

## Debate Could Highlight Capital-Gains Split

By Siobhan Hughes - October 3<sup>rd</sup>, 2012

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WASHINGTON— The circle of people who pay closest attention to tax policy are rooting for the Wednesday presidential debate to sharpen the battle lines over one of the most controversial parts of the system: capital-gains tax rates.

The 15% rate on gains from selling stock, real estate, and other capital investments expires at year's end. Republicans want the decades-low rate extended on the theory that it encourages investment, helping the economy. The issue is that most capital gains go to high-income tax payers. GOP nominee Mitt Romney's own low 14% tax rate is due in large part to the fact that much of his income came from capital gains instead of ordinary income, which is currently taxed at a higher 35% maximum rate.

"I hope that Mr. Romney is well-prepared to take those volleys from the president," said Chris Edwards, the director of tax-policy studies at the conservative leaning Cato Institute. "He should be prepared not to act embarrassed about paying his 14% rate and proposing to keep low rates for high earners," saying that "there are a lot of good defenses" of the low rate.

Republicans argue that capital gains deserve a low rate because the income generated by the investments has already been taxed once, at the corporate level, and then is taxed against after producing income for investors. Not a fair argument, says the Democratic-leaning side of the political spectrum, hoping that U.S. President Barack Obama challenges Mr. Romney.

"That's just not really the whole story," said Rebecca Wilkins, senior counsel for federal tax policy at Citizens for Tax Justice. "A lot of income that gets the special capital gains tax rate is not corporate profit. It's land; it's businesses; it's real estate — all kinds of stuff gets that low rate treatment but it was not previously taxed." She said she wants Mr. Obama to push back.

The fight, already full blown in the Washington, D.C., think tanks that help frame the issues, is starting to pick up in Congress. But the Denver debate has the potential to bring the issue to a wider audience, in the process asking voters to think about tax policy in new ways.

Watch a video of Jerry Seib, explaining on the News Hub what to watch for in the first presidential debate: