



### **Myth vs. Fact: Tax Cuts for the Middle Class and Small Business**

*America's prosperity has always come from an economy built on a strong and growing middle class. That is why Democrats have cut middle class taxes every year under the Obama administration – by \$3,600 for the typical middle class family. And now we are working to extend the middle class tax cuts for the 98 percent of Americans making less than \$250,000. If Republicans won't join us in preventing this tax increase, a typical middle-class family of four will see its taxes go up by \$2,200 on January 1<sup>st</sup>. Yet instead of working together to keep middle-class taxes low, Republicans continue to distort the facts in order to protect tax breaks for the wealthy.*

*GOP Myth – Extending tax cuts for families with income under \$250,000 annually will result in higher taxes on small businesses and middle class families.*

Fact – Every small business would receive extended tax cuts under the President's plan.

- **Expiring tax cuts for the wealthy are not a tax hike on small businesses.** The President's plan extends tax cuts for the first \$250,000 per year for all taxpayers, including those who receive business income over \$250,000 annually, while letting them expire for income above \$250,000. According to multiple studies by the U.S. Treasury, Congressional Research Service, and Tax Policy Center, only three percent of taxpayers who own small businesses have incomes above \$250,000. These small business owners would still benefit from the extended tax cuts on their first \$250,000 in income, they just won't get additional tax cuts above and beyond what middle-class families receive. [[Department of the Treasury](#), 8/11; [The White House](#), 7/9/12]
- **To Republicans millionaires and billionaires qualify as small businesses.** According to the most current IRS data, in 2009, among the 400 taxpayers with the highest adjusted gross income – a group that averages over \$200 million a year each in taxable income – at least 237 would qualify as a small business under the Republican definition of any individual who receives “small business income.” [[The White House](#), 6/6/2012]

*GOP Myth – Raising taxes on those making more than \$250,000 will be a job-killer.*

Fact – Asking the wealthiest 2% of Americans to go back to the Clinton tax rates won't hurt the economy. Tax rates alone don't control job creation and investment.

- **Under the Clinton rates, the economy created nearly 23 million jobs.** Under President Clinton, America created nearly 23 million jobs and enjoyed robust growth. On the other hand, the unpaid for Bush tax cuts didn't help the economy. Instead, America experienced a decade with the slowest average annual growth since World War II. [[New York Times](#), 11/18/10; [Wall Street Journal](#), 1/9/09]

- **Capital gains tax rates have little effect on the stock market or economic growth.** Leading expert analysis has determined that capital gains tax rates can increase significantly (as they did following the 1986 Tax Reform Act) and have little effect on the stock market. The study also showed that there is no correlation between the capital gains tax rate and GDP growth over the last 50 years. There is no relationship between capital gains tax rate and real investment. As Warren Buffett has said, “People invest to make money, and potential taxes have never scared them off.” [[New York Times](#), 8/14/11; [Tax Analysts](#), 2005]

*GOP Myth – Republicans care about preventing tax increases on middle-class families.*

Fact – Republicans support tax hikes on middle-class families to pay for more millionaire tax breaks.

- **Republicans want to raise taxes on middle-class families to pay for more millionaire tax breaks.** The Republican tax plan costs a total of \$10 trillion - \$5.4 trillion to extend the expiring Bush tax cuts, and according to the Tax Policy Center an additional \$4.6 trillion to lower the top tax rate to 25%. A study by the Joint Economic Committee shows that the Republican tax plan would require a \$1,300 tax increase on average middle-class families to pay for a tax cut of over \$285,000 for each millionaire. [[Tax Policy Center](#), 3/2012; [Joint Economic Committee](#), 6/20/2012]

Fact – If the GOP cared about preventing tax increases on middle class families, they would join Democrats in quickly passing an extension of tax relief for families making \$250,000 and below, which would help every taxpayer.

- **Expiring tax cuts for the wealthy will not hurt middle-class families.** According to the most recent data available from the IRS, less than 2 percent of taxpayers reported over \$250,000 in adjusted gross income. This means that for the vast majority of Americans income tax rates will remain the same under the President’s plan. The small percentage of taxpayers with income above \$250,000 will still receive tax cuts on their first \$250,000 of income, just not on the portion of their income over \$250,000. [[IRS](#)]

