

Double Taxation Working Group

June 28, 2010

The Honorable Jim DeMint
340 Russell Senate Office Building
United States Senate
Washington, DC 20510

Dear Senator DeMint:

We are writing to express our appreciation for your efforts to protect Americans from tax increases that would take effect at the end of the year. In particular, we applaud your work to keep the capital gains tax rate at 15 percent. Allowing the rate to climb to 20 percent, as the President proposes, would negatively impact the economy, national competitiveness, and the well-being of all Americans.

A higher capital gains rate discourages risk-taking and productive capital formation, which would mean less economic growth and job creation. Moreover, it is quite likely that a higher rate actually reduces tax revenue - especially in the long run. Taxes on capital gains also violate basic principles of fairness. It is a form of double taxation since people buy assets with income that already has been taxed. This is why every pro-growth tax reform plan eliminates the tax. Moreover, since the capital gains tax is not indexed to inflation, it often amounts to a tax on imaginary gains.

For many reasons, the capital gains tax should be abolished. The perfect should not be the enemy of the good, however, so we also recognize that a lower rate is better than a higher one. And we certainly do not want to see American competitiveness undermined by a higher tax rate.

Thankfully, we can count on your leadership on this issue. The undersigned applaud and support your efforts.

Sincerely,

Andrew F. Quinlan ~ President, Center for Freedom and Prosperity Foundation
Grover Norquist ~ President, Americans for Tax Reform
Karen Kerrigan ~ President & CEO, Small Business and Entrepreneurship Council
Mark A. Bloomfield ~ President & CEO, American Council for Capital Formation
Richard W. Rahn ~ Chairman, Institute for Global Economic Growth
Stephen J. Entin ~ President, Institute for Research on the Economics of Taxation
Duane Parde ~ President, National Taxpayers Union
Phil Kerpen ~ Vice President for Policy, Americans for Prosperity
James L. Martin ~ Chairman, 60 Plus Association
Thomas A Giovanetti ~ President, Institute for Policy Innovation
John Berlau ~ Director, Center for Investors and Entrepreneurs, Competitive Enterprise Institute
Wayne T. Brough ~ Chief Economist & Vice President for Research, FreedomWorks
Larry Hart ~ Director of Government Relations, American Conservative Union
Michelle D. Bernard ~ President, Independent Women's Forum
Tom Schatz ~ President, Council for Citizens Against Government Waste
Lew Uhler ~ President, The National Tax Limitation Committee