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HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING IMPACT OF MARGINAL TAX RATES WITHIN THE CODE

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining marginal tax rates for high-income taxpayers, capital gains, and dividends:

Thank you Mr. Chairman, for holding today's hearing. It is the latest in a critical and informative set of hearings that this Committee has had in preparation for comprehensive tax reform. I think that we need to be clear with the American people, however, about what is really being considered at this hearing. The question that is raised by the witnesses' testimony today is whether we should raise marginal rates as well as the rates on capital gains and dividend income.

Unfortunately, I think I know what the answer is for many of my friends on the other side of the aisle.

I certainly know where the President stands on this question. Having already enacted over a trillion dollars in new taxes through his health care law, he is ready for more. Just the other day, he offered up over \$400 billion in new taxes to pay for his latest spending proposal. And, of course, he is intent on causing the Bush and Obama-era tax rates to go up on small business owners and others in the top two tax brackets, over the objection of many in his own party.

President Obama has said that he's tired of the same old accusations that Democrats are tax-and-spend liberals.

But to borrow from the old saying, *if it looks like a tax-and-spend liberal and talks like a tax-and-spend liberal, it's probably a tax-and-spend liberal.*

Or to borrow from Jeff Foxworthy, if you think the only problem with the first stimulus was that it was not big enough, you might be a tax-and-spend liberal.

If you talk about a “balanced approach” to deficit reduction, you might be a tax-and-spend liberal.

And if you argue that “revenues must be on the table” to bring down spending-fueled deficits and debt, you are definitely a tax-and-spend liberal.

There is a reason for these euphemisms. Those who promote tax increases don’t come right out and announce their support, because they know that the American people rightly believe that their taxes are heading higher than they have been historically.

Even without any new tax increases, taxes are already heading higher than they have been.

As we debate the additional tax increases that the President and his congressional allies would like to enact, the American people deserve a clear reckoning of just how high our taxes are heading, even if current tax policy is permanently extended.

Even if all of the Bush and Obama-era tax rates are extended permanently, revenues as a percentage of gross domestic product will be 18.4 percent according to the nonpartisan official scorekeeper for Congress, the Congressional Budget Office.

According to CBO, those revenues of 18.4 percent of gross domestic product are substantially higher than their recent historical average, which was 18 percent from 1971 to 2010.

So the question the American people are asking is, if taxes are already heading higher than they have been historically, should we raise them even more?

From my perspective, the answer is a resounding no.

In the short term, the tax increases that are already set to come online due to the President’s policies are a significant drain on economic growth. Adding even more into the mix would only be a further drain on our economy, curbing growth in the economy and jobs both in the short term and the long term.

With unemployment at 9.1 percent — over two and a half years after the President promised his stimulus bill would keep unemployment under 8 percent — should we really increase taxes on exactly half of all flow-through business income? Is that really a good idea considering the fact that even the President agrees that small businesses create two-thirds of the new jobs in our economy and small businesses employ 54 percent of American workers?

A truly informative debate about the impact of tax increases has to include facts like those above. Unfortunately, it is often easier to resort to talking points from wealthy liberals who seek to raise marginal rates — adversely impacting the small businesses that will be the engine of our economic recovery — because they feel guilty that they are not paying their fair

share.

Instead of trafficking in economic reality and cutting to the effectual truth for small businesses if we raise marginal rates, the President talks about raising rates on wealthy people like himself because he has money he doesn't need. In addition to betraying a very odd understanding of how a modern economy works, talking points like these fail to present taxpayers with the real world trade-offs that come from increasing marginal rates and rates on capital gains and dividends.

I think that this obfuscation is intentional. If tax hike proponents actually engage in a factual debate over whether taxes should be raised, even though they are already heading higher than their historical average, I am confident that they will lose.

The fact that congressional Democrats have not passed a budget in over 850 days is all the evidence you need of the unpopularity of the tax increase agenda. Democrats know that they have to, at least in theory, support deficit reduction and a balanced budget. But the left won't allow them to make any meaningful spending reductions. And the vast majority of taxpayers would revolt if the left came clean about the tax increases that would be necessary to finance the level of spending President Obama has signed onto.

So caught between a rock and a hard place, my friends on the other side of the aisle have just declined to pass a budget for years.

The American people want Washington to get its spending under control, not to tax them more. Those who promote tax increases deny that they want to raise your taxes. They are only ever interested in raising someone else's taxes. They only want to raise taxes on the rich.

Those who advocate this course are not being forthcoming. Those who promote tax increases know that they simply cannot raise enough money to pay for their spending priorities only by taxing individuals and small businesses in the top two brackets.

It does not come close. The tax hikes necessary to pay for the level of government spending that President Obama and most Congressional Democrats want would be extremely large and extremely widespread.

To balance the budget through tax increases alone would mark another clear violation of the President's pledge not to raise taxes on the middle class.

Outlays shot up in this administration by over 4 percent of GDP in 2009 and now total 25 percent of our nation's total output — a quarter of everything that we produced. OMB estimates that in 2011, outlays will be *over* 25 percent of GDP, higher than any year aside from those surrounding World War II.

The disease that Congress needs to address is government spending. We need to stop looking to treat the symptom, which is the deficit, with a band-aide called tax increases.

As Congress considers proposals to raise taxes, the question for taxpayers is whether they are personally willing to pay a lot more in taxes to sustain current levels of government spending.

I know where I stand on that question. Taxes are already heading higher than they have been historically. I can confirm that many in Utah agree with me, and I suspect that the vast majority of Americans do as well.

I appreciate the work of the Chairman on this hearing, and the testimony of our witnesses. This is an important discussion. It is central to the key questions about economic growth and the proper size of government that the American people will have their say on in little more than a year.

From my perspective, we have a government spending problem. And we cannot solve that problem by giving government more money to spend.

That being said, if President Obama or any of his friends want to pay more in taxes, I am happy to provide them with the IRS address where they can mail their check.

Or they can just Google it.

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