

DAN COATS

—★— U.S. SENATE —★—

Plan for Economic Growth and Job Creation

Lower Taxes
Less Regulation
Encourage Innovation





Dan Coats' Plan for Economic Growth and Job Creation

The path to economic growth needs to be focused on two major initiatives that will help restore America's economy and put Hoosiers back to work.

Dan Coats has been discussing restoring America's economy since entering the campaign. It begins with cutting spending, placing spending restraints on Congress through earmark reform, the Line Item Veto, and balancing the budget.

As we work on reigning in Washington's spending, we also need to focus on economic growth and job creation policies needed to focus on encouraging businesses and industries to be confident enough to pursue risk, innovate, and grow. America's strength has long been the entrepreneurial spirit which leads to job creation throughout our economy. However, business and industries are hesitant to expand based on the spending, tax increases, and regulation policies coming out of Washington.

For example, a research report issued by the Small Business Administration found the cost on small business to comply with all federal regulations totals over \$1.1 trillion annually with the cost per employee for firms with fewer than 20 employees being over \$7,600. For a small business in Indiana with 20 employees, that is a cost of \$152,000.

We must focus on economic growth policies that keep taxes low, reduce regulation, and encourage innovation in several keys areas of Indiana's economy to achieve job creation, including:

- Small Business
- Manufacturing
- Education & Job Training

Not all economic recovery will be able to come from Washington. Indiana is well positioned for success when America moves out of this recession. Washington should be an ally in this effort by focusing pro-growth policies that affect the cost of doing business. We can begin to rebuild America's economic strength by also focusing on policies regarding energy; transportation; trade; agriculture; and repealing, then starting over on health care reform.

*Letter from 100 Economists to
President Barack Obama
June 10, 2010*

"To support real economic growth and provide the spark needed to support creation of private-sector jobs, immediate action is needed to rein in federal spending, prevent job-killing tax hikes through the expiration of current tax rates, and reverse the harmful effects of the health care law on small businesses, the engine of job creation in our economy."



Fighting Tax Increases and Reforming a Complicated Tax Code

Keeping taxes low has proven to stimulate lasting economic growth and job creation. Unless Congress acts this year, beginning January 1, 2011, Hoosiers will experience higher personal income taxes, higher taxes for married couples, especially those with children, higher taxes on saving and investing, and higher taxes on the estates passed along to loved ones. The overall tax increase on America will be over \$2.4 trillion. Itemized deductions and personal exemptions will again phase out, which has the same mathematical effect as higher marginal tax rates. **EVERY** marginal tax rate will increase three percent, with more for the top income tax rate (35 to 39.6 percent) which is also the rate at which two-thirds of small business profits are taxed.

In addition to the marginal tax rate increases:

- The “marriage penalty” will return from the first dollar of income.
- The child tax credit will be cut in half from \$1000 to \$500 per child affecting 31 million families.
- The standard deduction will no longer be doubled for married couples relative to the single level forcing 35 million couples to pay \$595 more in taxes.
- The dependent care and adoption tax credits will be cut.
- For those dying on or after January 1, 2011, there is a 55 percent top death tax rate on estates over \$1 million. A Hoosier farmer leaving behind land, livestock, equipment, and a retirement account could easily pass along a death tax bill to their loved ones.
- The capital gains tax will rise from 15 percent this year to 20 percent in 2011.
- The dividends tax will rise from 15 percent this year to 39.6 percent in 2011.
 - These rates will rise another 3.8 percent in 2013 (43.4%) because of Obama-care
- Forces 28.5 million families to calculate their tax burdens twice, and pay taxes at the higher level, as a result of the lack of action on the Alternative Minimum Tax (AMT).

Health Care Reform Taxes

- Raises taxes by \$569 billion.
- 3.8 percent Medicare tax on investments.
- Impact equals \$165 / year tax increase on every Hoosier.
- No longer able to use HSA, FSA, HRA pre-tax dollars to purchase non-prescription, over-the-counter medicines.
- Anyone not buying “qualifying” health insurance must pay an income surtax according to a formula based on their adjusted gross income (AGI)

Dan Coats supports making the 2001 and 2003 bi-partisan tax cuts permanent and repealing the estate tax once and for all. He believes we must repeal the tax-increasing health care reform law and look for better ways to reduce health care costs and increase coverage without crippling Hoosiers and Americans with higher taxes and undoubtedly more job loss. In addition, the thirty-five percent corporate tax rate in America is the highest among our top thirty trading partners crippling the ability for job creation and must be lowered.

