



For Immediate Release
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**Floor Statement of Senator Max Baucus (D-Mont.)
Regarding the Middle Class Tax Cut Act of 2010**

Mr. President, the textbook definition of economics is about scarcity.

For example, in his textbook *Principles of Economics*, President Bush's chief economic advisor, Gregory Mankiw, wrote:

"Economics is the study of how society manages its scarce resources."

We could say the same thing about fiscal policy. Fiscal policy is about how society, acting through its government, chooses to allocate scarce resources.

There is not an endless supply of money. We have to make choices.

Every time that we put together a budget, we have to make choices. Every time that we formulate the nation's tax policy, we have to make choices.

So when it comes to whether to extend the 2001 tax cuts, once again, we have to make choices. It's a question of priorities.

The debate over what to do about the 2001 and 2003 tax cuts for those with the highest incomes is a debate about priorities.

Are we better off devoting scarce resources to a larger tax cut for those at the very top?

Or are we better off devoting those scarce resources to new tax incentives to promote investment and create new jobs?

Or are we better off devoting those scarce resources to reducing the Federal budget deficit and debt?

Those are the choices that we need to make.

Today, the Senate is considering how we should make those choices.

The amendment that we have offered says: Let's make the middle-class tax cuts permanent. That's something on which pretty much everyone in this chamber should agree.

And after we have cut taxes for middle-class Americans, then let's have an honest debate. Let's debate whether extending tax cuts for the very top incomes is the right priority.

But in any case, making the middle-class tax cuts permanent is the right thing to do. Let's not allow tax cuts for middle-class Americans to be held hostage to partisan wrangling about tax cuts for those who make the very most.

So, how did we come to this choice?

Let me take a few moments to review how we got here.

In 2001, Congress enacted legislation to let American families keep more of their money. Many of these tax incentives phased in over several years.

In 2003, Congress enacted legislation adding new tax incentives and speeding up implementation of the 2001 law.

The 2001 and 2003 tax cuts lowered tax rates for all taxpayers. And those laws provided much-needed tax relief for families, education, and small business.

Many of these tax provisions have broad support, across the political spectrum.

But these tax benefits are not permanent. Beginning on January 1, all of these 2001 and 2003 tax cuts expire, even those for Americans who need them the most.

At the same time, the Federal debt is at its highest level since shortly after World War II. And our fiscal challenges are growing with the retirement of the Baby Boom Generation.

The amendment that we consider today responds to both of these challenges.

So what would our amendment do?

First, our amendment would extend tax cuts for middle-class American families.

Our amendment would permanently extend the lower tax rates for income up to \$250,000 for married couples and \$200,000 for individuals.

Extending these lower tax rates would benefit all taxpayers, including higher income taxpayers. In fact, higher-income taxpayers would receive the largest tax benefits in terms of dollars per taxpayer, and that is because of the marginal rate system. Tax cuts below \$250,000 will benefit all Americans. Higher earners would still benefit, even under our amendment.

Our amendment would make permanent the provisions that help working families with children. The number of people living in poverty is at a 15-year high. One out of every five American children lives in poverty. Many of the provisions in our amendment would help to keep children and their families out of poverty.

The amendment would make permanent the expanded Earned Income Tax Credit for families with three or more children.

The increased child tax credit provides more help to families with children. The partially-refundable portion of the credit allows families to receive a benefit even when their tax liability is low, as long as the family has earned income of more than \$3,000.

This credit helps to support 13 million children in low-income working families every year. These families are likely to spend every dollar that they receive right away. And that means that this provision would also help the economy.

The increased dependent care credit recognizes the increased cost of child care for working families. People should be able to go to work and have quality care for their children. In 2008, the dependent care credit helped more than six and a half million working families to make ends meet.

Our amendment would make permanent a tax benefit for employers who construct, build, or expand property used as a child care facility. This benefit recognizes the contribution that some employers make to help their employees balance child-raising and a career.

The amendment would provide permanent marriage penalty relief. That way, married couples would not get higher taxes as an added wedding present.

The amendment would direct that certain government programs disregard refundable tax credits when determining eligibility for the programs. This would ensure that Americans most in need would not be worse off because of tax incentives. We don't want to give with one hand and take away with the other.

Our amendment also addresses the importance of getting a quality education and the increased cost of getting an education.

