

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

To: Representatives of the Financial Services Roundtable, GAC, Public Affairs Council, Research Working Group, All Staff

Fast Facts: EXPIRING TAX CUTS

Unless Congress acts before the end of 2010, federal taxes will increase substantially. Numerous proposals have been introduced to extend portions of the tax cuts.

FACT: Based on a simulation of the Moody's Analytics macroeconomic model, an across-the-board tax increase would precipitate a double-dip recession during the first half of 2011.

- Employment would decline throughout 2011, bottoming out 8.6 million jobs below 2007 levels.
- Unemployment would remain above 10% through late 2012.
- GDP would drop to 0.90% growth in 2011.
- The economy would not return to full employment until 2015.

FACT: The proposal to increase income taxes for those earning over \$250,000 technically applies to 2% of taxpayers. But the facts are far more compelling. The top two income brackets:

- Already contribute 50% of all tax dollars
- Spend 25% of U.S. personal outlays
- Generate 50% of small business income

FACT: Further, those with income under \$250,000 will be impacted by the increase in dividend and capital gains taxes:

- 24% of tax filers with income less than \$250,000 would be hit by increased dividend taxes and 10% by increased capital gains taxes
- Half of seniors earning under \$250,000 would have to pay higher taxes from dividends, capital gains, or both.

FACT: Over the next ten years, Heritage Foundation projects a loss of \$1.1 trillion to GDP if current tax rates are not extended.

For more information, please review [Moody Analytic's Special Report on the Economic Impact of Tax Cut Proposals](#)

Attached is list of the scheduled tax increases. This report is also attached as a PDF. If you have questions or comments, please do not hesitate to contact Abby McCloskey, Director of Research at the Financial Services Roundtable, at abbyresearch@fsround.org or Scott Talbott, Senior Vice President of Government Affairs, at scott@fsround.org.

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Scheduled Tax Increases If Congress Takes No Action

- Income taxes will increase across the board:

If you are in the:	Your effective tax rates will increase to:
10% income tax bracket	15%
15% income tax bracket	15% ¹
25% income tax bracket	28%
28% income tax bracket	31%
33% income tax bracket	36%
35% income tax bracket	39.6%

¹ The ceiling for the 15% bracket will be lowered. For a full breakdown of income taxes, please view the Tax Foundation's [chart](#).

- Capital gains taxes will increase from 0% to 10% (for households in the 10% and 15% brackets) and from 15% to 20% (for all other households).
- Dividend taxes will be taxed like regular income, no longer like capital gains. For example:
 - Rates will increase for people in the 15% bracket from 0% to 15%.
 - Rates will increase from 15% to 39.6% for people in the 35% bracket.
- Estate taxes will increase to an exemption of \$1 million and a top rate of 55%.
- Business exemptions will be dramatically reduced.