

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

April 20, 2011

Erica Payne
Coordinator
Patriotic Millionaires
18 W. 27th Street, 11th Floor
New York, NY 10001

Dear Ms. Payne:

Earlier this week families and businesses across the country filed their tax returns. As the Ranking Member of the United States Senate Committee on Finance (“Committee”), I am charged with overseeing the nation’s tax laws, as well as the administration of the Department of the Treasury and the Internal Revenue Service. Given the Committee’s commitment to tax reform, and President Obama’s recent commitment to raising taxes on individual and small business income, I noted with interest the open letter to the President from the organization you represent — Patriotic Millionaires for Fiscal Strength (“Millionaires”). The signatories of this letter selflessly requested an increase in their federal tax burden in the interest of tackling our nation’s deficits and debt. With a national debt of over \$14 trillion, this is a debate that cannot be avoided, and I appreciate that the Millionaires and the President have finally decided to enter it.

The Millionaires — individuals with income, now or in the past, of \$1,000,000 or more a year — state in their letter, “we want to do our part,” presumably by raising the top marginal income tax rates. These individuals appear to embrace the economic and political theory of Vice President Joe Biden, who stated during the 2008 presidential campaign that paying taxes is “patriotic.” These taxes are necessary not simply for further progressive social engineering, but ostensibly for addressing the debt.

I want you to know that I share your concerns about addressing our deficits and paying down the debt. The size of our debt threatens the nation’s economy and the prosperity of American families and businesses. Just this week Standard & Poor’s placed the United States’ AAA bond rating on a negative outlook, citing a greater than 1 in 3 chance of a downgrade within the next two years.

Yet I want to be clear that this debt crisis is not caused because we tax too little. It is caused because our nation spends too much. Government spending is now 25% of gross domestic product, a post-World War II high. Non-defense discretionary appropriations have risen by 24% in the last two years, and 84% if the Stimulus is included.

Our deficits and debt exist in spite of higher taxes. Whether we raise taxes as the President recommends, or maintain existing tax rates, revenues already exceed the historical average. The President’s health care reform bill raised taxes on Americans and businesses by \$552.2 billion. Raising taxes further will not get us to a balanced budget. As the *Wall Street Journal* noted, even if we confiscate all of the taxable income of the nation’s millionaires and billionaires, we would only yield \$938 billion in a year with a projected deficit of \$1.65 trillion. As the President is certainly aware, unless we reduce spending significantly, the only way to balance the budget is through significant tax increases on the middle class.

Picking winners and losers through the tax code is a fool's errand, which is why I prefer tax relief for all individuals, families, and businesses. As the writer Kevin Williamson aptly explained, "[u]nder Obama's...cutoffs (\$200,000 for an individual, \$250,000 for a couple), a public-school administrator earning \$130,000 a year married to a pharmacist earning \$125,000 a year and raising four kids is rhetorically lumped in with 'millionaires and billionaires,'...but a single guy earning \$198,000 a year is in the middle class, and his \$2.2 trillion in tax cuts must be protected." This is no way to do tax policy. Furthermore, raising taxes on these so-called 'rich' individuals would adversely impact the small businesses that are the engine of economic growth and job creation. For the small business owners who account for half of all small business flow-through income, allowing the top tax rates to go up would lead to increases of marginal rates by 17 percent to 24 percent.

While we may disagree on the need for tax increases, I appreciate the Millionaires' philanthropic desire to share more of their wealth with the federal government, and I want to make sure that you are aware of opportunities to fulfill this noble aspiration. For those that are interested in making voluntary contributions to pay down the national debt, the process is both easy and advantageous. Federal law authorizes the Secretary of the Treasury to accept conditional gifts to the United States for the purposes of reducing the public debt. Individuals can go to the website, pay.gov, where they are able to make a tax deductible charitable contribution to pay down the public debt.

Some who associate themselves with your movement have indicated that taxes are only a collective responsibility. This is one reason put forward for not volunteering to pay what they feel is their fair share. This conclusion seems inconsistent with the claim at the top of the Millionaires' website stating, "[w]e should pay more, we want to pay more." This statement suggests that paying taxes and providing the federal government with revenue is more than a collective responsibility. It is in fact an individual moral responsibility, and if the Millionaires would like to pay more, I am happy to tell them that nothing stands in the way of their fulfilling this personal moral obligation.

I hope that this provides the Millionaires with ample opportunity to meet their charitable and patriotic responsibilities. If the past is any guide, not many will exercise this opportunity. According to the *New York Times*, the Bureau of the Public Debt recorded only \$3.1 million in gifts in 2010. Given the track record of the federal government when it comes to wasteful spending, this is not too surprising. Most American taxpayers understand that any debt the government has is owing to reckless government spending, and taxpayers have no desire to enable that bad habit. They would prefer to send their charitable contributions to their schools and churches, which will put the money to better use.

As our Committee continues its consideration of reforms to the nation's tax laws, please feel free to contact us with any questions or comments that you have. Though I do not share the Millionaires zeal for raising taxes during a vulnerable economic recovery, I do agree that our deficits and debt are a scandal that must be addressed.

Sincerely,



Orrin G. Hatch
Ranking Member