



AMERICANS for TAX REFORM

Grover G. Norquist
President

January 25, 2008

The Honorable Scott Garrett
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Garrett:

Congratulations on your introduction of H.R. 5109, the “Economic Growth Act of 2008.” **This is an extremely pro-growth package for 2008 and permanently into the future, and I would encourage all Members to become co-sponsors.**

The Economic Growth Act seeks to advance four *permanent* and pro-growth changes to tax law, including:

- Cutting the corporate income tax rate from 35percent—the second highest in the developed world—to 25 percent (close to the average rate of our European competitors).
- Moving from complex and slow “depreciation” schedules (slowly deducting business asset purchases over many years) to immediate and full business expensing. Importantly, this is the first expensing legislation that includes writing off entire buildings that are purchased.
- Indexing the basis of capital assets to inflation when calculating gain or loss. Many times, a capital gains tax is imposed merely on inflationary gains since the asset was purchased. H.R. 5109 eliminates this “inflation tax,” and serves as a *de facto* cut in the capital gains tax for individuals.
- Cutting the *corporate* capital gains rate from 35% to 15%. Unlike individuals (who get to pay capital gains tax at a 15% rate), corporations must treat capital gains like ordinary income. As a result, over \$1 trillion of unrealized capital gains are locked up in corporate accounts. Putting a lower rate in place will unlock these gains, freeing up capital to invest in businesses and create jobs.

H.R. 5109 is truly “Pro-Growth 2.0.” Your bill is at the vanguard of supply side policy, and represents the future of the conservative movement’s growth wing. All Members who care about pro-growth tax policy should become co-sponsors immediately.

Sincerely,

Grover Norquist
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