



Use tax cuts to grow the economy

By U.S. Rep. Mike Coffman Posted: 10/17/2010 01:00:00 AM MDT

I was a small-business owner for 17 years, and I strongly believe that many of our nation's economic problems could be solved if there were more leaders in government with an understanding of how business actually works.

The current case in point is the upcoming tax increase. Democratic leaders left Washington, D.C., last month after blocking any action to repeal the pending \$3.8 trillion tax hike, the largest in U.S. history, scheduled to occur on Jan. 1, 2011, with the expiration of the Bush tax cuts. Democratic leaders are publicly talking about the "necessity" of increasing taxes to satisfy their big government allies and are making our nation's businesses fear for the worst.

It is widely acknowledged — everywhere, that is, except among the Democratic leadership in Congress — that to overcome this miserable economic climate our government should be inspiring confidence in the economy to encourage growth. Instead, this job-killing tax increase is having just the opposite effect. Stopping this tax hike will improve business confidence and infuse the \$2 trillion in under-utilized capital that is sitting on the sidelines back into the economy to create jobs and to spur economic growth.

The Congressional Budget Office has specifically said permanently blocking the entire package of upcoming tax increases "would raise national income, output, and employment during the next two years, relative to what would occur under current law." It further explains, "Lower tax payments increase demand for goods and services and thereby boost economic activity."

Some on the left, led by President Barack Obama, want us to believe that we can extend "middle-class tax cuts" while raising taxes on the so-called rich without any impact on job creation or the overall economy. They describe as "rich" anyone who makes over \$200,000 a

year for an individual and \$250,000 for a couple. The president clearly doesn't understand how small businesses are

structured for tax purposes, and how his proposal will have a devastating impact on their ability to create jobs.

Historically, small businesses have demonstrated a stronger potential for adding new jobs than large corporations. For tax purposes, most small businesses are set up so that their business income is treated the same as "individual" income. Under the president's plan, a small-business owner will be taxed at the higher rate on everything above \$200,000 even if every additional penny his company earns would be re-invested to create jobs. A successful small business, breaking free from the current recession and seeing opportunities for growth, will see that growth cut short in January if nothing is done to prevent this massive tax increase.

Democrats point to the "new hire" tax credit they passed earlier this year to stimulate job growth. But that tax credit was temporary (expiring at the end of this year), it was overly restrictive, and it just didn't work. Worse, it created other, permanent tax increases on businesses to pay for the temporary tax credits.

Lowering taxes to fuel economic growth is a historical reality. In 1945, a Democrat-controlled Congress cut marginal tax rates despite strong opposition from President Truman, and an economic boom followed. Again in the 1960s, during a time of recession, President Kennedy slashed marginal tax rates and a prolonged period of strong economic growth followed. In the early 1980s, President Reagan

cut marginal tax rates and a boom followed. Most recently, President Bush cut marginal tax rates in 2001 and 2003 and again, our economy surged. Four times this century, the nation saw a marked uptick in economic activity, job creation and tax revenue to the federal government as a result of tax cuts.

Undoubtedly, tough choices must be made to solve our debt crisis. However, we will be in a much stronger position to solve our nation's mounting debt problem after Congress addresses its spending problem and our faltering economy is helped by lowering the tax burdens on job creators instead of increasing them.

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