

## 10 Republican Lies for Tax Day

By Jon Perr  
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The truth may set you free, but not if you're a Republican and the subject is taxes. After all, 95% of American families as promised received a [tax cut](#) from the Obama stimulus package. And while [three-quarters](#) of Americans support President Obama's proposal to roll back the Bush tax cuts for those earning over \$250,000 to their [Clinton-era levels](#), it turns out that [affluent voters](#), too, chose Barack Obama over John McCain. Making matters worse, a [Gallup poll](#) Monday revealed that Americans' "views of income taxes among most positive since 1956."



So as their furious followers head off to their April 15th orgy of [tea-bagging](#), the leadership of the GOP and its amen corner in the right-wing media have instead turned to tall tales on taxes.

Here, then, are 10 Republican Tax Day lies:

1. [President Obama will raise taxes on small businesses.](#)
2. [The estate tax devastates small businesses and family farms.](#)
3. [40% of Americans pay no taxes](#)
4. [Tax cuts always increase revenue.](#)
5. [The GOP is the party of fiscal discipline.](#)
6. [Ronald Reagan was the greatest tax cutter of all time.](#)
7. [FDR caused the Great Depression, or at least made it worse.](#)
8. [Obama's cap-and-trade plan will cost each American family \\$3,100 a year.](#)
9. [Obama's tax proposals will undermine charitable giving.](#)
10. [The rich pay too much in taxes already.](#)

### **Lie #1: President Obama will raise taxes on small businesses.**

[John McCain](#) introduced this fraud along with Joe the Plumber during the 2008 campaign. McCain proclaimed Obama's plan to restore 1990's tax rates for taxpayers making over \$250,000 meant "the small businesses that we're talking about would receive an increase in their taxes right now." In February, Senate Minority Leader [Mitch McConnell](#) (R-KY) regurgitated the long-debunked talking point:

*"I don't think raising taxes is a great idea, and when our good friends on the other side of the aisle say raising the taxes on the wealthy, what they are really talking about is small business."*

Of course, they're not talking about small business. As [CNN concluded](#) in October, "fewer than 2% of small business owners would pay more under Obama's plan." But in case there

was any doubt about the Republicans' deception on the point, the nonpartisan Tax Policy Center quickly put it to rest:

*Out of 34.7 million filers with business income on Schedules C, E or F, 479,000 filers fall into the top two brackets, according to an analysis of projected 2009 filings by the nonpartisan Tax Policy Center.*

*The other 34.3 million - or 98.6% - would be unaffected by Obama's proposed rate hike.*

## **Lie #2: The estate tax devastates small businesses and family farms.**

This Republican scam over the so-called "[death tax](#)" is as bogus now as it was when President Bush first perpetrated it eight years ago. The [House GOP budget](#), fittingly unveiled by Rep. Paul Ryan on April Fool's Day, would eliminate the estate tax altogether. While Nevada Senator John Ensign recently griped, "It destroys a lot of small businesses and a lot of family farms and ranches in America," House Minority Leader John Boehner (R-OH) groused:

*"People who aren't wealthy, who may have built up value in land over generations and many family farms find themselves in situations where they've got to sell the farm in order to pay the taxes."*

But as the [Washington Post](#) explained, under President Obama budget, 99.76% of estates would pay no taxes whatsoever:

*The estate tax is scheduled to disappear in 2010, only to be resurrected the following year at its 2001 level, when it applied only to estates worth over \$2 million per couple at a rate of 55 percent. In fact, no one expects it to return to that level -- although letting it do so would be a far more rational response to the current crisis than the Lincoln-Kyl approach. Rather, President Obama has proposed holding the tax at this year's level: an exemption of \$7 million per couple, with a 45 percent rate for amounts beyond that; this would cost \$484 billion over 10 years. Senate Finance Committee Chairman Max Baucus (D-Mont.) has endorsed this solution, with indexing for inflation. This would hardly be punitive. At that level, 99.76 percent of estates would incur no tax whatsoever. Those who owe would pay, on average, \$2.25 million less than they would have paid at the 2001 exemption level. Why in the world should these folks get more of a tax cut?*

Why? Because even in a time of national economic calamity, the Republican Party remains committed to dramatically shifting the tax burden away from the wealthiest Americans. (And unfortunately, [Blanche Lincoln](#) (D-AR) and nine other Democrats are aiding and abetting that transfer by supporting a lower tax rate of 35% for estates starting at \$10 million per couple. The price tag? \$250 billion.)

