



Floor Statement of Senator Chuck Grassley: President's FY 2010 Budget Tax Increases
Tuesday, March 17, 2009

Today is St. Patrick's Day. St. Patrick, the patron saint of Ireland, is revered by Irish and non-Irish alike, for the many things. Among the many legends is one regarding snakes. St. Patrick drove snakes off the Emerald Isle. In looking at the President's budget, you could see that we might need St. Patrick to come back and drive all the extra taxes out of the budget. Certainly, like the snakes in Ireland, all new these taxes, if left unchecked, could bite a lot of hard-working American taxpayers.

Nineteen days ago, President Obama sent his first budget up to Capitol Hill. The deficits and debt proposed in that budget are eye-popping. President Obama is correct when he says that he inherited a record budget deficit of \$1.2 trillion. I have a chart here that shows the pattern of the Federal debt.

But, from the statements from the Congressional Democratic Leadership, you'd think they just got the levers of power this January. You'd think they had no role in creating that deficit President Obama inherited. In fact, Congressional Democrats and the last Republican Administration agreed on the fiscal policy in the last Congress. The Congressional Democratic Leadership, together with the George W. Bush Administration, wrote the stimulus bills, housing bills, and the financial bailout. The Congressional Democratic Leadership wrote the budgets and spending bills in 2007 and 2008. So, let's be clear. President Obama inherited the deficit and debt, but the inheritance had bipartisan origins – the Democratic Congress and the last Republican Administration. What's more, the budget the President sent up would make this extraordinary level of debt an ordinary level of debt. What is now an extraordinary burden on our children and grandchildren would become an ordinary burden.

In the last year of the budget, debt held by the public would be two-thirds, 67 percent of our gross domestic product. The President's budget does contain some common ground. Whenever President Obama wants to pursue tax relief, he'll find no better ally than we Republicans. Likewise, if President Obama wants embrace fiscal responsibility and reduce the deficit by cutting wasteful spending, Republicans on Capitol Hill will back

him vigorously. From our perspective, good fiscal policy keeps the tax burden low on American families, workers, and small businesses and keeps wasteful spending in check. For the hard working American taxpayer, there's some good news in the budget. President Obama's budget proposes to make permanent the lion's share of the bipartisan tax relief plans that are set to expire in less than two years. Republicans have been trying to make this bipartisan tax relief permanent since it was first passed.

It will mean families can count on marriage penalty relief and a doubled child tax credit. It means workers will be able to count on lower marginal tax rates. It means low-income seniors, who rely on capital gains and dividend income, will be able to rely on low rates of taxation as they draw on their savings. It means middle income families will be able to count on relief from the alternative minimum tax ("AMT"). President Obama will find many Republican allies in his efforts to make these tax relief policies permanent.

Unfortunately, President Obama's budget also contains bad news for the American taxpayer. For every American who puts gas in a car, heats or cools a home, uses electricity to cook a meal, turn on the lights, or power a computer, there's a new energy tax for you in this budget. This tax could exceed a trillion dollars. The budget also raises taxes on those making over \$250,000. That sounds like a lot of money to most Americans. But, we're not just talking about the idle rich.

We're not talking about coupon clippers on Park Avenue. We're not talking about the high-paid, high-corporate-jet-flying, well-paid hedge fund managers in Chicago, San Francisco, or other high-income liberal Meccas. Many of the Americans targeted for a hefty tax hike are successful small business owners. And unlike the financial engineers of the flush liberal Meccas of New York, Chicago, or San Francisco, a lot of these small businesses add value beyond shuffling paper.

There is bipartisan agreement that small businesses are the main drivers of our dynamic economy. Small businesses create 74% of all new private sector jobs according to the latest statistics. My President, President Obama, used a similar figure of 70% yesterday. Both sides agree that we ought not to hurt the key job producers, small business. President Obama also mentioned his zero capital gains proposal for small business start-ups. Republicans agree with him on that.

We are still scratching our heads on why the Democratic Leadership doesn't agree with the President on that small business-friendly proposal. So, if we all agree that small business is the key to creating new jobs, why does the Democratic Leadership and the President's budget propose a new tax increase directed at the American small businesses most likely to create new jobs?

How do I come to that conclusion? Here's how. According to a recent Gallup survey, over half the small businesses owners employing over 20 workers would pay higher taxes under the President's budget. I have a chart that depicts the number of small businesses hit by this tax increase. Here's another chart that shows that roughly half the firms that

employ two-thirds of small business workers, those with 20 or more workers, are hit by the tax rate hikes in the President's budget.

According to Treasury Department data, these small businesses account for nearly 70 percent of small business income. In addition, the budget would reduce itemized deductions for donations to charity, home mortgage interest, and state and local taxes. Combating tax shelters and closing corporate loopholes can be good tax policy, but higher general business taxes during a recession doesn't make much sense.

If these higher taxes were dedicated to reducing the deficit, the Democratic Leadership could argue this was their version of fiscal responsibility. We Republicans would disagree with this approach, but at least we would agree with the goal. But, a close examination of the budget reveals higher taxes and higher spending. So, from an overall standpoint, deficits will remain as far as the eye can see. Drawing on our principles, Republicans will work with President Obama on making permanent tax relief for families.

We, however, will oppose tax increases that harm America's small businesses. We Republicans also will also scrutinize and question a broad-based energy tax that cuts jobs and could, according to MIT, cost consumers and businesses trillions. In these troubled economic times, we ought to err on the side of keeping both taxes and spending low and reduce the deficits. That will be a necessary condition to returning our economy back to growth and providing more opportunities for all Americans.