

10-10-08 Summary of Senator Grassley's Floor Speech Comparing  
Senator McCain's and Obama's Tax Plans' Effects on Middle-Class Taxpayers

On September 30, 2008, Senator Grassley delivered a floor speech on Senator McCain's and Senator Obama's tax plans' effects on middle-class taxpayers. The text of the speech and charts used in the speech are available at <http://finance.senate.gov/press/Gpress/2008/prg093008i.pdf>. The speech makes the following points:

1. According to FactCheck.Org, there is no clear definition of middle class: "There is no standard definition, and, in fact, an overwhelming majority of Americans say they are 'middle class' or 'upper-middle class' or 'working class' in public opinion polls.
2. According to a Pew Research poll, 91% of Americans consider themselves either lower-middle class, middle-class, or upper-middle class.
3. Senator McCain has said, "So, it doesn't really matter what my definition of rich is because I don't want to raise anyone's taxes. I really don't."
4. Senator Obama has said "If you are making less than \$250,000, then you are definitely somewhere in the middle class." Senator Obama has said single people making less than \$200,000 won't have their taxes raised.
5. However, Senator Obama also defines the middle class as those married couples making between just \$37,596 and \$66,354 when claiming on his website and in ads that "The Obama plan would cut taxes for middle class families three times more than Senator McCain's plan." This definition and the definition in paragraph 4 above are inconsistent on their face.
6. Senator McCain's plan would extend the 2001 and 2003 bipartisan tax relief in its entirety. Senator McCain would double the dependent personal exemption. For a family of four, this relief would apply to taxpayers with incomes between up to \$120,000. Senator McCain's plan would also extend the AMT patch and enlarge it by 5% starting in 2013.
7. Senator Obama's plan includes "fiscally responsible" AMT reform; Senator Obama's plan has not provided detail regarding what that concept means.
8. Senator McCain has consistently voted to protect Americans from the AMT. In contrast, Senator Obama voted against the AMT patch contained in the Tax Increase Prevention and Reconciliation Act of 2005 and voted for the 2007 Democratic budget that omitted any revenue room for the AMT patch.

9. Senator Obama's plan consists of tax and spending programs that would increase the deficit by \$6.58 trillion over ten years, which is \$1.33 trillion more than Senator McCain's tax and spending programs would increase the deficit over ten years. Senator Obama's plan would increase the deficit more than Senator McCain's plan from day one.

10. Senator Obama's plan provides \$3.65 trillion in tax relief over 10 years. It is fair to ask whether a pay-go obsessed Democratic Congress, including the House Blue Dog Democrats would approve Senator Obama's plan's middle-class tax relief? Senator Obama has indicated he would ask to waive pay-go when extending the majority of what he refers to as the "Bush tax cuts", as well as most of his plan's other proposed tax cuts. It is fair to ask whether this position, which is directly at odds with the Democratic party's pay-go doctrine, would prevail.

11. Senator Obama and his surrogates use a "current law" revenue baseline (which assumes that the temporary existing tax relief from 2001 and 2003 generally expires at the end of 2010 and that no AMT patch is enacted), when claiming that his plan would provide tax cuts for 95% of workers and their families. Even under this "current law" revenue baseline, Factcheck.org says Senator Obama's plan would only provide tax cuts for 81.3% of all households.

12. Senator Obama and his surrogates then attempt to change the revenue baseline to a "current policy" revenue baseline (which assumes that the temporary existing tax relief from 2001 and 2003, as well as the AMT patch, are extended), when claiming that Senator McCain's plan would not provide any tax cut for 100 million Americans, and that Senator McCain's plan would not provide any direct tax cut other than increasing the dependent exemption. This is an apples to oranges comparison. A fair comparison would use the same baseline in comparing both Senators' plans. Even the nominally "nonpartisan" Tax Policy Center states that Senator McCain would provide tax cuts for 100% of Americans under the "current law" revenue baseline, as did the 2001 and 2003 bipartisan tax cuts.

