



## *State of Obama's Tax Assertions -- ATR Fact Check*

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By **Ryan Ellis**

Americans for Tax Reform released the following in response to President Obama's State of the Union address:

**Obama Claim:** "Right now, companies get tax breaks for moving jobs and profits overseas. Meanwhile, companies that choose to stay in America get hit with one of the highest tax rates in the world. It makes no sense, and everyone knows it."

**Reality:** Companies don't get tax breaks for moving anything overseas. Rather, they face double taxation when they try to bring foreign-earned profits back here to America. America is one of the only countries in the world which seeks to tax income coming back home from overseas. A U.S. company earning a profit in France first pays French corporate income tax. If they leave that money there, they never pay taxes again. But if they want to bring that money back home to create jobs, invest in new plant and equipment, or shore up pension plans, they have to pay a second layer of tax to the IRS.

**Obama Claim:** "From now on, every multinational company should have to pay a basic minimum tax."

**Reality:** Large companies have very high average effective tax rates. Some liberal groups have cooked the books to make it look otherwise. For example, the most common liberal numbers put U.S. taxes paid in the numerator, but worldwide global profits in the denominator. Of course it looks artificially small. We have the highest corporate income tax rate in the developed world (nearly 40% when state corporate income taxes are included).

**Obama Claim:** "Expand tax relief to small businesses that are raising wages and creating good jobs."

**Reality:** Is this why the President wants to raise the top two individual tax rates, which is the tax rate paid by the majority of small business profits?

**Obama Claim:** "We have subsidized oil companies for a century. That's long enough. It's time to end the taxpayer giveaways to an industry that's rarely been more profitable, and double-down on a clean energy industry that's never been more promising. Pass clean energy tax credits and create these jobs."

**Reality:** An employer keeping their own money is not a subsidy. Energy companies that manufacture oil don't receive any welfare benefits from the federal government.

**Obama Claim:** "Right now, our most immediate priority is stopping a tax hike on 160 million working Americans while the recovery is still fragile. People cannot afford losing \$40 out of each paycheck this year. There are plenty of ways to get this done. So let's agree right here, right now: No side issues. No drama. Pass the payroll tax cut without delay."

**Reality:** The U.S. House passed a one-year extension of the payroll tax holiday in December. The Senate did not. The President's complaint should not be directed anywhere but at Harry Reid.

**Obama Claim:** "Right now, we're poised to spend nearly \$1 trillion more on what was supposed to be a temporary tax break for the wealthiest 2 percent of Americans."

**Reality:** Congress only put a time limit on the 2001 and 2003 tax relief because of Senate Democrat filibustering. These tax rates have been in place for more than a decade, and extended several times by Congresses controlled by Republicans, Democrats, and split control. President Obama himself signed an extension of these tax rates just one year ago.

**Obama Claim:** "Right now, because of loopholes and shelters in the tax code, a quarter of all millionaires pay lower tax rates than millions of middle-class households. Right now, Warren Buffett pays a lower tax rate than his secretary."

**Reality:** Obama doesn't mention how capital gains and dividend taxes (which drive down average tax rates for the households Obama is referring to) are a second layer of tax on corporate profits. The real capital gains and dividends rate is closer to 45%.

Second, you can't raise taxes on "the rich" without also raising the tax rate assessed on the majority of small employer profits and on the businesses employing the majority of small business employees.

Third, it's unfair to count both the employer and the employee "half" of Social Security tax payments when comparing Warren Buffett to his secretary--half is notionally paid by the employer, and doesn't directly reduce employee paychecks in the near term; also, there is a Social Security benefit in the future that should be considered

**Obama Claim:** "Do we want to keep these tax cuts for the wealthiest Americans? Or do we want to keep our investments in everything else – like education and medical research; a strong military and care for our veterans? Because if we're serious about paying down our debt, we can't do both."

**Reality:** According to Dan Mitchell of the Cato Institute, this isn't true. You can prevent all scheduled tax hikes from happening, grow spending at 2% annually, and still balance the budget after 10 years.

**Obama Claim:** "Tax reform should follow the Buffett rule: If you make more than \$1 million a year, you should not pay less than 30 percent in taxes."

**Reality:** Capital gains and dividends already face a tax rate of 45%, when properly understood as the second layer of the 35% corporate income tax rate.

**Obama Claim:** "And my Republican friend Tom Coburn is right: Washington should stop subsidizing millionaires. In fact, if you're earning a million dollars a year, you shouldn't get special tax subsidies or deductions."

**Reality:** Senator Coburn probably does want to see a net tax hike on small employers, but that doesn't mean they are getting a subsidy. They are keeping their own money.

**Obama Claim:** "If you make under \$250,000 a year, like 98 percent of American families, your taxes shouldn't go up. You're the ones struggling with rising costs and stagnant wages. You're the ones who need relief."

**Reality:** President Obama made a ["firm pledge" not to raise "any form" of taxes on families making less than \\$250,000 when running for President in 2008.](#) Yet 16 days into his administration, he raised taxes on smokers, who have an average income of about \$30,000 per year. Then, he raised [seven more taxes on these families as part of his jobs-killing Obamacare law.](#)

**Obama Claim:** "We don't begrudge financial success in this country. We admire it. When Americans talk about folks like me paying my fair share of taxes, it's not because they envy the rich. It's because they understand that when I get tax breaks I don't need and the country can't afford, it either adds to the deficit, or somebody else has to make up the difference..."

**Reality:** If President Obama doesn't want to claim deductions, he doesn't have to. If he or Mr. Buffett want to pay more in taxes, they can send a check to the Treasury today. They should also support the "Buffett Rule Act," sponsored by Congressman Steve Scalise (R-La.) and Senator John Thune (R-S.D.)

Read more: <http://atr.org/state-obamas-tax-assertions-atr-fact-a6700#ixzz1kTtGAiyc>