

TAX RELIEF COALITION

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October 7, 2011

To All Members of the U.S. Senate: Oppose the Millionaire's Surtax

The Tax Relief Coalition (TRC), an organization of more than 1,000 trade associations, corporations and advocacy groups formed in 2001 to advocate for pro-growth tax policies, strongly urges you to oppose the anti-growth, anti-job “millionaire’s surtax” when it comes up for a vote on the Senate floor.

TRC members represent 1.8 million businesses of all sizes, from every state and from every industry sector – businesses that invest in our economy and create jobs. (To view a TRC membership list, go to: <http://www.naw.org/files/TRC.pdf>) We are writing today because America faces enormous fiscal challenges, and America’s job creators – and TRC members – are critical to the effort to rebuild our economy and create the jobs necessary to put our unemployed back to work.

Unfortunately, the Senate is expected to take up a bill next week that, if enacted, would seriously impair our ability to accomplish that goal. The “American Jobs Act of 2011,” the Senate version of the President’s job bill, includes the “millionaire’s surtax” to pay for the programs included in that proposal.

This tax proposal, effective beginning in 2013, imposes a 5.6 percent surtax on modified adjusted gross income above \$1 million, adjusted for inflation (\$1 million for single taxpayers and married couples filing joint returns and married couples filing separately is \$500K). Of particular note, this surtax would apply to modified adjusted income **before** itemized deductions and **includes all income such as wages, capital gains, dividends, and interest.**

The top marginal tax rate for individuals is already scheduled to increase to 39.6 percent at the same time this surcharge would take effect. In addition, the healthcare reform legislation included a 3.8 percent Medicare surtax on investment income, and a .9 percent Medicare surtax on upper income earners, both of which would take effect in 2013. Consequently, the 5.6 percent “millionaire’s surtax” included in S. 1660 would bring the effective Federal tax rate on these earners to almost 50 percent – a punitive rate we have not seen in decades.

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Advocates of the millionaire's surtax argue that it is appropriate because upper income earners should pay their "fair share." The President in his comments earlier this week said that, "We can either keep taxes exactly as they are for millionaires and billionaires, with loopholes that lead them to have lower tax rates, in some cases, than plumbers and teachers"

The Associated Press, however, in its "Fact Check" response to the President's comments, reported that "[O]n average, taxpayers who made \$1 million or more paid 24.4 percent of their income in Federal income taxes; those making \$100,000 to \$125,000 paid 9.9 percent; those making \$50,000 to \$60,000 paid 6.3 percent." Moreover, based on IRS data, the top 1 percent of tax filers pays a full 38 percent of Federal income taxes, while 51 percent of wage earners pay no Federal income taxes at all. Clearly upper income earners are already paying more than their "fair share" of Federal income taxes.

Most importantly, the burden of the proposed tax increases would fall disproportionately on the income of America's small and mid-sized businesses who pay taxes at individual rates.

According to a recently-released Treasury Department study, 392,000 taxpayers reported incomes exceeding \$1 million in 2007, 331,000 of those returns included business income, and 311,000 were "business owners" under the Treasury Department's narrow definition. In short, the Obama Administration's own data demonstrates that 4 out of 5 of the taxpayers who will face this surtax are business owners – and thus, increasing the tax burden on these business owners will reduce the amount of capital that they would otherwise have available to invest in their company or hire additional workers.

In sum, the Senate legislation would pay for the President's Jobs Bill by raising tax rates on hundreds of thousands of business owners, a job killing tax hike to pay for a bill purported to strive for job creation. Not only is it a surtax on our most successful small and mid-sized business owners' income, it also punitively taxes investment income such as capital gains and dividends.

TRC members believe that the proposal before the Senate is a job killing punitive tax hike that moves our tax code in the exact opposite direction from where we should be going if we want to see job creation and economic growth. Thank you in advance for opposing this job-killing tax increase.

Sincerely,

THE TAX RELIEF COALITION MANAGEMENT COMMITTEE (see next page)

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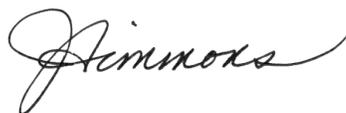
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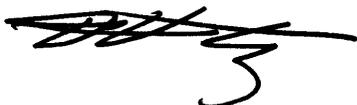
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