



NEWS

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Kerry-Edwards Tax Hike Threatens Thousands More Small Businesses Than Reported

Edwards did not even understand his tax plan will raise taxes on over one million small businesses

WASHINGTON – Democratic presidential running mates, Sens. John Kerry and John Edwards, have proposed raising taxes on individuals earning over \$200,000. Vice President Cheney claimed this would raise taxes on more than 900,000 small businesses, which are subject to the individual income, not corporate, tax. It appears that Cheney underestimated the number. According to the Internal Revenue Service, over 1.3 million small businesses owners fall into this category and would be subject to the Kerry-Edwards tax increase.

After Tuesday's vice-presidential debate, a number of commentators appeared to claim Cheney over exaggerated the number of small businesses affected by the tax increase. These commentators used the liberal Tax Policy Center's (TPC) September report which claimed only 471,000 small employers would be affected.

The TPC's calculations are flawed. The TPC ignores that the Kerry-Edwards plan would raise taxes for the top two income brackets, including not only individuals earning more than \$200,000, but also individuals earning \$146,500. This second tax bracket is included in the Kerry-Edwards' written proposal although ignored in campaign speeches. Additionally, the TPC's newest estimate is actually a recalculation of an original table published in April. The new report estimates that 471,000 small businesses will be affected, a six fold increase over the TPC's original estimate.

“They seem to have their numbers in a twist,” said Grover Norquist, president of Americans for Tax Reform, the nation's leading taxpayer advocacy group. **“Instead of continually issuing misleading statistics, the TPC should spend some time checking to make sure their calculators are working.”**

The report is also misleading on two other counts. Firstly, the TPC only accounts for individuals who actively earn more than 50 percent of their income from a small business. This excludes entrepreneurs who often hold second jobs, owners who may choose to pay themselves with a salary and silent partners. Secondly, the analysis does not tie the number of individuals a small business employs with the potential impact of Kerry's tax hike. The report only accounts for sole proprietorships and only takes into account whether or not a business has employees, excluding thousands of employees and owners that would be negatively affected.

“The TPC needs to take a long hard look at the facts,” continued Norquist. **“What Kerry and Edwards say in their campaign speeches doesn't match up with what they've proposed in their budget. Taxpayers deserve better information.”**

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases. For more information or to arrange an interview, please contact Christopher Butler at (202) 785-0266 or at cbutler@atr.org.