13. Then Senator Obama and his surrogates again attempt to change the revenue baseline back to a "current law" baseline to argue that Senator McCain's plan would provide a \$700,000 tax cut for the average Fortune 500 CEO. In fact, if you look at Senator McCain's plan versus a "current policy" revenue baseline, then Senator McCain's plan provides no tax cut at all for the average Fortune 500 CEO. Again, using one revenue baseline for one purpose and a different revenue baseline for another purpose is an unfair comparison.

10-10-08 Questions and Answers Regarding Senator Grassley's Floor Speech Comparing Senator McCain's and Obama's Tax Plans' Effects on Middle-Class Taxpayers

On September 30, 2008, Senator Grassley delivered a floor speech on Senator McCain's and Senator Obama's tax plans' effects on middle-class taxpayers. The text of the speech and charts used in the speech are available at <http://finance.senate.gov/press/Gpress/2008/prg093008i.pdf>.

Question # 1: What is the definition of the "middle class"?

Answer # 1: There is no clear definition of the middle class. According to FactCheck.Org, "There is no standard definition, and, in fact, an overwhelming majority of Americans say they are 'middle class' or 'upper-middle class' or 'working class' in public opinion polls. According to a Pew Research poll, 91% of Americans consider themselves either lower-middle class, middle-class, or upper-middle class.

Question # 2: What is Senator McCain's definition of the "middle class"?

Answer # 2: Senator McCain has not defined an income range for the middle class, and instead has said, "So, it doesn't really matter what my definition of rich is because I don't want to raise anyone's taxes. I really don't."

Question # 3: What is Senator Obama's definition of the "middle class"?

Answer # 3: Senator Obama has used two different definitions of the "middle class." On one hand, Senator Obama defines the "middle class" as those married couples making between just \$37,596 and \$66,354 when claiming on his website and in ads that "The Obama plan would cut taxes for middle class families three times more than Senator McCain's plan." On the other hand, he has used a definition inconsistent with this first definitions in public statements, where Senator Obama has said "If you are making less than \$250,000, then you are definitely somewhere in the middle class." Senator Obama has said he will not provide a tax cut to those making between \$150,000 and \$250,000. Senator Obama has said single people making less than \$200,000 won't have their taxes raised, although he hasn't specified at what income level his plan would cut taxes for single people. Therefore, it is unclear what Senator Obama's definition of the middle-class is.

Question # 4: What middle-class tax relief would Senator McCain's plan provide?

Answer # 4: Senator McCain's plan would extend the 2001 and 2003 bipartisan tax relief in its entirety. Senator McCain would double the dependent personal exemption. For a family of four, this relief would apply to taxpayers with incomes between up to \$120,000. Senator McCain's plan would also extend the Alternative Minimum Tax (AMT) patch and enlarge it by 5% starting in 2013.

Question #5: What middle-class tax relief would Senator Obama's plan provide?

Answer #5: Senator Obama's plan would extend the bipartisan tax relief plans of 2001 and 2003 except for single taxpayers over \$200,000 and married taxpayers over \$250,000. Senator Obama's plan would add several refundable tax credits. As Senator Obama and his surrogates have said, that tax relief would be targeted to taxpayers in the middle quintile (20 percent) of the taxpaying population. For married taxpayers, that range is between incomes of \$37,596 and \$66,354.

Question # 6: How would Senator Obama's plan deal with the harmful AMT?

Answer # 6: Senator Obama's plan includes "fiscally responsible" AMT reform; Senator Obama's plan has not provided detail regarding what that concept means.

Question # 7: How have the candidates voted with respect to the AMT?

Answer # 7: Senator McCain has consistently voted to protect Americans from the AMT. In contrast, Senator Obama voted against the AMT patch contained in the Tax Increase Prevention and Reconciliation Act of 2005 and voted for the 2007 Democratic budget that omitted any revenue room for the AMT patch.

Question # 8: How would the candidates plans impact the federal deficit?