Our amendment would make it easier to deduct student loan interest. It would eliminate the restriction on the number of months eligible for the deduction. And it would expand the eligibility to more post-graduates.

Our amendment would make permanent the American Opportunity Tax Credit. This would help students to afford a higher education. This provision is a partially-refundable tax credit up to \$2,500 of the cost of tuition and fees, including books.

The amendment includes an income exclusion for loan repayment programs where a post-graduate becomes a health professional in an underserved area.

And the amendment would encourage continued education for workers by allowing an exclusion from income for employer-provided educational assistance programs.

What would we do about capital gains and dividends?

Right now, capital gains are currently taxed at a maximum rate of 15 percent. And dividends are treated as capital gains. This treatment expires at the end of this year.

Starting January 1, unless we act, capital gains will be taxed at 20 percent, and dividends will be treated as ordinary income.

Our amendment would make permanent the current capital gains rate for taxpayers with incomes up to \$250,000 for married couples and up to \$200,000 for individuals.

The amendment continues to treat dividends as capital gains for all taxpayers. So dividends would not be treated as ordinary income for any taxpayer.

This would level the playing field. This would ensure that the tax code will not favor one type of investment over another.

What do we do about the Alternative Minimum Tax?

Our amendment would provide two years of relief from the AMT. Every year, we talk about the AMT and how it ensnares hardworking Americans.

Originally, Congress created the AMT to stop just 155 millionaires from completely avoiding income taxes. It was an attempt to make sure that all taxpayers paid their fair share.

What about today? Now, millions of hardworking Americans are subject to this dreadful tax. Families who are working hard and raising children find themselves hit with increased taxes. We are not talking about millionaires; we are talking about ordinary Americans since the AMT was not indexed.

To keep the number of taxpayers subject to this tax from growing, Congress has to pass an AMT patch every year.

Without an AMT fix, the number of taxpayers subject to the tax would explode.

In Montana, Congress's failure to enact a patch would mean that more than six times as many taxpayers would have that burden.

Our amendment would take care of the AMT for 2010 and 2011. During that time, Congress can deal with this stealth tax once and for all as part of tax reform.

What about small business?

Our amendment would benefit small business owners by making permanent the 2007 expansion of section 179 expensing.

What about the estate tax?

Our amendment would provide permanent estate tax relief for family-owned businesses.

In 2001, Congress voted to provide estate tax relief to American families. We decreased the rate and increased the exemption, over time, until we had complete repeal for 2010 only. That's what we have now. Next year, if we don't act, the law will snap back up to the old 2001 rate.

This has resulted in uncertainty and a planning nightmare for families.

Our amendment would eliminate that uncertainty. The amendment would make permanent 2009 estate tax law going forward. It would set the top tax rate at 45 percent and the exemption at \$3.5 million per person. That's \$7 million per couple.

The amendment includes an election for estates that arose between January 1 and the law's enactment. The heirs would be able to choose either current law or the new permanent tax rate and exemption.

Our amendment would provide an exemption for family ranches and farms. This provision would ensure that no family ranch or farm ever has to be sold to pay estate taxes.

Our amendment would simplify planning for spouses. Most people believe that a couple automatically receives double the exemption amount. So, if the exemption is \$3.5 million, most folks assume that a couple gets \$7 million.

But what many people don't know is that to get the full \$7 million exemption, couples have to plan. Our amendment would simplify planning for spouses by allowing the transfer of any unused exemption between spouses. This would make the law work the way that most people think it works already.

The resulting estate tax law would provide certainty to taxpayers. And the remaining estate tax would affect only the heirs of the very largest estates. It would ensure that the small number of people who inherit so much money that they never have to work during their life would contribute their fair share.

What about the provisions that folks call "tax extenders?"

Our amendment would extend a number of other tax provisions important to individuals, businesses and state and local governments. These provisions will continue to help create jobs and cut taxes.

Our amendment would create jobs by improving our nation's infrastructure. It would reduce the cost to local governments to build roads, bridges and water treatment facilities.

The amendment would extend multiple incentives that promote energy sustainability and efficiency. The amendment would extend the dollar-per-gallon credit for biodiesel and renewable diesel. And the amendment would extend the manufacturer's credit for the construction of new energy-efficient homes.

