

**September 28, 2010**

Today, Peter DeFazio (D-Oregon) and Marcy Kaptur (D- Ohio) offered Democratic leadership a compromise on tax cuts that would help small businesses and encourage job growth in the U.S. DeFazio and Kaptur's compromise responds to the political impasse over whether tax cuts for wealthy Americans – defined as individuals earning more than \$250,000/ year – should be extended or allowed to expire at the end of 2010.

DeFazio and Kaptur call for extending tax cuts to small businesses if those businesses can certify they are creating U.S. jobs or directly benefiting U.S. industries. Small businesses would seek certification by meeting some common sense standards for the tax year including: hiring only American citizens; using American-made inputs; being headquartered in the United States; not outsourcing American jobs; and not manufacturing abroad.

“The hedge fund trader who makes \$2 billion a year speculating on Wall Street or the corporation sending American jobs overseas shouldn't be rewarded with a tax break,” DeFazio said. “But, the small business investing in the U.S. economy and putting Americans back to work should be rewarded. This is a pragmatic and common sense solution that will incentivize job creation here at home while reducing the overall cost of extending the Bush tax cuts.”

DeFazio and Kaptur point out that only two to three percent of small businesses pay taxes in the top two tax brackets, so a limited extension of the top tax brackets would have minimal impact on the federal deficit.

The full text of the letter is below:

September 28, 2010

The Honorable Nancy Pelosi

Speaker of the House

H232 The Capitol

Washington, DC 20515

Dear Speaker Pelosi:

We are very concerned about the cost of extending the 2001 tax cuts for the top two tax brackets because any extension makes the projected \$1.3 trillion federal deficit for 2010 even more difficult to close. Extending these tax cuts will add another \$600 billion gap over the next ten years. We offer a compromise that will drive down the cost of extending the tax cuts and promote more effective job creation than the extension of tax cuts for the top two tax brackets.

We suggest extending the 2001 tax cuts for small business income subject to the top two tax brackets if the small businesses can certify they are manufacturing in the U.S., only hiring American citizens, and buying domestic content. We believe small businesses acting in the best interests of our nation should be rewarded. Companies that send jobs overseas or hire

temporary foreign workers in lieu of U.S. citizens can continue to do so, but they should not benefit from a costly tax cut extension during record deficits.

Small businesses would seek certification by meeting some common sense standards for the tax year including:

- the small business should be headquartered in the United States;
  
- manufacturing should be done in the United States;
  
- manufacturing uses at least 75% domestic content;
  
- the small business verifies its workers using E-Verify;
  
- the small business does not use any temporary Visas; and
  
- the small business has not outsourced any labor or manufacturing overseas.

Examples of the typical company that could receive a lower tax rate are:

- a software company based in the United States that does not outsource its programmers or use H-1B visas to bring cheaper foreign programmers to the U.S.;
  
- a bicycle manufacture that uses domestic content and assembles its products in the U.S.;

- a chicken producer that does not use H-2A visa workers;
  
- a solar panel installer that uses U.S. manufactured solar panels;
  
- a tanning salon that verifies its workers using E-Verify;
  
- a timber company does not hires H-2B visa forestry workers; and
  
- a call center based in the United States that does not outsource its employees.

These are examples of patriotic companies that boost our economy by employing U.S citizens and using domestic content. If we extend the upper tax brackets to anyone, small businesses that create American jobs and use American materials are the one who should benefit. The cost to do so would be minimal because only 2 to 3 percent of small businesses even pay taxes in the top two tax brackets, so a limited extension would have minimal impact to the deficit.

We are appreciative of your leadership and support in passing several “Make it in America” bills. We see this compromise as an extension of those values that Democrats can be proud of.

Sincerely,

PETER DEFAZIO, Member of Congress

MARCY KAPTUR, Member of Congress

