



AMERICANS *for* TAX REFORM

Grover G. Norquist
President

April 28, 2008

The Honorable Wally Herger
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Herger:

Congratulations on your recent introduction of H.R. 5908, which would enact a permanent, zero percent tax rate on corporate and individual capital gains. This bill is terrific pro-growth tax policy and should be co-sponsored by all Members of Congress.

Under current law, capital gains derived from ownership of stocks and some other assets are often double-taxed. First, the corporate income tax reduces the implicit share price of all stocks. Then, a capital gains tax is applied to the investor. For individuals, it's bad enough—15%. For corporations, though, this second bite at the tax apple is a whopping 35%.

In addition, capital gains are not indexed to inflation. Someone purchasing a \$100 asset and selling it five years later for \$116 would seem to have a \$16 capital gain. However, assuming historical rates of inflation his real gain would actually be \$0. H.R. 5908 ends the phantom “inflation tax” within capital gains.

A 0% capital gains tax rate is a key component to taxing all consumed income once and only once at one low, flat rate. H.R. 5908 is a great step in that direction.

Sincerely,

Grover Norquist

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