COMMITTEE ON FINANCE — **Max Baucus (D-Mont.)**

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Floor Statement of Senator Max Baucus (D-Mont.)
Regarding the Middle Class Tax Cut Act
As prepared for delivery

Mr. President: Abraham Lincoln is quoted as saying, "I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crises. The great point is to bring them the real facts."

Mr. President, there have been a number of inaccurate claims over the past several weeks accusing Democrats of proposing tax hikes. Nothing could be further from the truth. So let me set the record straight and, as Lincoln said, bring them the real facts.

Democrats are proposing to extend a tax cut for 100 percent of taxpayers. Under the democratic proposal, all taxpayers get a tax cut – lower income, middle income, high income. All taxpayers will get a tax cut. Why is that? It's simple. Even if you make above $250,000, you still get a tax cut for that income. Let me repeat that, the Democratic proposal extends tax cuts for 100 percent of all Americans.

The Reid bill extends the tax rates for those individuals with $200,000 of income or $250,000 for couples. Under the Reid bill, even the wealthiest Americans would continue to receive tax cuts on their first $200,000 of income or $250,000 for couples. This would mean high income taxpayers would receive the largest tax cuts in dollar terms.

There should be no question here. Extending these tax cuts should be an issue all of us agree on. But my colleagues on the other side of the aisle are threatening to oppose this middle-class tax cut in order to ensure even greater tax breaks continue for the additional top two percent — the wealthiest Americans. These are tax breaks targeted at the most affluent and well-off Americans. And frankly, they are cuts they don't need and that America's economy cannot afford.

When these tax rates were instituted in 2001, the United States had record surpluses. These tax cuts were intended to give some of the surplus back and enhance growth. But times have changed. In the wake of two wars and a near economic collapse, our nation is now faced with record deficits and debt. America cannot continue to spend money that it doesn't have. We must put our nation on more solid fiscal ground.

Today, the average household income indexed for inflation is lower than it was when the tax cuts for the wealthy were put into effect. This means more people are making less money than they were when these tax cuts were signed into law.

Today, American families have less money to spend on their mortgages, gasoline and groceries.

The tax cuts we enacted in 2001 for the wealthiest two percent of Americans cost future generations nearly $1 trillion.

It is bad economics to continue these high-income tax cuts without evidence that they can solve America's economic woes. And it's especially bad economics when our nation's debt has increased by $10 trillion since they were first enacted. Hard choices need to be made as we work to get our debt back to sustainable levels.

We are all going to be asked to contribute. We need to make sure that the most fortunate pay their fair share to deficit reduction as well.

Without a greater contribution from the wealthiest households, we would have to cut vital programs like Medicare and Social Security to the bone in order to get deficits back to sustainable levels.

Some have argued that we cannot let the tax rates expire for the wealthiest Americans because they are the "small business owners." But the facts do not support this claim. Being wealthy is not the same thing as being a small business owner.

Some would have you believe that there are one million small business owners earning over $200,000. They get that number from an estimate prepared by the Joint Committee on Taxation that predicts in 2013 there will be approximately 940,000 taxpayers with business income in the upper two tax rates.

But that Joint Committee estimate isn't the number of small businesses. Instead, it is the number of all individuals in the top two rates who receive any amount of income from a passthrough business or from rental real estate, royalties, estates or trusts.

But that number does not tell us whether the taxpayer spent any amount of time actually working in the business or was merely an investor sitting on the sidelines. It does not tell us whether the income is from a large or small business. It does not tell us if the business actually even employs anyone.

The one million number being thrown around, for example, includes taxpayers who invest in publicly traded partnerships which can be purchased on the New York Stock Exchange like any other stock.

The one million number includes celebrities and sports stars who receive income from speaking engagements.

The one million number includes best-selling authors receiving royalties for book sales.

The one million number includes partners in law firms and hedge funds who receive their income as a share of a partnership distribution.

The one million number includes wealthy individuals who rent out their vacation homes for just a few weeks a year.

Both President Obama and Mitt Romney would be considered "small business owners" in 2011 under this definition.

In reality, only a tiny fraction of the top earners actually own, control and manage a business that is small and has hired anyone.

It isn’t sound fiscal policy to extend the tax cuts for the wealthiest 2 percent of Americans just because a small portion of them have income from a business and a tiny portion of them manage a small business. But that’s what some would have you believe.

Finally, the argument that higher taxes on the wealthiest hinder job creation is tenuous at best. Even the non-partisan Congressional Budget Office found that extending the high-income tax cuts was the least effective way of creating jobs among a long list of alternatives.

And it found that extending the high-income tax cuts would actually reduce GDP and the number of jobs over 10 years because doing so increases the deficit.

So despite efforts to hide behind small businesses, the fundamental question is what is fair and what is best for the economy.

Should we drive up deficits further, reducing growth as a result, by extending the tax cuts for the wealthiest Americans?

Should we tame our deficits by ending Medicare as we know it and cutting important social programs to the bone?

Or should we control our deficits through a balanced approach that thoughtfully cuts spending and asks the wealthiest two percent to contribute no more than they did 11 years ago?

The answer is clear: we should vote for Leader Reid’s bill and continue down the path towards responsible deficit reduction.

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