Last week, the [Tax Policy Center](#) quantified just how few family farms or small businesses are actually impacted by the estate tax proposals under consideration:

*We estimate that under the Obama proposal, 100 family farms and businesses would owe tax. (We define such estates as those where farm or business assets are valued at under \$5 million and comprise the majority of estate assets.) The Lincoln-Kyl*

*proposal would cut the number to 40. Even under current law, fewer than 2,700 family farms and businesses would owe tax.*

### **Lie #3: 40% of Americans pay no taxes.**

This canard, too, has been in circulation since last summer. Parroting [right-wing papers](#) including the Wall Street Journal, the Washington Times and Richard Mellon Scaife's Pittsburgh Tribune Review, the [McCain campaign](#) argued, "Obama raises taxes on seniors, hard working families to give 'welfare' to those who pay none." While Sean Hannity and Rudy Giuliani echoed the "[welfare](#)" charge in January, on Monday, former Bush press secretary [Ari Fleischer](#) kept up the drum beat, deeming Obama's middle class tax cuts a "moral problem" when "50% of the country gets benefits without paying for them."

Alas, they do pay for them. As [FactCheck](#) among others noted, Republican conveniently ignore sales, excise and most of all, payroll taxes. Starting with the first dollar they earn, virtually all American workers pay the 6.2% Social Security tax (on income up to \$97,000) and another 1.45% for Medicare. An analysis by the [Tax Policy Center](#) concluded, "three quarters of filers pay more in payroll taxes than in income taxes."

That millions of *hard working American families* pay no income taxes is due in large measure to the [Earned Income Tax Credit](#). Created in 1975, the EITC "a refundable federal income tax credit for low-income working individuals and families" that results in a tax refund to those who claim and qualify for the credit when the EITC exceeds the amount of taxes owed. As the [Center for Budget and Policy Priorities](#) detailed in 2005, the EITC has not only been extremely successful in reducing poverty, it has enjoyed broad bipartisan support. None other than [Ronald Reagan](#) called it, "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress."

As a [new Gallup poll](#) released today suggests, the American people seem to agree. In the wake of the new Obama tax cuts, Gallup found, "more say low-income Americans paying fair share of taxes."

### **Lie #4: Tax cuts always increase revenue.**

Thanks to supply-side snake oil salesman [Arthur Laffer](#) and his magical Laffer Curve, conservatives have been [peddling this myth](#) since the age of Reagan. Tax cuts, which GOP doctrine now claims is the universal cure-all for surpluses and deficits, male pattern baldness and erectile dysfunction, are at the center of every Republican economic program. As John McCain put it during the campaign, "tax cuts, starting with Kennedy, as we all know, increase revenues." And in February, Texas Republican Senator [Kay Bailey Hutchison](#) offered the purest statement of Arthur Laffer's fantasy:

*"Every major tax cut we've had in history has created more revenue."*

As it turns out, not so much. The claim, as [ThinkProgress](#) neatly summed it up, is empirically and historically false:

*The notion that cutting taxes somehow - magically - increases government revenues is a myth that won't die. "The claim that tax cuts pay for themselves...is contradicted by the historical record," reported the Center on Budget and Policy Priorities, which showed that revenues grew twice as fast in the 1990s, when taxes were raised, than*

*in the 1980s, when taxes were cut. FactCheck.org called a claim like Hutchison's "highly misleading" and stated the obvious fact that "we can't have both lower taxes and fatter government coffers."*

#### **Lie #5: The GOP is the party of fiscal discipline.**

Back in February, AP reporter and John McCain donut server [Liz Sidoti](#) wrote of beaten and battered Republicans trying to find their way back from the political wilderness in a piece titled, "GOP tries to restore image of fiscal discipline."

