

frustration of why so close to the end of the year we haven't resolved these issues. We should have resolved them. We should come together, work together to get it done. But I want to point out to the people I represent in Maryland and to the people of this Nation that we have to get this done right. There is a lot at stake.

We have to make sure our country can grow, that we can create the jobs we need to be competitive in the future. We must make sure we deal with this budget crisis in a way that allows us to invest in education, in job training and in rebuilding our highways, our bridges, and our energy grids. We have to make sure we can compete as a nation. That is why so many of us have said we have to have a balanced approach to dealing with the fiscal cliff.

This morning, I listened to Speaker BOEHNER say the ball is in the President's court. I couldn't disagree more with the Speaker of the House. I think it is important to point out that since we have been working on trying to deal with this deficit issue, we have already agreed to over \$1 trillion in spending cuts—in discretionary domestic spending—in some of the most challenging areas that affect our most vulnerable people. We have implemented that, and this is since the recommendations of the Simpson-Bowles Commission came out. We took action and we imposed caps on discretionary domestic spending.

Our Federal workforce has been through years, a couple years of pay freezes. We have seen programs that have been cut back and the support they give to people who need help. We have already contributed on the spending side. Is it enough? No. Do we need to do more? Absolutely. But we have done that.

The next piece that must be done is the revenue piece. We can't have a balanced approach unless we have the revenues. So many of my colleagues have talked about this. Historically, our revenues are around 20 percent of our economy. They are now in the 15-percent range.

We have a way to do this. The Senate has come together on a way to do this. The Senate passed legislation that has been in the House of Representatives where Speaker BOEHNER is the Speaker of the House. It has been in the House now for months. What that legislation does, first, it gives predictability to the taxpayers of this country. It says the first \$250,000 of taxable income will be subject to the current tax rates and will not go back to the pre-Bush tax rates. That gives certainty to the taxpayers in this country.

I have heard people say: That affects 98 percent of the taxpayers in this country. You know what. It affects 100 percent of the taxpayers of this country. I wish to stress that. If we pass the bill that was sent by the Senate to the House that continues in January the current tax rates for those with taxable incomes up to \$250,000; yes, for the

typical taxpayer in Baltimore City earning \$20,000 to \$30,000 of income, they will save \$1,400 in taxes; and, yes, for a taxpayer earning \$40,000 to \$65,000 of taxable income, they will save \$2,000. But guess what. A person with \$250,000 of taxable income will save about \$7,000; and if they earn \$500,000 in taxable income, they will save that same \$7,000. If they earn \$1 million of taxable income, they will get that tax break also. It affects 100 percent of the taxpayers of this country.

What we are saying is we have to have some revenue in this equation. We understand that. Those who are the most well off, do they truly deserve larger tax breaks than that? I would suggest not.

It is not just the tax rates we sent over to the House of Representatives, we also corrected the marriage penalty so that wouldn't change on January 1, the child tax credit, and the AMT—the alternative minimum tax I mentioned earlier. As to the alternative minimum tax, if we don't correct that, tens of millions of Americans will pay extra taxes in the thousands of dollars starting January 1.

I have heard many debates on the floor of the Senate and in the House where no one wants that to happen. Then pass the bill we sent over from the Senate. If we do that, taxpayers don't have to worry about those rates going up and it gives them a little bit of confidence, hopefully, before Christmas, which would make the season a happier season for all.

This is a balanced approach. As I said before, we started with spending cuts. We have done that. The next step, Speaker BOEHNER has to deal with the revenue side. If the House passes the Senate bill, it provides about \$850 billion in revenue from not extending additional tax relief for those whose incomes are above \$250,000. I mentioned we already did over \$1 trillion of discretionary domestic spending cuts, which would give us \$850 billion of revenue, and that is not enough. We are going to need more revenue. It is not going to be easy to find. But by closing loopholes, we can get some additional revenues. We have all talked about tax reform. We can get some additional revenue from tax reform.

That brings us to additional savings, and we agree we can get additional savings. I have taken to the floor and talked about the fact that we are bringing our troops home from Afghanistan. I applaud the efforts of the chair to try to get those troops home sooner, and I agree with him. But our troops are coming home and our baseline budget reflects a much higher Active troop level than we need. It is called the overseas contingency accounts. We know there are savings there that can be achieved and we can use in that balanced approach to bring our budget under better control.

Just as we have gone through base realignment and closures in the United States, we believe we can do that

throughout the world and that can also save us some money in the military budget. So there are military savings that can be achieved.

Yes, we can and must achieve savings on the entitlement side. I was listening to my friend from Iowa talking about the cost of health care. I agree with him. Health care costs have gone up too dramatically in this country. We have to bring down the cost of health care. We started doing that with the Affordable Care Act by investing in prevention—preventing readmissions to hospitals and dealing with high-cost interventions. That will help us bring down the cost of health care. We have to do more in that regard. If we bring down the cost of health care, we save money in Medicare and Medicaid, and we save taxpayer costs, but we also help our economy. What a lot of us are concerned about is just trying to shift the cost to beneficiaries. That doesn't help our economy and that doesn't help solve the problem.

I take the floor now just to challenge Speaker BOEHNER and say to him it is time to act on the bill we sent over months ago. Let us take the next step and let us work together and develop a framework so our committees can work and achieve policy changes that can bring in the additional revenues we are going to need and the additional savings we know we can achieve. We can do that working together.