Answer # 8: Senator Obama's plan consists of tax and spending programs that would increase the deficit by \$6.58 trillion over ten years, which is \$1.33 trillion more than Senator McCain's tax and spending programs would increase the deficit over ten years. Senator Obama's plan would increase the deficit more than Senator McCain's plan from day one.

Question # 9: How much would Senator Obama's tax plan alone add to the deficit? Would it be easy for Senator Obama to get Congress to implement his tax plan?

Answer # 9: Senator Obama's plan provides \$3.65 trillion in tax relief over 10 years. It would not be easy for Senator Obama to get Congress to implement his tax plan. It is fair to ask whether a pay-go obsessed Democratic Congress, including the House Blue Dog Democrats would approve Senator Obama's plan's middle-class tax relief? Senator Obama has indicated he would ask to waive pay-go when extending the majority of what he refers to as the "Bush tax cuts", as well as most of his plan's other proposed tax cuts. It is fair to ask whether this position, which is directly at odds with the Democratic party's pay-go doctrine, would prevail. Over the last 28 years, history shows when Democrats controlled the Presidency, the House, and the Senate, the largest tax increases have occurred.

Question # 10: Is Senator Obama's claim that he would cut taxes for 95% of Americans accurate?

Answer # 10: No. Senator Obama and his surrogates use a "current law" revenue baseline (which assumes that the temporary existing tax relief from 2001 and 2003 generally expires at the end of 2010 and that no AMT patch is enacted), when claiming that his plan would provide tax cuts for 95% of workers and their families. Even under this "current law" revenue baseline, Factcheck.org says Senator Obama's plan would only provide tax cuts for 81.3% of all households.

Question # 11: Does Senator Obama use the same "current law" revenue baseline when asserting that Senator McCain's plan would provide no tax cuts for 100 million Americans and that the only direct tax cut in Senator McCain's plan is the doubling of the dependent exemption?

Answer # 11: No, Senator Obama and his surrogates use an apples-to-oranges comparison when they make these assertions about Senator McCain's plan. Senator Obama and his surrogates attempt to change the revenue baseline to a "current policy" revenue baseline (which assumes that the temporary existing tax relief from 2001 and 2003, as well as the AMT patch, are extended), when claiming that Senator McCain's plan would not provide any tax cut for 100 million Americans, and that Senator McCain's plan would not provide any direct tax cut other than increasing the dependent exemption. A fair comparison would use the same baseline in comparing both Senators' plans. The Tax Policy Center states that Senator McCain would provide tax cuts for 100% of Americans under the "current law" revenue baseline, as did the 2001 and 2003 bipartisan tax cuts, versus tax cuts for 81.3% of all households under Senator Obama's plan.

Question # 12: Do Senator Obama and his surrogates use the same revenue baseline to critique Senator McCain's tax plan when they assert that Senator McCain's plan would provide a \$700,000 tax cut for the average Fortune 500 CEO, considering, as mentioned above, that they use a "current policy" revenue baseline to critique Senator McCain's plan for not providing any tax cuts for 100 million Americans and asserting that Senator McCain's plan would not provide any direct tax cut other than increasing the dependent exemption?

Answer # 12: No. Senator Obama and his surrogates again attempt to change the revenue baseline back to a "current law" baseline to argue that Senator McCain's plan would provide a \$700,000 tax cut for the average Fortune 500 CEO. In fact, if you look at Senator McCain's plan versus a "current policy" revenue baseline, then Senator McCain's plan provides no tax cut at all for the average Fortune 500 CEO. Again, using one revenue baseline for one purpose and a different revenue baseline for another purpose is an unfair comparison.