After we have prevented taxes from rising on Hoosier families and businesses, Congress must begin to advance real tax reforms. The Internal Revenue Service website currently offers a shocking 1,909 different tax related documents. It has been estimated that in 2010, individual taxpayers will devote 2.43 billion hours completing their taxes - the equivalent labor cost of this time is \$71.4 billion.



Fighting Tax Increases and Reforming a Complicated Tax Code (continued)

We can all agree the status quo tax code is not working. Hoosier families are feeling like nothing they do will allow them to get ahead of their financial burdens. There are several proposals being discussed that are worth examining, including lowering marginal tax rates on individuals and businesses. Hoosiers deserve a tax code that is simple and stimulates economic growth.

One example worthy of consideration as we move forward to achieve economic recovery is a highly simplified code that might include for example:

- 10 percent tax on income up to \$100,000 for joint filers, and \$50,000 for single filers
- 25 percent tax on taxable income above these amounts.
- A generous standard deduction and personal exemption (totaling \$39,000 for a family of four).
- Eliminating the alternative minimum tax [AMT].
- Promoting saving by lowering or eliminating taxes on interest, capital gains, and dividends; also eliminating the death tax.
- Reducing the corporate income tax – currently the second highest in the industrialized world – to make the U.S. competitive with other leading industrial nations.



Supporting Hoosier Small Business

Small business is the backbone of our economy. They are the first job creator and the first to feel the negative impact of policies. According to the National Federation of Independent Business capital expenditures are at a thirty-five year low and small businesses are being forced to cut more jobs than they are able to create. Uncertainty is the number one complaint from small businesses. How is a small business owner supposed to create a business plan when they do not know what their health care costs are going to be? What their energy costs are going to be? Or, if they are going to have to pay more in taxes or be subjected to more costly regulations?

Lower Taxes

Support for small business owners is similar to helping individuals by simplifying the tax code and keeping tax rates low so they keep more of their money and have the opportunity to reinvest in their business, and by eliminating the estate tax. There are additional ways to assist entrepreneurs such as extending the expensing allowed under Internal Revenue Code Section 179 set to expire at the end of this year and clarifying the definition of an independent contractor for tax purposes.

Reducing Regulations

Washington is famous for creating regulatory burdens on business and then allowing the un-elected bureaucracy to impose even more burdensome and complicated regulations. Dan Coats supports requiring authorization bills to assess the impact implementation regulations have on small business. Then any anticipated economic impact of \$100 million or more to maintain compliance should be voted on by Congress.

Access to Capital

Access to capital is often what makes or breaks a small business. Small businesses should not have to worry about over burdensome regulations either forcing them to hold excess amounts of cash or burying them in so much paper work they can't apply for a loan at a local bank.

Health Care Reform

Controlling health care costs is a top concern for small businesses. However, the Obama health care bill is anything but affordable for entrepreneurs with \$569.2 billion in tax increases that will fall heavily on small businesses and other employers. The health insurance fee included in the law is a tax on small business. The "tax credit" touted by those who supported the legislation is only available for two years and has a complicated, restrictive eligibility requirement making few businesses eligible. Dan Coats has introduced other health care reforms that would not break the back of Hoosier businesses.



Dan Coats discusses health care reform during a visit to Aptera in Fort Wayne.



Manufacturing

The United States has a proud tradition of creating, building, and producing as the top manufacturing economy in the world. Hoosiers have a strong legacy of being a key contributor to that production.