Of course, that would constitute a return to a time that never was. Far from the deficit hawks of Republican legend, the modern Republican Party from Reagan forward [devastated the U.S. treasury](#), leaving mounting debt and hemorrhaging red ink for as far as the eye can see. As it turns out, [U.S. national debt](#) tripled under Ronald Reagan, only to double again under George W. Bush. As [this eye-popping chart](#) shows, under recent Republican presidents the debt exploded as a percentage of GDP, interrupted only by the all-too-brief fiscal sanity of the Clinton years.

"Reagan," [Dick Cheney](#) once famously declared, "proved that deficits don't matter." Apparently, that rule only applies when a Republican is sitting in the Oval Office

#### **Lie #6: Ronald Reagan was the greatest tax cutter of all time.**

Through thick and thin, this hagiography of Ronald Reagan is central to Republican identity. But as [Steve Benen](#) rightly noted, it is President Obama whose stimulus plan delivered the largest two-year tax cut in history. And as it turns out, what Saint Ronnie giveth, he also taketh away.

As predicted, Reagan's massive \$749 billion supply-side [tax cuts in 1981](#) quickly produced even more [massive annual budget deficits](#). Combined with his rapid increase in defense spending, Reagan delivered not the balanced budgets he promised, but record-setting deficits. Even his OMB alchemist [David Stockman](#) could not obscure the disaster with his famous "rosy scenarios."

Ultimately, [Reagan was forced to raise taxes twice](#) to avert financial catastrophe (a fact [John McCain](#) learned the hard way from Tom Brokaw last October). By the time he left office in 1989, Ronald Reagan nonetheless more than equaled the entire debt burden produced by the previous 200 years of American history.

#### **Lie #7: FDR caused the Great Depression, or at least made it worse.**

Desperate to change their miserable present, Republicans are traveling back in time to rewrite the past. Despite the easily debunked claim (for example, [here](#) and [here](#)), [Republican leaders](#) including [John McCain](#) and [Mitch McConnell](#) still insist FDR made the Great Depression worse. Others, such as Rep. [Steve Austria](#) (R-OH) went so far as to blame FDR's programs launched four years after the 1929 stock market crash for causing it in the first place:

*"When (President Franklin) Roosevelt did this, he put our country into a Great Depression," Austria said. "He tried to borrow and spend, he tried to use the*

*Keynesian approach, and our country ended up in a Great Depression. That's just history."*

Of course, that's not history. As [Jonathan Chait](#) documented in his devastating demolition of conservative propagandist Amity Schlaes' revisionist attack on the New Deal, FDR slashed unemployment by more than half and largely restored [industrial production and GDP growth](#) even before the onset of World War II. Only when Roosevelt wavered in the face of conservative pressure in 1937 did his New Deal temporarily falter.

### **Lie #8. Obama's cap-and-trade plan will cost each American family \$3,100 a year.**

Having failed to either block President Obama's middle class tax cuts or to successfully demagogue his proposals for upper income and estate taxes, the Republican leadership turned to a new scare tactic. John Boehner, Mitch McConnell and at least 17 other Congressional Republicans falsely claimed that Obama's proposed \$650 billion cap-and-trade system constitutes a [\\$3,100 a year tax](#) on every American family. As Rep. [Jeb Hensarling](#) (R-TX) put it:

*"The Democratic budget is proposing a national energy tax which according to studies at MIT could pose a \$3,128 burden on every working family in America."*

But as [MIT professor](#) and co-author of the study Assessment of U.S. Cap-and-Trade Proposals John Reilly pointed out, the research "has been misrepresented in recent press releases distributed by the National Republican Congressional Committee." As he wrote in a [letter to John Boehner](#):

*"The press release claims our report estimates an average cost per family of a carbon cap and trade program that would meet targets now being discussed in Congress to be over \$3,000, but that is nearly 10 times the correct estimate which is approximately \$340. [...] Our Report 160 shows that the costs on lower and middle income households can be completely offset by returning allowance revenue to these households."*

For his part, Boehner responded by insisting he would [stand by his discredited talking point](#). As they show time and again, the utter falsehood of a statement is no barrier to Republicans repeating it.

