

Democrats Protect Small Businesses from Bush Tax Increases

When Republicans put in place their tax plan in 2001 and 2003, they set tax cuts to expire at the end of 2010. Democrats are working to prevent this Republican tax increase from hitting middle-class families and small business, and only letting tax cuts for the very wealthy expire. Republicans falsely claim that this will harm small businesses, which is not the case.

Here are the facts:

What Republicans Are Saying: The Democratic tax plan is to let all tax cuts expire.

Here's the truth: Democrats will not let lower and middle-income Americans be hit by a tax increase that Republicans wrote into their tax plan. Tax cuts for the wealthy—incomes over \$200,000 for individuals and \$250,000 for married couples filing jointly—will be allowed to expire.

What Republicans Are Saying: Filers reporting business income on individual tax returns are small business owners.

Here's the truth: According to the Tax Policy Center, the majority of people in the top two income brackets—the only brackets that won't see tax cuts extended—don't mainly rely on small business income. Small business owners are a very small fraction of those reporting business income on individual returns. In 2007, 94 percent of businesses were S corporations, partnerships, and sole proprietorships, which are able to report business income in individual tax returns. However, reporting business income is not equivalent to owning a small business, it also includes:

- Anyone who earns money from a source other than a regular job -- for instance consulting or public speaking
- Anyone who earns income from partnerships, such as law firms and medical practices
- Investors who have little involvement in the day-to-day operations of a company

Bottom line: 98 percent of filers that report business income will keep their current tax cuts.

What Republicans Are Saying: All small businesses will face higher taxes under the Democrats' plan.

Here's the truth: Only 2 to 3 percent of tax filers who report having what can be thought of as small business income will be affected.

- According to the Joint Committee on Taxation, fewer than 750,000 taxpayers have high enough positive business income to be affected.
- Another report confirms the JCT finding. The Tax Policy Center's July 2010 analysis of the distribution of business income identifies only 774,000 tax filers in the top two brackets as having positive business income, which represents just 2.1 percent of the 36 million tax filers reporting business income.

Setting the record straight:

While the Republicans' deficit-busting tax plan favors millionaires over middle class Americans, the Democrats' proposal ensures that lower and middle class families and 98% of small businesses will see continued tax cuts.