



## OBAMA VS. FACT

*Obama Press Conference of March 24, 2008*

### A Tax Cut for 95 Percent of Working Families?

OBAMA: *"...this plan will provide a tax cut to 95 percent of all working families that will appear in people's paychecks by April 1."*

FACT: Obama is referring to the "Making Work Pay" refundable tax credit, which will begin to show up in the form of less withholding from paychecks on April 1. This part of his statement is true. However, **it's impossible to cut taxes for "95 percent of working families."** According to IRS data, one-third of all income tax filers don't have an income tax liability. About 15 percent of all working families don't even have a FICA tax liability, and these numbers are *before* taking into effect all the new refundable tax credits of the Obama budget. For these "working families," all Obama's budget will do is cut them a welfare check.

### Is the Tax Code Skewed Toward the Rich?

OBAMA: *"...for the top 5 percent, they're the ones who typically saw huge gains in their income...let's not renew the Bush tax cuts...let's go back to the rates that existed...during the Clinton era"*

FACT: Obama gives the impression here that the tax code has gotten friendlier to the rich since the Clinton years. **A simple check of the data, though, shows that the rich are paying a higher percentage of federal income taxes than ever before.**

In order to be in Obama's "top 5 percent," a family must earn at least \$150,000—from all income sources combined. Putting aside that this is well under the \$250,000 that Obama says he will be raising taxes on, this is hardly a figure that most Americans would consider "rich."

It might surprise many to learn that this "top 5 percent" is paying a higher and higher percentage of all income taxes. **Back in 2000, the last year of the Clinton Administration, these households were paying 56 percent of all income taxes. In 2005, the latest year for which the IRS has data, they were paying nearly 60 percent of all income taxes.** So after tax rates on small businesses and investors

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were dropped, the tax code became *more progressive, not less*. There's no "problem" to fix.

What about the "richest of the rich," the top 1 percent? These families make at least \$365,000 per year. In 2000, they paid 37 percent of all income taxes. That number today is nearly 40 percent. **So even the richest households are paying a higher amount of all income taxes than they were before the tax cuts of the Bush era.**

### Demonizing Investors and Entrepreneurs

**OBAMA:** *"...the rest of us can't afford to demonize every investor or entrepreneur who seeks to make a profit. That drive is what has always fueled our prosperity..."*

**FACT:** This is 100% true, so what is it doing in a myth/fact? **The problem is, the Obama budget doesn't square with the Obama rhetoric.** His budget calls for massive tax increases on investors. The capital gains and dividends tax rate will rise from 15 percent to 20 percent. The death tax will go from dead to 45 percent overnight. The top tax rate on small businesses will rise from 37.9 percent to 42.5 percent, and that's before his promised Social Security tax hike.

If that's not using the tax code to demonize investors and entrepreneurs, what is?

### Is the Deficit the Issue, or Is It Spending?

**OBAMA:** *"(Questioner) Do you worry that your daughters...will be inheriting an even bigger fiscal mess if the **spending** goes out of control?"*  
*"(Obama) Of course I do, which is why we're doing everything we can to reduce that **deficit**."*

**FACT:** Obama is focusing on the wrong target. The questioner asked, correctly, if he was okay passing along a spending budget as big as Obama is proposing to his daughters. Obama ignored the fact that his budget grows the size of government to levels not seen since World War II. Instead, he focuses on deficits, which is an uninteresting number you get by subtracting one interesting number (spending) from another (taxes). **A balanced budget won't help Obama's daughters if they are forced to pay taxes to support a government 50% bigger than the one their father inherited.**