A little after midnight last Wednesday, Congress, both the House and Senate, adjourned until after Election Day. Apparently, we will come back for a "lame duck" session starting November 15th. This adjournment occurred earlier than had originally been planned, as a majority of Democrats were desperate to get home and campaign.

Normally, and particularly with this Congress, any time the House and Senate are out of session, the nation is much better off than when we are in session spending money, raising taxes, restricting freedom, and killing jobs. However, Congress left town last week leaving one major piece of work undone. On January 1, 2011, the largest tax increase in American history will occur unless Congress acts. All Republicans and dozens of Democrats in both houses have publicly stated that they support extending the current tax rates for ALL taxpayers, at least for a couple of years. Based on these announcements, it is pretty clear that a bill to extend all of those rates would pass both houses should a vote be taken today. But, in a demonstration of the importance of who it is that holds the gavel of Speaker and Majority Leader, Pelosi and Reid will not allow such a bill to get a vote because they simply want taxes to increase. The specter of this massive tax increase is depressing economic activity and hampering already struggling job growth. Extending current tax rates is the single biggest move we could make to foster private sector job creation right now. But apparently, it's not going to happen until after the election, or maybe even after the swearing in of the new Congress next January.

I always find it amusing how the tax raisers suddenly become deficit hawks as a justification for raising taxes right after they have created a deficit with profligate spending. The fact is that when taxes go up, people do not just lie down and pay the higher rate. Instead, they change their behavior in reaction to the tax hikes, just as you change your behavior when the price of anything goes up. Those behavioral changes on the margin at the current tax rates will result in less government revenue, not more. The tax cuts of 1995, 2001, and 2003 all resulted in more revenue to the government due to more economic activity in the years following the rate decreases. Accordingly, the tax increases in 1990 helped bring about a recession, which resulted in revenue decreases.

Unfortunately, the Congressional Budget Office (CBO) is prohibited from taking these "dynamic modeling" behavioral changes into account when forecasting government income. So, CBO reports will tell you that keeping your tax rates the same will "cost" the government money. First of all, I hate the idea that not forcibly taking more of YOUR paycheck is somehow characterized as a "cost" to the government. In other words, it is as though every dollar of your money belongs to the government, unless the government elects to leave you with some. Second, the fact is that we cannot reduce the deficit without significant spending cuts and economic growth, and the first step to economic growth is to not raise taxes.

So, how high will your taxes go if we don't vote to stop the increases? My next message will include a quiz to gauge your understanding of what will happen if the current tax rates are allowed to expire.

I remain respectfully,

Congressman John Campbell
Member of Congress