



December 20, 2012

## **An Open Letter to the House: NTU's Views on "Plan B" (Amendment 2 to H.J. Res. 66)**

Dear Representative:

On behalf of the 362,000-member National Taxpayers Union (NTU), I write to offer our comments regarding the "Plan B" proposal (Amendment 2 to H.J. Res. 66), which is designed to address pending tax policy issues.

Although complete information about the context of this proposal in a final "fiscal cliff" package is not available to us, there appear to be many commendable features of Plan B. These include making permanent the 2001 and 2003 taxpayer relief laws for all Americans with taxable incomes below \$1 million, cementing the "patch" that protects millions of families from paying the dreaded Alternative Minimum Tax, maintaining parity for dividend and capital gains tax rates, and providing a 35 percent death tax rate with an indexed \$5 million exemption. All of these provisions are excellent steps toward a tax policy that does not impede a more robust economic recovery. They are also far and away a better alternative to President Obama's calamitous scheme to raise taxes on a much broader scale, boost rather than curb various categories of federal spending, and condemn future generations of Americans to trillions more in debt. Other aspects of Plan B are much less desirable, including a doorway – in the form of a "millionaire's tax" – to heavier financial burdens on many of America's job-creating small businesses.

While Amendment 2's language is narrowly drafted to impact only certain portions of tax law, its context within the overall fiscal cliff debate must also be taken into account. Here taxpayers have additional concerns. Will the million-dollar floor for tax rate hikes be lowered further during the legislative process, to the point where it affects numerous additional small businesses and families? Will assurances from Amendment 2's supporters that the way is being paved for solid expenditure restraint – at or beyond the level specified in the sequester mechanism – hold firm?

Furthermore, taxpayers must lament that once again Congress is engaging in last-minute wrangling of its own fault, indeed of its own design. To its credit, the House acted early in the First Session to permanently put into place the current tax rates. Nonetheless, this year both parties perceived a political advantage in waiting until after the elections to seriously reengage in discussions about these looming problems, causing needless and harmful uncertainty in the business community as well as families' financial plans. These Americans deserve more concrete promises about what the future holds for the entire panoply of fiscal policy matters. Will there be a concerted effort to address unsustainable entitlement programs, beyond tinkering with the future retirement age or shaving cost-of-living adjustment formulas? Will there be budget process reforms, especially on the constitutional level? Will there be a Tax Code simplification effort that broadens the base but reduces rates in equal measure? The answers are not entirely clear.

We appreciate and respect the strides toward a solid plan for the fiscal cliff (and beyond) that supporters of Amendment 2 have made so far, and would encourage them to build upon this momentum in coming days. This includes allowing Members of the Republican Study Committee the procedural latitude to offer amendments to Plan B, as well as improvements that could provide greater clarity and linkage to the expenditure issues Congress must still confront. Weighing all current factors, and the long-established methodology of National Taxpayers Union Rates Congress, NTU believes a "No" vote on Amendment 2 is the most prudent course (pending any revisions). In addition, we strongly urge you to reject Amendment 1, a paltry substitute that provides only temporary tax-law extensions and further expands government's reach into many Americans' wallets. We would note, however, that NTU's Rating assigns a weight to each roll call vote based on its fiscal impact. Weights on this series of votes will reflect the fact that both Amendment 1 and the President's wholly unserious alternative would be much less palatable to taxpayers.

It has been suggested – with some validity – that Plan B may prove the least destructive option capable of passing the House now and preventing a truly poisonous outcome: hundreds of billions more drained out of the struggling economy and into the government's coffers next year. However, even at this late hour taxpayers remain hopeful that the House and Senate can reach agreement on a package that will avoid all the adverse tax implications associated with the fiscal cliff, more tightly focus on specific spending reductions, and more aggressively commit to developing comprehensive entitlement as well as tax system reform legislation beginning on day one of the 113<sup>th</sup> Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "Duane Parde".

Duane Parde  
President