



# Fact Sheet

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## On Your Side: Democrats Fighting for Middle-Class Tax Cuts

When it comes to taxes, the contrast is clear: Democrats are fighting to cut taxes for the middle class and small businesses, while Republicans are holding middle-class tax cuts hostage to more deficit-exploding Bush tax breaks for millionaires and CEOs who ship American jobs overseas.

Democrats are committed to ensuring that hard-working middle-class families and individuals receive the tax relief they need now to recover from the most severe recession this country has faced since the Great Depression. We will continue fighting to provide urgently-needed tax relief for middle-class families so that they can fully reap the benefits of their hard work and stabilize their families' finances.

In contrast, Republicans are trying to take us back to the Bush era with an agenda to extend tax breaks for the richest Americans, which would load vast amounts of new debt on future generations. Meanwhile, they are opposing tax cuts for small businesses and hard-working middle-class Americans, protecting tax loopholes exploited by multinational corporations, and threatening to let middle-class tax cuts expire unless they can secure even bigger giveaways for millionaires and CEOs who ship American jobs to foreign countries.

### *Democrats Are On the Side of the Middle Class*

**In the past year, Democrats have provided 98 percent of Americans with a tax cut.** Democrats continue fighting to ensure that hard-working middle-class families and individuals receive the tax relief they need now more than ever to recover from the most severe recession this country has faced since the Great Depression. The *American Recovery and Reinvestment Act (P.L. 111-5)* delivered a record \$3,000 average tax refund to Americans in 2010. [The White House Blog, [4/13/10](http://4/13/10)] This includes the new "Making Work Pay" tax credit (available to more than 94 percent of all working families and individuals [Citizens for Tax Justice, [4/13/2010](http://4/13/2010)]) and:

- A first-time home buyer credit that is the equivalent to an interest-free loan equal to 10 percent of the purchase of a home (extended this year as part of the *Homebuyer Assistance and Improvement Act of 2010 (P.L. 111-198)*);
- \$1,500 in tax credits for energy efficiency improvements for homes;
- Federal deduction of state and local sales taxes paid on a new vehicle purchases;

- Temporary suspension of federal income tax on first \$2,400 of unemployment benefits; and
- Expansion of tax-advantaged 529 education plans.

As a result, “the Bureau of Economic Analysis reports that Federal, state and local taxes – including income, property, sales and other taxes – were at the lowest combined rate since 1950. These taxes consumed 9.2% of all personal income in 2009, far below the historic average of 12% for the last half-century.” [*USA Today*, [5/10/10](#)]

**The Democrats’ small business bill will provide additional tax relief to millions of small businesses and the families who rely upon them.** Over the objections of Republicans who tried to hold relief for small businesses hostage to reward corporate law firm partners and billionaire hedge fund managers, Democrats fought to send the *Small Business Jobs and Access to Credit Act (H.R. 5297*, signed into law on September 27, 2010) to the President so that millions of small businesses will get the tax relief and access to credit that they need to expand, grow, and hire. The Small Business Jobs bill includes the following eight tax cuts:

- Zero taxes on capital gains from key small business investments;
- Extension and expansion of small businesses’ ability to immediately expense capital investments;
- Extension of 50 percent bonus depreciation, providing small businesses with incentives to invest in plants and equipment;
- A new deduction of health insurance costs for the 2 million self-employed and their families;
- Tax relief and simplification for cell phone deductions, making it easier for virtually every small business in America;
- An increase in the deduction for entrepreneurs’ start-up expenses;
- A five-year carryback of general business credits, providing certain small businesses with an instant tax break and allowing these credits to offset the Alternative Minimum Tax, reducing taxes for these small businesses; and
- Limitations on penalties for errors in tax reporting that disproportionately affect small business.

**Democrats reinstated fairness in the tax code by closing loopholes for corporations and the wealthy.** The *Hiring Incentives to Restore Employment Act* (P.L. 111-147) included two fiscally-responsible, revenue-generating provisions:

- Closing a loophole used by wealthy individuals to hide their money from the IRS in offshore accounts by requiring foreign financial institutions to disclose their US account holders or else pay a 30 percent withholding tax on all US income; and
- Eliminating an accounting trick used by investors to make tax bills on dividends disappear (the “dividends equivalent strategy”) by treating swap payments as dividends that are subject to a 30 percent withholding tax. The Government Accountability Office estimates that we had lost billions in revenue each year on this accounting gimmick. [*New York Times*, [3/26/2010](#)]

In addition, the *Health Care and Education Reconciliation Act* (P.L. 111-152) closed a tax loophole that allowed certain industries to receive an unintended biofuels tax credit.