The amendment includes a credit for energy-efficient appliances and a credit for alternative-fuel motor vehicles. The amendment includes an extension of the advanced energy investment credit for businesses engaged in the manufacturing of technologies for the production of renewable energy and energy storage. And the amendment would provide parity for transit benefits so that employers can provide tax-free benefits to their employees for both transit and parking.

Our amendment would extend a number of tax cuts for individuals, including an extension of the Making Work Pay credit. That provision is stimulative and helpful, and its absence would hurt the economy.

Our amendment would help teachers by extending the expense deduction for teachers who buy school supplies for their classrooms.

The amendment would extend the additional standard deduction for state and local real estate taxes, as well as the ability of itemizers to deduct sales taxes in lieu of state and local income taxes.

And our amendment would extend the qualified tuition deduction to help with college costs.

This amendment would extend much-needed relief for communities that have suffered from natural disasters.

And our amendment would extend important business tax provisions to help create jobs and make our companies competitive in a global economy. The amendment would extend the research and development credit to help American businesses keep on the cutting edge.

Our amendment also includes a provision that will help small businesses across America. The provision would repeal an expansion of information reporting rules that was enacted this past year. These rules expanded current information reporting requirements to include payments businesses make to corporations, and payments for goods and property, not just services.

This provision, known as the “1099 provision,” imposes a recordkeeping burden on small businesses that would take away from the time that business owners need to expand their business and create jobs.

This information reporting went too far, especially in this difficult economy. It’s important that we repeal this expansion of information reporting.

Now some people will say that we should extend the tax cuts for everyone, even the very rich.

America is working through tough economic times. At the same time, our country has record deficits.

Our amendment would balance these two concerns.

Our amendment would extend all the tax cuts affecting middle- and lower-income Americans that Congress enacted in 2001 and 2003 that sunset this year. Our amendment would also extend several expiring tax cuts benefiting middle- and lower-income Americans that Congress enacted in 2009.

Our amendment would protect Americans who have been struggling to get by.

Our amendment would also benefit taxpayers with higher incomes. The cuts in our amendment apply to all of the income up to \$200,000 for individuals and \$250,000 for couples, even if the taxpayer makes more than that.

At the same time, we crafted our amendment with recognition of the mounting deficits that our country faces.

Our amendment would not rely on the gimmick of temporarily extending tax cuts in order to mask their size, knowing that future Congresses will be unable to resist the temptation to keep extending these cuts.

It’s about priorities. Our amendment makes choices.

Our amendment would not make permanent all of the expiring tax cuts that Congress enacted in 2009. It would not make permanent tax cuts that benefit only those Americans who need them the least.

Only three percent of Americans have incomes greater than \$250,000 for couples or \$200,000 for individuals.

Over the past quarter century, the average after-tax income of the wealthiest five percent has grown 150 percent. At the same time, the average after-tax income of middle class Americans has grown by only 28 percent.

Today, the bottom 80 percent of households receive less than half of all after-tax income. The benefits of recent economic growth have not been widely shared. So the middle class should not be asked to tighten their belts as much as the high-income folks who have benefitted most.

And as we come out of the Great Recession, we need to recognize the growing Federal budget deficit.

In 2010, the deficit was \$1.3 trillion. That's the second highest level, relative to the size of the economy, since 1945. This was exceeded only by 2009's \$1.4 trillion deficit. And the Congressional Budget Office projects that deficits will remain high for the rest of the decade. That means that the Federal debt will keep growing.

When we passed the 2001 tax cuts, the Federal Government was running a surplus. When we passed the 2001 tax cuts, economists projected big surpluses as far as the eye could see.

Times have changed. We need to consider our current fiscal condition.

With 15 million Americans still out of work, it's important that we keep our economy on the path to recovery by extending tax cuts for families who need them the most and who will spend it.

Our amendment strikes the right balance.

It's a question of priorities.

Our amendment says that we should not devote scarce resources to a larger tax cut for those at the very top.

Our amendment says that we would be better off devoting those scarce resources to new tax incentives to promote investment and create new jobs. Or we would be better off devoting those scarce resources to reducing the Federal budget deficit and debt.

Those are the choices that we need to make.

Our amendment says: Let's make the middle-class tax cuts permanent.

And our amendment says: Let's not allow tax cuts for middle-class Americans to be held hostage to tax cuts for those who make the very most.

There is not an endless supply of money. We have to make choices.

I submit that these are the choices that we need to make.

I encourage my Colleagues to support our amendment.

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