Congressman David Dreier
"H.R. 1500, the Investment Tax Simplification Act of 2005"
Summary and Talking Points

The key to strong economic growth and job creation is to encourage greater investment in the economy. Unfortunately, the complex and confusing capital gains tax rates create a "lock-in" effect, a barrier which discourages investment, halts entrepreneurship and stifles job creation. H.R. 1500, the "Investment Tax Simplification Act of 2005," helps to knock down this barrier and enhances the free flow of investment capital in the economy by establishing a permanent and simplified maximum 15 percent capital gains tax for individuals and corporations. The capital gains tax is eliminated for individuals in the 10 and 15 percent tax brackets.

Reasons to Support a Simplified Capital Gains Tax through the Investment Tax Simplification Act of 2005

Simplification

- Clarifies for individual taxpayers the long-term tax treatment of capital gains by making the maximum 15 percent rate permanent.

- Equalizes the maximum capital gains tax rates on investment assets. These include Qualified Small Business Stock (section 1202), depreciable real estate (section 1250) and collectibles.

- Allows corporations to eliminate costly tax avoidance schemes, freeing up billions of dollars for business expansion and job creation.

Opportunity

- Increases opportunities for the 50% of Americans who own some type of financial asset (the "Investor Class") to bolster investment holdings used to help pay for their children's education, buy a first time home or plan for their retirement.

- Provides lower income Americans with greater opportunities to realize greater benefit from their hard-earned assets by eliminating the burdensome capital gains tax.

Entrepreneurship

- Encourages investors to increase capital spending for bold new initiatives that create jobs and boost the economy. According to the National Venture Capital Association, between 2000 and 2003, venture capital funded companies created more than 600,000 new jobs for American workers.

- Many of these new, high paying jobs are in innovative, cutting edge industries, such as biomedical and information technologies that rely on private investing and financing.

Growth

- Cutting the capital gains tax is a proven winner at boosting economic growth. Since the capital gains tax rate was reduced to 15 percent, the economy has grown at an average a rate of 4.5 percent, business investment has increased by $200 billion, financial markets are up $2 trillion and 3 million new jobs have been created.

- Reducing the capital gains tax also has a significant positive impact on revenue to the Treasury. After the 1997 capital gains tax cut from 28 percent to 20 percent, capital gains revenues rose to $118 billion in 2000 from $54 billion in 1996, a nearly 120 percent increase.