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Tax Questions and Tax Facts for the Presidential Candidates

As President Barack Obama and former Massachusetts Governor Mitt Romney face off in their first debate, a number of big-picture questions about tax policy remain unanswered by either candidate.

Given the budget deficit, why should we extend all of the Bush tax cuts (as Romney proposes) or most of the Bush tax cuts (as Obama proposes)?

- The Congressional Budget Office [estimates](#) that a full extension of the Bush tax cuts, which Governor Romney supports, would cost about \$5.2 trillion over ten years, including interest, while President Obama's proposal to extend most, but not all, of those tax cuts will cost about \$4.3 trillion over ten years, including interest.
- That means if Congress enacts one of these approaches, we lose either \$5.2 trillion or \$4.3 trillion, compared to current law (compared to what would happen if Congress does nothing).

Given that the Bush tax cuts, taken together, disproportionately benefit the rich, why should we extend all or most of them?

- Citizens for Tax Justice [estimates](#) that the richest one percent of Americans would receive 32 percent of the benefits of a full extension of the Bush tax cuts, which Governor Romney supports.
- CTJ finds that the richest one percent would receive 11 percent of the benefits from Obama's proposal to extend most, but not all, of the Bush tax cuts (and the other tax cuts Obama wants to extend).
- By way of comparison, the poorest fifth of Americans would get just one percent of the benefits from the Republican approach and just 3 percent of the benefits from Obama's approach.

Why have neither Obama nor Romney proposed to end the tax loophole that is targeted to the richest one percent of taxpayers — the special, low tax rate for capital gains?

■ Romney proposes to enact new tax cuts (on top of extending the Bush tax cuts) but claims that he can offset the costs by limiting tax expenditures (tax deductions, exclusions, credits and other special breaks). But Romney pledges to retain the most unfair tax expenditure of all, the lower rate for [capital gains](#), which allows wealthy investors like himself and Warren Buffett to pay a [lower effective tax rate than many working people](#).

■ Meanwhile, Obama proposes to limit the value of each dollar of deductions and exclusions for the rich to [28 cents](#), and he would impose a minimum tax on people making more than \$1 million. Both measures are relatively complicated and neither would entirely eliminate situations in which wealthy investors pay a lower effective tax rate than wage-earners.

■ The most straightforward reform would be to eliminate the most unfair tax expenditure by repealing the special rate for capital gains and simply taxing all personal income under the same tax rates. CTJ estimates this would raise at least [\\$533 billion](#) over a decade.

Why does neither candidate propose to raise needed revenue from corporate tax reform?

■ President Obama has proposed to close corporate tax loopholes, while Governor Romney has been unclear on this point. But any revenue saved from corporate loophole-closing under either candidate would be given back to corporations in the form of a reduction in their tax rate. Both candidates have proposed to reduce the official 35 percent corporate income tax rate (to 28 percent in the case of Obama and 25 percent in the case of Romney).

■ Corporations claim that they are burdened by the *statutory* tax rate of 35 percent, but their *effective* tax rate (the percentage of profits they actually pay in taxes) is usually [far lower](#) than that because they use loopholes to shield much of their profits from taxes.

■ Each of the reasons used by corporate lobbyists to argue for lower taxes is easily [refuted](#). For example, they claim that the corporate tax is ultimately borne by the workers, but if that was true, then corporations wouldn't bother lobbying Congress to lower it.

■ An obvious way to address our fiscal problems is to close corporate tax loopholes and [use the revenue to reduce the deficit or pay for education, infrastructure or other investments](#).