

Statement of Senator Patrick Leahy
“Appropriate Ways to Provide Tax Relief to Middle-Class Americans”
December 4, 2010

Mr. President, with the Bush-era tax cuts from 2001 set to expire at the end of the year, the whole debate about what to do next needs to be based on fairness and honesty. Any additional tax relief we provide now must be targeted to those who need it most – like those Vermont businesses looking to grow and expand their workforces and those Vermonters struggling to pay their bills, heat their homes, and put food on the table this winter. We must recognize the enormous cost of making these tax cuts permanent – as even a short, 2-year extension of all tax cuts would cost us over \$400,000,000,000 and the cost of extending tax cuts to those making more than \$250,000 annually balloons to \$700,000,000,000 over the next decade. We also must acknowledge that with a finite amount of federal resources we will be forced to shortchange important government services for millions of Americans if we provide extravagant tax cuts to a handful of millionaires and large corporations.

Like it or not, taxes are an essential way for federal, state, and local governments pay for important services and projects that we access and use daily. Taxes pay for our schools and teachers; they maintain our roads and bridges; they support our military and veterans; and they sustain a host of other programs –from food assistance to unemployment benefits to and medical care – that help all Americans. It is the responsibility of Congress to make sure that the federal tax rates are fair and justified. Our tax system must strike an appropriate balance that allows hard-working Americans to keep much of their income to spend as they chose while still providing the government with enough revenue to pay for the important programs we rely upon.

Unfortunately, over the past decade the U.S. government has increasingly spent more money than it has received from taxes, causing our national debt to grow to unsustainable levels. Under the previous administration, for instance, we saw our federal debt triple as President Bush pushed for trillions in tax cuts and two wars without offering a way to pay for them. I opposed these policies because I was concerned then, as I am now, that our soaring federal debt will have devastating repercussions.

I have serious concerns that fully extending all of the Bush-era tax cuts would be a major mistake if we are truly committed to helping our economy recover from the Great Recession and to putting our country back on the glide path to fiscal responsibility. The Bush tax cuts of 2001 and 2003 have led to record federal deficits, contributed to the government’s current financial woes, and have not helped many Americans who face the greatest financial burdens. Most disappointingly, the Bush tax cuts failed to “trickle down” to help those Americans most in need, while the wealthiest two-percent of Americans benefited substantially. Unfortunately, many of these wealthy beneficiaries of the Bush tax cuts have not injected that money directly into the economy to hire new workers or create new jobs. Why do we think that extending the income tax cuts to the top wage earners now will produce a different result now?

I do think that Congress should make directed tax relief to help working families and to improve the economy. For instance, there are some Bush-era tax cuts that I support keeping on the books – such as the increase in the child tax credit, the elimination of the marriage penalty, and the 10-

percent tax bracket. In addition, I think we should retain many of the hiring incentives championed by President Obama that are providing needed assistance to small businesses in Vermont that looking to create job opportunities. These tax breaks have allowed Vermont companies to hire new workers and purchase new equipment for their business, thus creating demand for other new jobs to produce that equipment.

But now is not the time to extend tax breaks to the wealthiest Americans and to companies that are sending American jobs overseas. I am greatly concerned that if we maintain these policies, our soaring federal debt will have devastating repercussions. We will become increasingly vulnerable to the foreign nationals who are collecting our debt. Our ability to provide promised Social Security and Medicare benefits will be jeopardized severely. And, our children and grandchildren will be left with an enormous debt that they cannot possibly be able to afford.

That is why I will support the two cloture motions we are voting on today. While I prefer capping the tax cuts at \$250,000, in the spirit of compromise I am willing to extend the relief to those with incomes under \$1,000,000. These are both more fiscally responsible ways of moving forward than a blanket extension for a small group of millionaires. If the last election was a public outcry to restore fiscal sanity to Washington, then the last, major accomplishment of this Congress should not be putting billions more in debt on the American credit card.

###