COMMITTEE ON FINANCE
NEWS RELEASE

Max Baucus (D-Mont.)
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BAUCUS CALLS FOR HIGH-EARNERS TO CONTRIBUTE TO DEFICIT REDUCTION TO SPARE DEEP MEDICARE, SOCIAL SECURITY CUTS

Finance Chair: Deficit Reduction Must be Balanced, Fair, and Help Create Jobs

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) called today for reforms in the tax code that would result in greater fairness and balanced, job-creating deficit reduction. At a hearing examining high-income, capital gains and dividends tax rates, Baucus said a balanced solution should allow the lower rates on the wealthiest two percent of taxpayers to expire and the rates on capital gains and dividends, which are lower than the rates most families pay on wage income, to rise. He made clear that deficit reduction requires a choice between two options: an unbalanced plan that forces deep cuts in programs like Medicare and Social Security that seniors and middle class families depend on; or a balanced plan that curbs spending and asks those who can afford it to pay a fair share in taxes.

"It is wrong to heap the entire burden of deficit reduction onto the backs of seniors, veterans and the middle class. The right solution will strike a balance that both trims spending and asks the wealthiest Americans to pay a little more," Baucus said. **"Politics should not get in the way of a balanced, common-sense plan to reduce the deficit and create the jobs we need to improve our economy."**

Baucus addressed the widening gap between median wages and high-earners, and the unfair burden that would fall on middle class families to shoulder the load of deficit reduction through spending cuts alone. He noted that the tax rates on capital gains and dividends – which, for high-income taxpayers, are generally 20 percentage points lower than rates on wage income – contribute to that disparity, and he asked what effect raising those rates would have. Many high-earners make a large percent of their personal income from capital gains and dividends. The richest 400 taxpayers, in fact, make as much as 57 percent of their adjusted gross income through capital gains alone. Baucus also discussed legislation he introduced last year to allow the tax breaks for high-income individuals and couples to revert to 1990s levels, saying it makes sense to allow the lower rates to expire if it means avoiding deep cuts to Medicare and Social Security.

The Finance Committee began its examination of the code last September with a series of hearings reviewing previous reform efforts and the need for tax reform. Today's hearing was the second in a set of hearings addressing policy options for the major issues related to tax reform. In the first of that set, held last week, Baucus called for international tax rules that promote American jobs and economic growth. Watch today's and all past hearings and view witness testimony on the Committee website at http://finance.senate.gov/hearings/.

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