



AMERICANS *for* TAX REFORM

Grover G. Norquist
President

THE OBAMA TRILLION DOLLAR TAX HIKE BUDGET: BREAKING DOWN THE NUMBERS

March 3, 2009

- Last week, President Obama sent a tax-increase budget to Capitol Hill. Even by his own (disputed) baseline, he's raising net income taxes by about \$1 trillion over the next decade
- Obama's budget claims that it cuts taxes for families by \$770 billion. Yet, the same document admits that fully \$326 billion—nearly half—is in fact new spending, not tax cuts
- The budget raises the top two income tax brackets from 33 percent and 35 percent to 36 percent and 39.6 percent, respectively. These are the tax rates in which \$2 out of every \$3 in small business profit is taxed. That includes 90 percent of the profits from partnerships and Subchapter S corporations, and 40 percent of the profits from sole proprietorships. This small business tax hike alone is \$339 billion
- The Obama budget imposes a “cap and trade” tax of \$646 billion. Every American family will pay this tax in the form of higher gasoline, heating, and electric bills
- That's not the only way this budget raises taxes on energy-consuming American families. The deduction for U.S. energy manufacturers is repealed. “Superfund” (a slush fund tax for the EPA) makes a comeback. Energy companies will see an overnight tax hike on their inventories of oil and other fuels. Incredibly, there's even an excise tax imposed on oil drilled right here at home, in the Gulf of Mexico. These tax hikes add another \$109 billion to American energy costs
- Rather than dying a merciful death in 2010, as is scheduled under current law, the death tax continues indefinitely with a top rate of 45 percent and an exemption of \$3.5 million (\$7 million married couples). Small businesses and family farms will have to worry about seeing the undertaker and the IRS auditor on the same day
- The Obama budget raises taxes on investors in several ways. The capital gains tax is hiked from 15 percent to 20 percent. The dividends tax is raised from 15 percent to 20 percent. Capital gains earned by investment partnership managers are taxed as high as 39.6 percent. At a time when the stock market wealth has nearly been cut in half, why is Obama proposing a \$142 billion tax hike on the stock market?
- U.S. companies will be forced to pay corporate taxes twice on international profits—once in the country they earn them in, and again here. This \$210 billion tax hike will push jobs and capital out of our borders
- By reinstating the “Pease” itemized deduction phase-out, and putting a 28 percent cap on the dollar value of itemized deductions, the Obama budget will hurt charitable contributions, raise the cost of housing, and make it even more expensive to live in high-tax states like New York, New Jersey, Connecticut, Maryland, Illinois, and California. This tax hike is worth \$318 billion.

1920 L Street NW

Suite 200

Washington, DC

20036

T: (202) 785-0266

F: (202) 785-0261

www.atr.org