



## Taxes Too Much: Obama Budget Calls for the Biggest Tax Increase in American History

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**President Obama's budget calls for massive spending increases and record deficits. The cost of this new spending will be placed squarely on the backs of small businesses, family farmers, and every American energy consumer. The following is a summary of the Administration's plans to increase taxes by \$1.4 trillion over the next ten years.**

**Taxing Small Businesses:** In 2010, the President's budget will increase taxes on all taxpayers that earn more than \$200,000 individually, or \$250,000 as a couple. The majority of the burden for this \$637 billion tax increase will be borne by small businesses that pay taxes as individuals. Small businesses create 60 to 80 percent of all new jobs in America. These new taxes will stifle job creation and economic growth in the midst of a recession.

**Taxing Energy Consumers:** The budget also proposes to raise taxes by \$646 billion on consumers of oil, coal, and natural gas through a complicated "cap and tax" program that will increase the cost of energy for every American. These carbon-based fuels provide about 85% of all energy output in the U.S.<sup>1</sup> This new tax will increase the cost of energy by up to \$3,128 per household annually, taking more money out of the pockets of hard working families struggling to pay their bills each month.

**Taxing Investors Part I:** Under the President's budget, taxes on capital gains and dividends would increase for individuals with an income over \$250,000 (married) and \$200,000 (single) from 15 to 20 percent, increasing taxes on investors by \$338 billion over ten years. These taxes would directly affect investors and shareholders most impacted by the declining stock market and would further discourage investments during a time when new investments are essential to jumpstarting our economy.

**Taxing Charitable Giving:** The budget also caps the value of itemized deductions at 28% for those with an income over \$250,000 (married) and \$200,000 (single), which will reduce charitable giving by \$9 billion a year. The current economic crisis has severely damaged charitable organization's ability to provide for people who are most affected by the recession, and the budget would leave these charities with at least a \$9 billion deficit.

**Taxing Death:** The budget reinstates the death tax scheduled to be fully repealed in 2010. According to the Joint Committee on Taxation, the death tax has "broad economic effects" and one study has found that the death tax is responsible for lowering overall employment by 1.5 million jobs.<sup>2</sup>

**Taxing Investors Part II:** The budget would more than double taxes on carried interest, increasing taxes up from the capital gains rate (15%) to the income tax rate (39.6%). Carried interest is interest gained on profits from investments and is generally used to pay investment fund managers based on the fund's performance for investors. This tax hike is yet another attack on profit, private equities, and investments in the middle of a recession.

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<sup>1</sup> "Solutions for the 21<sup>st</sup> Century: Technology Status Report," *International Energy Agency*, February 13, 2007, ([http://www.iea.org/impagr/cip/pdf/zets\\_tsr\\_no4.pdf](http://www.iea.org/impagr/cip/pdf/zets_tsr_no4.pdf)).

<sup>2</sup> "History, Present Law, and Analysis of the Federal Wealth Transfer Tax System," *Joint Committee on Taxation*, November 14, 2007, (<http://www.house.gov/jct/x-108-07.pdf>) and "New International Survey Shows U.S. Death Tax Rate Among Highest," *American Council for Capital Formation*, August, 2007, ([http://www.nodeathtax.org/files/ACCF\\_intl\\_rate\\_survey.pdf](http://www.nodeathtax.org/files/ACCF_intl_rate_survey.pdf)).