We need to ensure policies offer companies the type of business environment compelling them to be based in the United States to offer jobs, access the wealth of intellectual capital in our citizens to create innovation, and be a world leader in places to manufacture goods. Dan Coats' commitment to Indiana's manufacturing industry includes:

U.S. Manufacturing Profile

- Produces 21% of global manufactured products
- Produces \$1.6 trillion of value each year (11% of U.S. GDP)
- Supports 18.6 million jobs – one in six private sector jobs
- 12 million Americans (10%) directly employed

Corporate Tax Rate

The United States' high corporate tax rate creates a competitive disadvantage to companies, while other countries modernize their tax systems to attract business. Dan Coats supports reducing the tax rate to a rate which equals or is less than industrially competitive countries.

Research and Development (R&D) Credit

The R&D tax credit needs to be strengthened and made permanent. This is a key component of job creation and innovation for Hoosier companies. According to The Milken Institute's "Jobs for America" analysis, increasing the R&D tax credit by twenty-five percent and making it permanent would enhance innovation, raise GDP by over \$200 billion, and create 270,000 manufacturing jobs.

Preserve employer-employee relationships without unnecessary conflict

The "Card Check" legislation proposed by the Obama administration and the Democrats in Congress would dispose of secret ballots and create forced mediation and federal penalties.

Repatriation of businesses

Part of Dan Coats' effort toward job creation will be to work with federal government entities and the State of Indiana to provide tax and other incentives to bring manufacturing jobs back to the United States. American companies, especially, should be encouraged to work with government on economically viable situations that will allow them to locate jobs at home rather than abroad.

Support Hoosier Exports

Over 6,000 companies export goods from Indiana with 5,129 (85%) being small / medium-sized firms with less than 500 employees. Twenty-four percent of all Hoosier manufacturing jobs depend on exports. With trade deficits increasing, Dan Coats believes we must move on pending trade agreements and also ensure American companies have a level playing field in the global marketplace.



Education and Job Training

The goal of education is to provide our children with the development they need to later begin contributing to society on their own. Dan Coats believes states are in the best position to make decisions about the needs of students. We need to return to basic goals moving forward on education including accountability for taxpayer dollars, high standards, accurate school performance data, and empowering parents with information and choices. By doing so, Indiana and America can move forward with an educated workforce.

Focus on competitiveness

The United States is stagnant in our performance against other countries. Performance goes down as students reach high school and college age. We lag behind in math and science. Dan Coats believes we need to develop evidence-based, benchmarked, state standards (not tied to federal funding) aligned with college and work expectations.

Flexibility in Job Training Programs

The right approach for some during these economic times might be to transition to a new profession. There are over forty confusing, repetitive, and ineffective federal job training programs spread out among different entities. Workers and employers in Indiana may need different skills than those in other states. The bureaucracy set up for job training programs does not make the distinction. Job training programs need to be flexible enough to adapt to changing educational work requirements. Dan Coats will propose that states and localities be given the option to create their own programs working with universities and trade schools to develop and train our workforce for the future.

Enhance parents' ability to make educational choices

Dan Coats has been a leader in finding innovative ways to enable low-income students to attend the public or private school of their choice. Study after study has shown student success and parent satisfaction. Families with children in low-performing schools should have the right to transfer their child to a better performing school. Here in Indiana, Dr. Tony Bennett is working hard to expand charter schools, intervene in chronically low-performing schools, and improve graduation rates in high schools. These efforts will lead to our students receiving the best learning opportunities available and chances to succeed later in life.

Encourage lower cost post-secondary education opportunities for parents and children

Obtaining a post-secondary school degree is a dream of many but too often there are financial challenges. The rising cost of post-secondary education and more students enrolling in college or vocational schools is leading to an exponential need for Pell Grants and Student Loans and a greater cost burden on Hoosier families, recent graduates, and taxpayers. If costs continue to rise at rates higher than inflation, state budgets will be even more constrained to achieve success. Dan Coats understands we need to look for opportunities in post-secondary education to increase productivity and competition while reducing costs without affecting results.

One form of competition that should be restored is private lending in higher education. The Direct Loan program has seen a 600% cost increase since creation and giving it more responsibility through the health care bill will only make that worse by passing along the costs to taxpayers. In addition, Fisher-based Sallie Mae is being forced to slash 30% of jobs putting 725 jobs in Muncie and 1,700 in Fishers at risk at a time when we should be adding jobs in Indiana.