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Taxes – Less Talk More Action **By Ann Sullivan**

One requirement of being involved in public policy is that you are forced to talk about taxes in April, given that the public is focused on the issue. Elected officials, knowing that you are going to file your tax forms by April 17, tend to focus the messaging on taxes as well - Hence, the kerfuffle over the Buffett Rule. You shouldn't have a lower tax rate than your secretary is the line of thinking. Wait - a secretary? In today's small business world, secretaries are woefully outdated. We have folks who assist us, male and female, whose job title should be Chief Multitasker or, as the government calls them, front office managers (FOMs). Most likely they hold college degrees, are good at project management and don't chafe at menial tasks—they just want the place to run smoothly. Or, in the case of many small businesses, the owner gets that title. But I digress.

As we speak, the Senate is voting on the Buffett Rule. I am pretty sure I know the outcome, but will hold my judgment until the Senate actually votes. According to an in-depth article in the *New York Times* on April 15, "The Coming Post-Election 'Taxmageddon'" there are some really interesting statistics on what has happened to tax rates from 1960 to 2004. Tax rates remained steady for those in the bottom 80% of taxpayers. For those in the top twenty percent, rates varied significantly. For those who are at the bottom of the top 20% of taxpayers, the rates went from 24.5% to 25.7%. Those who were in the top 1%, rates went from 44.4% to 30.4%. For the top 0.1%, rates went from 60% to 33.6%. And for the wealthiest .01%, the rates went from 71.4% to 34.2%. That's a dramatic difference.

To go back to the Buffett Rule, the top 1% rate is 30.4%. So, what the President is saying is that the top 1% of taxpayers should pay at least a 30% tax rate. Republicans argue that these are the very taxpayers that invest in our economy and spend the most money- so this would hurt the economy. The President argues that this will help with deficit reduction as well as just being fair. Sorry, Mr. President, according to the Joint Committee on Taxation, this would only raise $46.7 billion over 10 years—a drop in the bucket given our deficit of $15.1 trillion.

All of this hoopla over the Buffett Rule only affects a small percentage of the taxpayers—those making over $1 million a year. So, imagine the angst lawmakers and taxpayers are feeling over the expiring Bush tax cuts which happen in January 2013. The top rate of 35% would go up to 39.6%. Capital gains taxes would rise from 15% to 39.6%. The arguments outlined above are the same – those in favor of keeping the rates at current levels argue our economy cannot sustain a rise in taxes and those in favor of lifting the tax cuts, say it was bad economic policy to begin with—that our economy simply cannot sustain these rates.

No one really knows the final outcome. Much of it depends on the Congressional and Presidential elections. Depending on who controls the Senate and who controls the White House, the scenarios are very different. Women business owners would be wise to assume that the debate over taxes, and specifically, Bush tax cuts, will not be resolved by January of next year. Plan accordingly.