

## Says U.S. Senate opponent Tommy Thompson favors raising taxes on small businesses.

By Dave Umhoefer - Sunday, October 7th, 2012 at 9:00 a.m.

### Baldwin says Thompson wants to raise taxes on small businesses

*Tammy Baldwin on Sunday, October 28th, 2012 in debate comments*

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When the first debate in the U.S. Senate race turned to government spurring job growth, Democrat Tammy Baldwin said spending on education, research and infrastructure could boost private-sector employment.

Then she trained her criticism on her opponent, Republican Tommy Thompson:

"Unfortunately my opponent is supporting a budget plan that -- because he's giving such huge tax breaks to the very wealthy and raising taxes on the middle class and small businesses -- they are slashing those very investments that I think are essential to growth."

Thompson turned to Baldwin and responded: "When you don't have a record you attack the other person. I'm not in Congress -- you are."

Thompson then ticked off a list of positive Wisconsin jobs numbers and tax cuts approved during his governorship from 1986 to 2001.

The two words -- "small business" -- jumped out for one reader, who asked us to check it out.

We've dealt before with the other part of Baldwin's claim, that Thompson wants to raise taxes on the middle class.

We rated Half True a claim in a Baldwin TV ad that Thompson "wants to give a new \$265,000 tax cut to millionaires like himself while raising taxes on the middle class."

The budget plan offered by U.S. Rep. Paul Ryan, R-Wis., which Thompson has endorsed -- and some of Thompson's own proposals -- would mean big cuts for upper-income earners.

But we said the middle-class part drew a questionable conclusion based on worst-case-scenario assumptions about what tax deductions Thompson and Ryan would eliminate.

Now, what about raising taxes on small business?

When asked for backup, the Baldwin campaign pointed us back to the debate and Thompson's statement that "we gotta do away with," the 2010 Affordable Care Act, which Republicans term "Obamacare."

If you eliminate the law, her campaign said, you also eliminate the law's income tax credit for hundreds of thousands of small businesses. In other words, Thompson would in effect raise taxes on small businesses.

The reference to the federal health reform law was not part of the original Baldwin claim. She spoke broadly about the effect of Thompson's plans on small business, so we have to take a broader view as well.

First, it strikes us as legitimate for Baldwin to hold Thompson to his word on "Obamacare," and on the Ryan budget he has explicitly endorsed. And the health care law does contain a Small Business Health Care Tax Credit designed to cut premium costs and encourage businesses to offer insurance coverage to employees.

It's no small change, either.

As of mid-2011, 228,000 taxpayers had claimed more than \$278 million in credits, according to federal figures. Those numbers were well below expectations, due in part to some businesses saying credits were not worth the paperwork. But businesses taking the credits can get a break of up to 35 percent on premium payments, and up to 50 percent after 2013.

Small businesses and tax-exempt employers can claim the credit for up to six years, as long as they pay at least one-half the cost of health insurance coverage for their employees. One limitation is that it applies only to businesses that pay lower-end wages.

So is the loss of a tax credit the same as a tax increase?

Experts take both sides, as PolitiFact Wisconsin and PolitiFact New Jersey have noted.

In 2011, we gave Gov. Scott Walker a Promise Broken on his pledge to oppose all tax increases because he cut income tax credits related to property and income status. In that case the issue was settled by the official nonpartisan budget scorekeeper, the Wisconsin Legislative Fiscal Bureau, which called the changes a tax increase.

Thompson, meanwhile, has pounded Baldwin as a tax-raiser because she wouldn't make permanent for everyone the Bush tax cuts of 2001-'03 that are set to expire -- cuts that included a bevy of sweetened tax credits.

At first cut, then, Baldwin's camp makes a point.

But there's a lot more to this one.

First, the federal health reform law includes multiple tax increases for individuals and businesses. Chris Edwards, director of tax policy studies at the libertarian Cato Institute, said it's unfair to pick out just one side of the ledger and ignore the other.

Edwards noted the legislation contained a new tax on medical devices companies, some of which are small businesses.

Indeed, the tax hikes in the law are one of Thompson's rationales for opposing the law.

What's more, Thompson has proposed replacing portions of the law with various reforms. One, it turns out, is a tax credit designed -- as in the original law -- to reduce premium costs for small businesses.

In Thompson's case, he would give the credit directly to employees of small businesses instead of the employers, but the goal is the same: To reduce costs.

As we noted, there's a bigger picture here as well -- the impact of Ryan's federal budget plan and Thompson's own RESTORE America tax plan on small businesses.

Thompson's plan, mirroring Ryan's, calls for cutting the top corporate income tax rate from 35 percent to 25 percent. Thompson says he would create just one more bracket, at 10 percent. This would apply to businesses large and small.

It's impossible to calculate the net tax effect of Thompson's positions on small business taxes, in part because he advocates tax simplification but hasn't revealed which deductions he would end.

But he clearly backs a much broader tax break for business -- something that also went unmentioned by Baldwin.

## Our rating

Baldwin said Thompson favors raising taxes on small businesses.

Her campaign cited Thompson's call to repeal the federal health law, which would end a new small-business tax credit in that law. So there is an element of truth. But Baldwin ignores the tax increases that would also be eliminated by a repeal, as well as the fact Thompson would create a different version of the same tax credit.

More importantly, she skates past Thompson's emphasis on tax cuts -- in particular his broader support for dramatically lowering income tax rates for business -- to create an opposite impression among voters.

We rate her claim Mostly False.