Meanwhile, U.S. workers have been facing their most serious financial challenges since the Great Depression. Employers have slashed jobs at an alarming rate and the manufacturing sector has been particularly hard hit, with a loss of millions of jobs over the course of the recession. That’s why Senate Democrats have prioritized bringing a jobs bill to the Floor that will provide tax cuts for companies that restore jobs to the United States by creating incentives to create American jobs and disincentives to moving American jobs overseas.

Specifically, the *Creating American Jobs and Ending Offshoring Act* (S. 3816) would end tax loopholes that encourage the offshoring of jobs. This bill would also provide a payroll tax cut for companies that return jobs to the United States from overseas.

While Democrats are committed to making the tax code work for American workers, not against them, Senate Republicans blocked consideration of this bill, opting instead to protect the corporate loopholes that benefit CEOs and multinational giants that ship jobs overseas. [Roll Call Vote [242](#)]

## ***Republicans Are On the Side of the Wealthy and Special Interests***

By contrast, Republicans have served up tax breaks for multi-millionaires and special interests, at the expense of working and middle-class Americans and future generations. While agitating for an extension of the Bush tax cuts that disproportionately benefited the wealthiest Americans and led to massive increases in the national debt at the expense of the middle class and future generations, Republicans turn their back on the millions of Americans struggling to make ends meet in these tough economic times. Senate Republicans:

- Voted against the tax benefits contained in the *Recovery Act*. [Roll Call Votes [61](#) and [64](#)]
- Voted against the tax cuts in the *HIRE Act*. [Roll Call Vote [25](#) and [55](#)]
- Blocked consideration of provisions that would have provided tax relief for American families, workers and businesses, closed existing tax loopholes that allow big corporations to abuse the tax credit system, and put an end to tax breaks for companies

that eliminate American jobs. [The *American Jobs and Closing Tax Loopholes Act of 2010* (**H.R. 4213**, **P.L. 111-205**)]

- Blocked consideration of a package of tax cuts for small businesses and the middle-class families who rely on their entrepreneurship. [The *Small Business Jobs and Credit Act* (**H.R. 5297**), Roll Call Vote [221](#)]
- Continued to do the bidding of lobbyists attempting to weaken accountability for Wall Street and voted against the Democrats' work to protect consumers. [The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (**P.L. 111-203**), Roll Call Vote [208](#)]

## ***Republican Fiscal Irresponsibility and Hypocrisy***

The tax scheme proposed by Senate Republicans (**S. 3773**) would impose a stunning cost to the American public as well, nearly doubling the nation's projected deficits over that time period. Overall, Senator McConnell's tax scheme would force the nation to borrow an additional \$3.9 trillion over the next decade – much of it from foreign creditors like China – and increase interest payments on the national debt by \$950 billion, for a total of \$4.85 trillion over 10 years. [Washington Post, [9/15/10](#)] This enormous debt would saddle each American child – all 75 million – with a share of the national deficit amounting to more than \$64,000. [Childstats.gov]

Simply extending the tax cuts for the wealthiest 2 percent of income earners (without counting Senator McConnell's breaks in capital gains and the estate tax) alone would cost almost \$700 billion over 10 years, and \$830 billion when taking into account the interest payments on this extra debt. During these challenging economic times, the nation simply cannot afford another \$830 billion over the next decade – or \$11,000 for every child – to give an average tax cut of \$100,000 to Americans making over \$1 million per year. [Center for American Progress, [7/29/10](#)]

This is the same GOP that has cited deficit concerns to oppose Democratic pro-jobs and recession relief efforts throughout the 111<sup>th</sup> Congress, including Unemployment Insurance extensions that are widely considered to provide powerful economic stimulus effects. After turning a record budget surplus under President Clinton into record deficits, the Republican party still cannot be trusted to come up with a serious solution to control spending and reduce the nation's deficit. In fact, the Senate Republican Leader is now pointing to the upcoming recommendations by the President's bipartisan deficit commission – which he opposed in the Senate – for ideas on covering the cost of his proposal. [NDN, [9/15/10](#)] As a prescription for the nation's economy, the Republicans' tax scheme is simply fiscally irresponsible – offering yet another example of their hypocrisy on the deficit. [Forbes, [11/20/09](#)]