

CHAMBER OF COMMERCE  
OF THE  
UNITED STATES OF AMERICA

R. BRUCE JOSTEN  
EXECUTIVE VICE PRESIDENT  
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TO THE MEMBERS OF THE UNITED STATES CONGRESS:

The U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region, opposes President Obama's fiscal year 2010 budget proposal, because it would create an enormous expansion of the federal government paid for in large part by an increase in taxes on businesses and upper income individuals.

According to the non-partisan Congressional Budget Office (CBO), the proposal would create a deficit that exceeds 13% of GDP in 2009, remain more than 9.5% of GDP in 2010, and never drops below 4% of GDP over the entire 10-year budget horizon. Moreover, federal spending as a percent of GDP would rise sharply by the end of the budget horizon. According to CBO, the budget proposal would amass almost \$5 trillion in additional deficits over the CBO baseline in 10 years. As a result, the level of debt held by the public would jump to almost 65% of GDP by 2010 and rise inexorably from 2011, ultimately reaching over 82% of GDP by 2019.

The proposal would "pay" for much of the additional spending through a huge tax shift on businesses and higher income individuals. The proposal would take an already highly progressive tax system (the top 1% of the income distribution control about 22% of income and pay almost 40% of federal income taxes) and turn it into a punitive system on those who save, invest, and create jobs.

The proposal includes a \$353 billion tax increase on corporate businesses achieved by, among other things, repealing long-standing accounting practices, double taxing the profits multinational companies earn abroad, codifying the economic substance doctrine, levying punitive new taxes on the oil and gas industry, taxing the carried interest in partnerships, and reinstating superfund taxes.

The proposed tax increases on upper income individuals that total over \$950 billion would also hit the most successful U.S. small businesses that pay taxes as individuals and hinder their ability to grow and create jobs. These proposed increases include raising the top marginal tax rates, reducing or eliminating personal exemptions and itemized deductions, limiting the rate at which the remaining deductions could be taken, and raising the tax rate on capital gains and dividends.

Taken together, these tax increases would discourage saving and investment and slow job growth at a time when the economy is mired in the steepest downturn since the Great

Depression. Moreover, these tax increases would create a tax code that is so skewed that virtually half the taxpayers in the country would be excluded from paying federal income tax and thus have no interest in the way the government is run.

In addition to these direct income taxes, the budget proposal would establish a massive new indirect tax on energy via the auction of carbon emission credits. This proposal is estimated by the Administration to raise \$646 billion over 10 years, but reputable private sources place the cost at two to three times that amount. Moreover, it is imprudent to assume legislation to tax carbon dioxide emissions will be approved by the full Congress when several carbon regulations schemes have been repeatedly rejected over the past several congresses.

The budget proposal also includes substantial new fees on users of licensed spectrum that would endanger the continued viability of the U.S. broadcasting system which has always provided free over-the-air programming. For the wireless industry, these fees would be in addition to the more than \$60 billion already spent purchasing spectrum in government auction. These new fees would divert funds that could otherwise be invested in network infrastructure.

The budget proposal would also establish a \$634 billion health care initiative that contains no details on spending but is funded by tax increases and cost-shifts. Moreover, this amount is less than half of what health care reform is likely to cost over 10 years.

The proposed budget for the Department of Labor seeks to increase enforcement for the various laws administered by DOL at the expense of a balanced approach including compliance assistance to small businesses and other employers looking for guidance on meeting these detailed and complex requirements.

The budget proposal also seeks to build on Unemployment Insurance (UI) “modernization” reforms included in the stimulus package. Those reforms would provide incentive funds to states to permit individuals who may not have lost their job to claim and receive unemployment compensation. Traditionally, UI benefits have been available only to those who have lost their job and are making efforts to find work.

The President’s budget proposal includes a scorekeeping change that would essentially merge the highway, transit, and aviation programs with the discretionary budget and could result in program reductions to increase spending for other discretionary categories. This action would create uncertainty for multi-year capital investment programs and could hamper investment in equipment and materials, thus slowing job creation. The Chamber urges Congress to ensure that the fiscal year 2010 budget provides a framework for increased transportation investment and keep the Highway Trust Fund and Airport and Airway Trust Fund separate and distinct from discretionary spending. With the reauthorization of federal highway, transit, and aviation programs pending this year, it is also important to ensure that the budget includes mechanisms such as a reserve fund to provide the necessary flexibility to accommodate future funding increases.

In general, this budget proposal focuses on many important long-run issues while losing sight of the most immediate concerns presented by the current severe weakness in the economy.

The spending proposals are broad and pervasive but in many cases undefined, unfunded, or underfunded. The tax provisions are simply the wrong medicine at the wrong time to cure an ailing economy.

The Chamber urges Congress to reject the President's budget proposal and craft a budget resolution that will, first and foremost, get the U.S. economy out of its current malaise and back on track for future growth. Once the U.S. economy is growing again, the Chamber urges Congress to address the longer-term issues raised by the President. Only a vibrant, growing economy will provide the resources to tackle these important issues. The Chamber looks forward to working with Congress to develop a budget plan that returns the United States to prosperity and ensures its future.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is fluid and cursive, with the first name "R." and last name "Josten" being more prominent.

R. Bruce Josten