



# ATR SUPPORTS HOUSE GOP BUDGET

## *Cuts Taxes, Keeps Spending in Check*

April 1, 2009

The House GOP today released their budget alternative to the Pelosi-Reid-Obama budget. This highly-superior budget is a winner for taxpayers in many ways:

- It prevents a massive tax increase in 2011 by keeping the top rate at 35 percent and the capital gains/dividends rate at 15 percent. The Pelosi-Reid-Obama budget hikes the top rate to nearly 40 percent, and the capital gains/dividends rate to 20 percent
- It cuts the corporate income tax rate from 35 percent today—tied for highest in the developed world—to 25 percent (close to the average level of our European competitors). It achieves this by broadening the corporate tax base. The Pelosi-Obama-Reid budget keeps our corporate income tax rate the highest in the world, pushing jobs and capital overseas
- For 2009 and 2010, the House GOP budget cuts the capital gains/dividends tax rate to 0 percent in order to boost our sagging economy. The Pelosi-Obama-Reid budget does nothing to increase incentives to create jobs and wealth
- It creates an alternate tax system families can choose from. They could either use the current code, with its higher rates and deductions, or opt into a new system. This new system would feature only a standard deduction of \$25,000 for married couples (\$12,500 for singles), and personal exemptions of \$3,500. However, the tax rates would be much lower. The first \$100,000 of taxable income (\$50,000 for singles) would only face a 10 percent rate, with everything above that taxed at a 25 percent rate

The Pelosi-Reid-Obama budget traps Americans in our growth-killing and mindlessly-complex income tax code

- The House GOP budget permanently patches the AMT, which prevents millions more families from having to calculate their taxes twice and pay the higher amount. The Pelosi-Reid-Obama budget does nothing to prevent tens of millions of American families from falling into the AMT trap beyond 2010
- All told, taxes would stay below their modern historical levels as a percent of the economy. It's important to keep taxes low so that America's economy can recover from wasteful Washington bailouts and other economic shocks caused by politicians. The Pelosi-Reid-Obama budget actually pegs the tax burden *slightly higher* than the long-run average, killing hopes for strong growth
- Spending as a percent of the economy would fall from 27.6 percent of GDP in 2009 to 20.7 percent of GDP in the last years of the budget window. This restores federal spending to about its modern historical average. In contrast, the Pelosi-Obama-Reid budget calls for federal spending to hit nearly 25 percent of GDP, well above levels seen since World War II

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