would have been.

But as a career Marxist street agitator, President Obama has no idea what works and what doesn't. That is why, after four years as president, he still has America in the ditch. And if the American people are stupid enough to give him another four years, he will have America completely under water.