



CAPITOL COMMENT

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2011 Scheduled Tax Hikes Will Stifle Economic Growth

By Julie Borowski

Unless Congress takes action, the largest tax hike in American history will occur on January 1, 2011. The series of tax cuts passed in 2001 and 2003 lowered taxes for almost all taxpayers. While the Obama administration claims to be focused on job growth, such a dramatic tax hike will result in higher unemployment

List of the *major* tax increases coming in 2011:

Increased Income Tax Rates

- Currently, all income tax rates are set to increase on January 1, 2011. If passed, President Obama's 2011 budget would increase the personal income tax rates for the top two tax brackets. As a result, two-thirds of small businesses would be taxed at a rate of 39.6 percent.¹

2010 Tax Bracket	2011 Tax Bracket	Single	Married Filing Jointly
10%	15%	\$0-\$8,375	\$0-\$16,750
15%	15%	\$8,375-\$34,000	\$16,750-\$68,000
25%	28%	\$34,000-\$82,400	\$68,000-\$137,300
28%	31%	\$82,400-\$171,850	\$137,300-\$209,250
33%	36%	\$171,850-\$373,650	\$209,250-\$373,650
35%	39.6%	\$373,650+	\$373,650+

Return of the Death Tax—At 55 Percent

- The Bush-era tax cuts eliminated the death tax entirely in 2010. However, the death tax is scheduled to come back in 2011. All individuals who have personal assets valued at more than \$1 million will be taxed at a rate of 55 percent upon his or her death. The return of the death tax will likely put small businesses and family farms out of business that cannot afford to pay for this immoral form of double taxation.²

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Increased Capital Gains Taxes—to 20 Percent

- The capital gains tax will rise from 15 to 20 percent. The increased capital gains tax will deter small businesses from creating new jobs. In addition, the capital gains tax discourages investment and punishes Americans who save money for the future.³

Increased Dividends Tax –To 39.6 Percent

- The dividend tax will rise from 15 to 39.6 percent in 2011. The dividend tax is a form of double taxation since a company has already paid corporate taxes on their profits. As a result, investors are harmed in the process.⁴ The dividend tax discourages investment in business which is essential to job growth.

Increased Energy Taxes

- Various tax cuts will be repealed for companies that produce energy. Since these new taxes will be passed on to consumers in the form of higher prices, expect your energy costs to skyrocket.⁵

Increased Health Care Taxes

- “The Medicine Cabinet Tax”: Individuals will no longer be able to use pre-taxed dollars in their flexible spending accounts or health savings accounts to purchase over the counter medicines available without a doctor’s prescription.
- “Brand Name Drug Tax”: ObamaCare will impose a hefty tax on name-brand drug manufacturers. This tax will be passed onto all consumers in the form of higher medicine prices.⁶

On January 1, 2011, the largest tax hike in history will occur. The list above includes only a *few* of the many tax increases that are expected. The increased taxes on small businesses, family farms, investors, parents and consumers will destroy job creation. During these hard economic times, Congress should be focusing on reducing the tax burden for all Americans in order to restore prosperity and boost job growth. Instead, the scheduled 2011 tax hikes will stifle economic growth while creating widespread uncertainty for small businesses and taxpayers.

¹ Ellis, Ryan. “Six Months to Go Until The Largest Tax Hikes in History.” *Americans for Tax Reform*. 7 July 2010. <<http://atr.org/six-months-untilbr-largest-tax-hikes-a5171>>

² Dubay, Curtis. “Obama’s 2011 Budget Tax Hikes Contradict Focus on Job Creation.” *Heritage Foundation*. 3 Feb 2010. <<http://www.heritage.org/Research/Reports/2010/02/Obamas-2011-Budget-Tax-Hikes-Contradict-Focus-on-Job-Creation>>

³ Laffer, Arthur. “Tax Hikes and the 2011 Economic Collapse.” *Wall Street Journal*. 6 June 2010. <http://online.wsj.com/article/NA_WSJ_PUB:SB10001424052748704113504575264513748386610.html>

⁴ Ibid.

⁵ Supra.

⁶ Supra.