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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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July 14, 2010

The Honorable Max Baucus
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

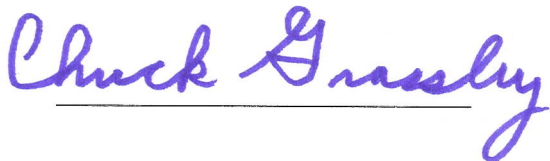
Dear Chairman Baucus:

Thank you for holding a hearing today to discuss the future of the \$1,000 child tax credit, marriage penalty relief, marginal rate reductions, lower rates on capital gains and dividends and the return of the death tax. Originally enacted in 2001 and 2003, these tax rates are set to rise in less than six months. We appreciate that you recognize that without immediate Congressional action, taxpayers are facing the largest tax increase in history.

As you know, uncertainty surrounding the status of tax policy in the United States is one of several factors acting to prevent a strong economic recovery from taking hold. Last Wednesday, Richard Fisher, president of the Federal Reserve Bank of Dallas, said Congress needs to provide businesses and individuals with clarity in order to remove impediments to economic growth. Businesses are sitting on more than a trillion dollars of cash waiting to be invested. Both individual and small business confidence is waning. Until businesses and consumers can be confident that their taxes won't rise next year, they will continue to refrain from investing, job growth will stagnate, and as a result consumer spending will remain subdued. It is possible that this vicious cycle could even lead to what economists refer to as a double dip recession.

In order to inoculate the economy from additional uncertainty, we ask that you agree to mark up a bill in the Finance Committee this month that would extend 2001 and 2003 tax relief. The simple act of holding a markup increases the odds that taxes will not increase next year and illustrates that Congress is committed to doing whatever it takes to get this economy back on track.

Sincerely,


Chuck Grassley


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