# Half of Americans Say They're Middle Class

*Percentage of Americans who identify themselves as...*

<b>Upper Class (NET)</b>	<b>21%</b>
<i>Upper</i>	<b>2%</b>
<i>Upper-Middle</i>	<b>19%</b>
<b>Middle Class</b>	<b>53%</b>
<b>Lower Class (NET)</b>	<b>25%</b>
<i>Lower-Middle</i>	<b>19%</b>
<i>Lower</i>	<b>6%</b>
<b>Don't Know/Refused</b>	<b>1%</b>
<b>Number of Respondents</b>	<b>2413</b>

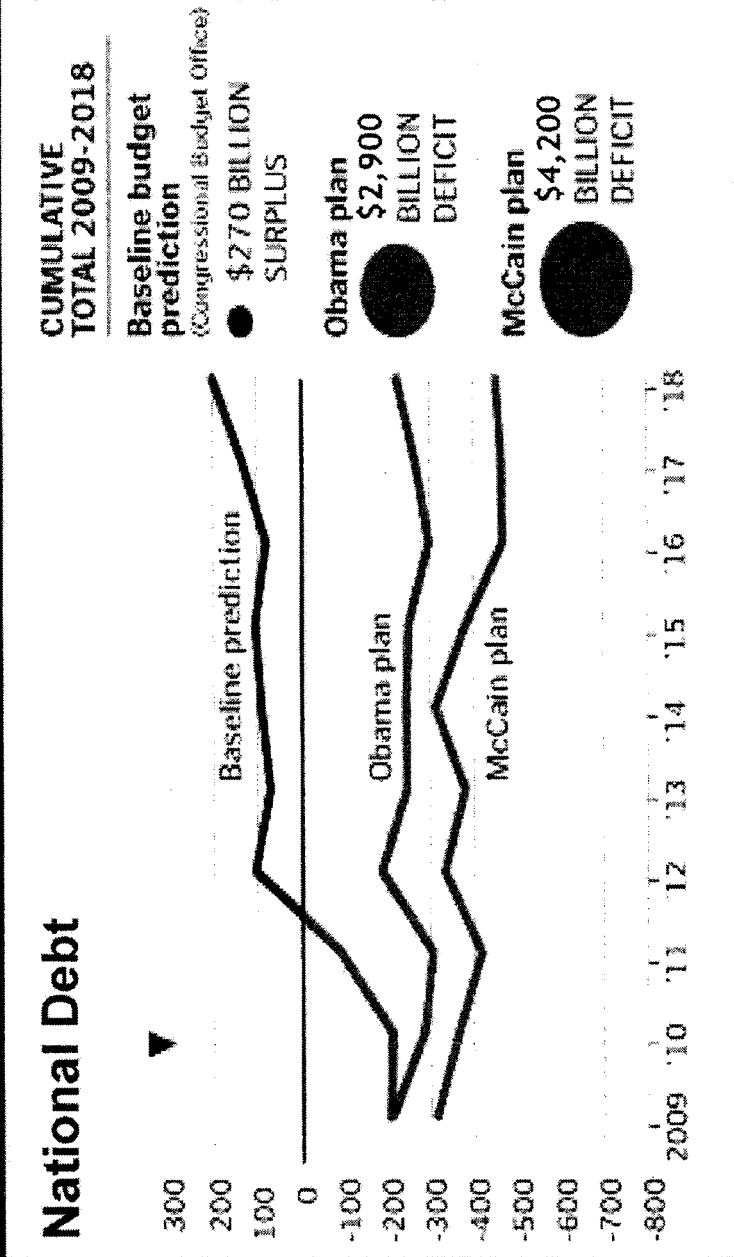
Source: Pew Research Center, April 9, 2008