### **Lie #9. Obama's tax proposals will undermine charitable giving.**

In his budget, President Obama has proposed raising \$318 billion over the next decade by [trimming wealthier taxpayers' deductions for charitable giving](#) to 28% from its current 35%. Predictably, Republicans (joined by some Democrats) forecast an apocalypse for donations to charities. As [John Boehner](#) ominously warned:

*"It will also deliver a sharp blow to charities at a time when they are hurting during the economic downturn."*

But as [Bloomberg](#) and [The Chronicle of Philanthropy](#) each reported, Obama's proposal for 2011 would likely have little to no impact on charitable giving. As Bloomberg noted:

*Not necessarily, say tax and philanthropy experts. They say altruistic or religious motives outweigh tax-shelter considerations among such donors, and cite previous limitations placed on deductions for high earners that they say haven't hurt donations.*

Among those previous limitations, as [OMB director Peter Orszag](#) among others recalled, was the same upper income 28% deduction [during Ronald Reagan's first term](#). As Orszag told reporters on February 26th, the record shows that "what drives charitable contributions is overall economic growth."

Ironically, what might have a more serious impact on charitable giving is Republican plans to scrap the estate tax. As then CBO head and later chief McCain economic adviser [Douglas Holtz-Eakin](#) wrote in a 2004 study by the agency:

*Furthermore, the estate tax provides an incentive to make charitable contributions during life. The paper finds that increasing the amount exempted from the estate tax from \$675,000 to either \$2 million or \$3.5 million would reduce charitable giving by less than 3 percent. However, repealing the tax would have a larger impact, decreasing donations to charity by 6 percent to 12 percent.*

### **Lie #10: The rich pay too much in taxes already.**

While 60% of Americans in [recent Gallup polls](#) believe upper-income people are "paying too little" in taxes, it is an article of faith among Republicans that the reverse is true.

In one variant of this argument, [Arthur Laffer](#) claims Barack Obama will have to raise taxes on lower and middle income Americans because "it cannot be done at the high end because those people can get away from it." That assessment echoes [George W. Bush](#), who similarly argued in 2004, "The really rich people figure out how to dodge taxes anyway." (They are right in one sense; thanks to the [GOP's gutting of the IRS](#) in the 1990's, by 2007 the amount of federal revenue lost to fraud and unpaid taxes catapulted to \$300 billion.)

Leave it to Bush's former flunkie [Ari Fleischer](#) to make even more comical Tax Week plea on behalf of the nation's bedraggled wealthy. The top 10% of taxpayers, Fleischer argued, are "supporting virtually everyone and everything" and "their burden keeps getting heavier." As he put it:

*"It's also what's called redistribution of income, and it is getting out of hand."*

Oh, it's gotten out of hand all right, [just not in the direction](#) Fleischer claims.

As the Center for American Progress noted, the Bush tax cuts delivered [a third of their total benefits](#) to the wealthiest 1% of Americans. And to be sure, their payday was staggering. As the Center for Budget and Policy Priorities detailed, [by 2007](#) millionaires on average pocketed \$120,000 from the Bush tax cuts of 2001 and 2003. Those in the top 1% stashed an extra \$45,000 a year. As a result, millionaires saw their [after-tax incomes](#) rise by 7.6%, while the gains for the middle quintile and bottom 20% of Americans were a paltry 2.3% and 0.4%, respectively. (Another CBPP study demonstrated that the Bush tax cuts [accounted for half of the mushrooming deficits](#) during his tenure in the White House.)

And as the New York Times revealed in 2006, [the 2003 Bush dividend and capital gains tax cuts](#) offered almost nothing to taxpayers earning below \$100,000 a year. Instead, those windfalls reduced taxes "on incomes of more than \$10 million by an average of about \$500,000." As the Times revealed in a [jaw-dropping chart](#), "the top 2 percent of taxpayers, those making more than \$200,000, received more than 70% of the increased tax savings from those cuts in investment income." So it should come as no surprise that the income share of the [400 richest Americans](#) doubled over the past decade.

There is, of course, one final GOP meta-myth for Tax Day. Despite their best efforts to portray Republicans as the best economic stewards for America, the record clearly shows that the stock market and the economy over all almost always [do better under Democratic presidents](#).

*Also available online at:*

<http://www.perrsppectives.com/blog/archives/001469.htm>