## Tax Hike Amnesia



1992 Campaign	N	1993 Legislation
	O	
Middle Class Tax Cut Promised	V	Largest Tax Increase Enacted
	3, 1992	

# Obama and McCain Tax Plans Under Current Law

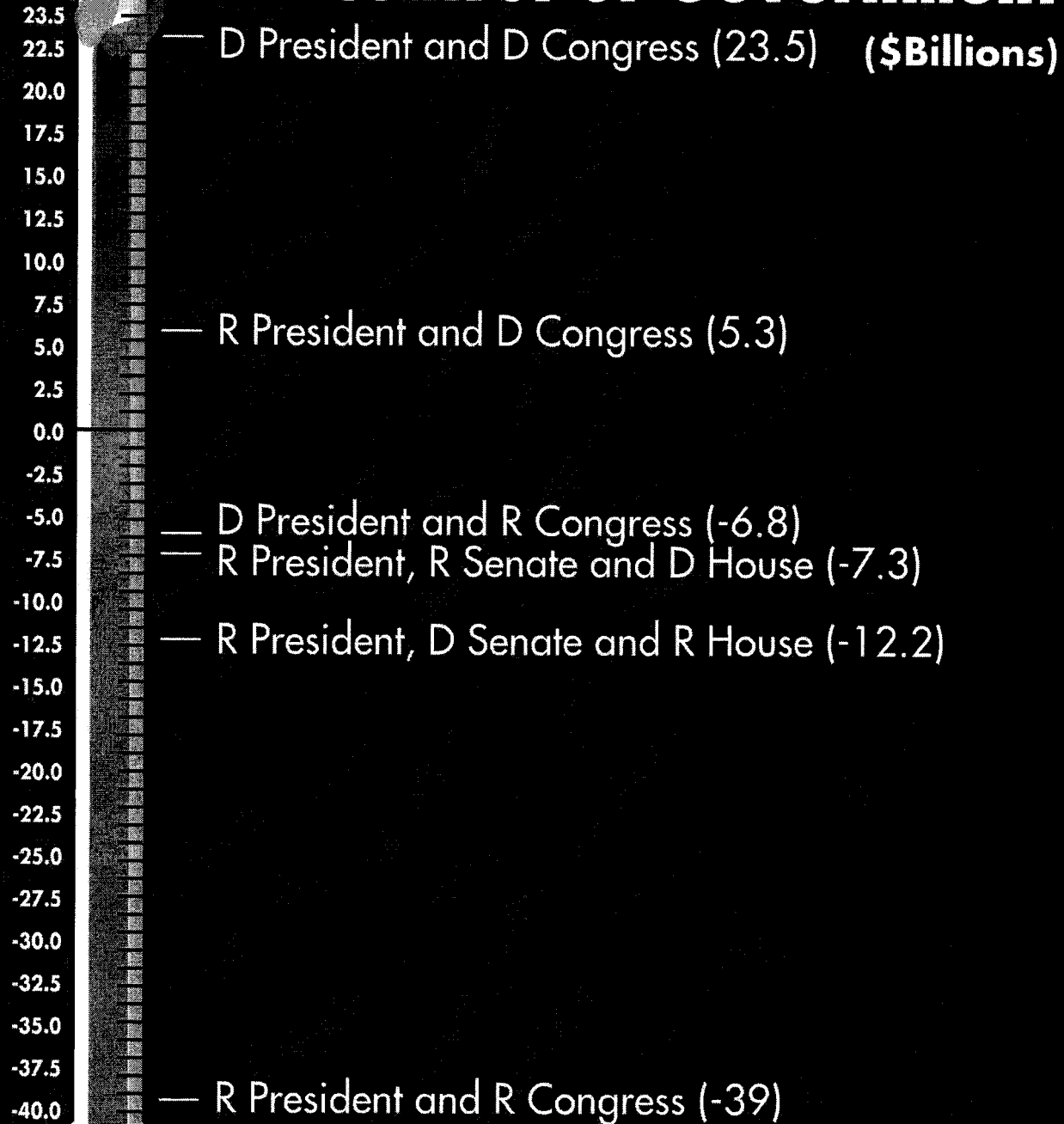


Source: Washington Post, Congressional Budget Office, Tax Policy Center

- 2001 and 2003 tax cuts would expire in 2010
- Alternative Minimum Tax would remain in force



# Average Tax Cuts or Tax Increases Per Year Based on Control of Government



Source: Senate Finance Committee Republican Staff presentation derived from data originally published by the Joint Committee on Taxation and U.S. Department of Treasury, Office of Tax Analysis