I started by saying there are many people in our communities who are frustrated we haven't gotten this done by now. I share that frustration. We should have gotten this done a long time ago. I agree with them. But let's now move this week with the House passing the Senate bill we sent them providing predictability for the taxpayers of this country going into this holiday season. Let's reassure them that next year their rates will not be increased, particularly in this fragile economy. Let's set up a framework where we can responsibly work to reduce health care costs—in greater amounts, I agree—reduce some military spending, and do what is right in a real balanced approach to get our budget in better balance so our economy will grow and create the jobs we need.

It is most important for us to have a climate where we can create more jobs and the type of jobs we want—invest in education, construction, et cetera. That is what we need to do. That is where we need to come together as Democrats and Republicans to get the job done. I urge my colleagues, let's work and get this done as soon as possible.

#### EXTENSION OF MORNING BUSINESS

Mr. CARDIN. Mr. President, I ask unanimous consent that morning business be extended until 4 p.m., with all other provisions of the previous order remaining in effect.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CARDIN. Mr. President, I see my distinguished colleague from Utah is on the floor, so I yield the floor and look forward to listening to his comments.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. I thank my good colleague, and I enjoyed listening to his comments.

#### PROPOSED SMALL BUSINESS TAX HIKES

Mr. HATCH. Mr. President, one thing people admire about firefighters is that when others are running away from a burning building, they run toward it. Conversely, while most people prudently avoid cliffs, President Obama and the congressional Democratic leadership are racing to go over the fiscal cliff "Thelma and Louise" style.

Absent action by Congress and leadership by the President, at the end of the year almost every Federal income tax payer in America will see an increase in their rates. Some will see a rate increase of 9 percent, while others will see a rate increase of 87 percent.

Although not often discussed—and although the President likes to avoid discussing it—the impact of these rate hikes will have a uniquely damaging impact on small businesses and the jobs they provide. Small businesses are the engine of job creation in our economy, and the rate hikes the President insists on will hit them hard, undermining economic growth and hampering innovation and job creation. Whether we go over the fiscal cliff or whether the President gets his way on raising rates, taxes will go up significantly on small businesses.

The President would like us to think that raising these taxes is no big deal; it will just hit people who already have a lot of money and who can "afford to give a little more." As President Obama put it in using his own finances as an example, absent tax increases, "I'm able to keep hundreds of thousands of dollars in additional income that I don't need. . . ."

With due respect, this is an amazingly naive understanding of tax rates and their impact on economic growth. It assumes that all the people hit by these higher tax rates are wealthy wage earners, CEOs, and financiers. It completely negates the impact on small business income that will be subject to these individual rate hikes.

Here we are at Christmastime and the Democrats want Santa to put coal in the socks of all the small businesspeople. Even President Obama acknowledges that two-thirds of the new jobs in our economy are created by small businesses. The vast majority of small businesses are organized as what we call flowthrough business entities, such as partnerships, S corporations, limited liability companies, and sole proprietorships. In other words, these

small businesses pay the individual income tax rates.

Because the vast majority of small businesses are flowthrough business entities, the income from these businesses flows through the business directly onto the small business owners' individual tax returns. Therefore, any increase in individuals' tax rates means those small businesses get hit with a tax increase. This tax increase lands on those small business owners even if they do not take one penny out of their business's profits and they put it all back in to be able to hire more people or to get more inventory or whatever that helps their business along. Even if a small business reinvests all its income to hire more workers, pay the workers they already have, or purchase equipment, they will still get hit with this looming tax hike.

The President and those in his party who support these rate hikes owe it to the American people to explain why their proposal will not adversely impact small businesses and those who depend on them for their livelihoods because the data suggests the impact will be severe. There is no question about that. Why can't we get the real facts here?

First, according to the Congressional Budget Office, 80 percent of the revenue loss from extending the 2001 and 2003 tax relief provisions is found among those making less than \$200,000 per year if single and \$250,000 if married—the President's threshold.

Second, the nonpartisan official scorekeeper for Congress on tax issues, the Joint Committee on Taxation, tells us that 53 percent of all flowthrough business income would be subject to the President's proposed tax hikes. This is our Joint Committee on Taxation, which is a nonpartisan committee: 53 percent of all flowthrough business income is subject to tax hikes on the top two rates.

Given the agreed-upon importance of small businesses to our economic recovery, it is a mystery to me why the President and his Democratic allies would pursue tax increases on these job creators. We simply cannot afford to raise taxes on over half of all this small business income.

President Obama and congressional Democrats defend their plan by claiming that only 3 percent of small businesses would get hit with this tax increase, so we should not fear raising taxes on them. However, they are misreading the Joint Committee on Taxation's letter on this issue. That letter only talks about the percentage of taxpayers affected, not the percentage of businesses affected.

For instance, if 10 people own one business, President Obama and congressional Democrats count that one business as 10 businesses when they make their statement about a small percentage of businesses affected. Obviously, that is not the right way to look at this. The truth is, they don't know what percentage of businesses they are

proposing to raise taxes on and, what is worse, they don't seem to care.

The IRS publishes its Statistics of Income Data on its Web site providing the most recent available tax data, which is currently tax year 2010. According to that official IRS data, when looking at the entire United States, 21 percent of owners of S corporations and partnerships, including limited liability companies, make \$200,000 or more.

Since President Obama's proposed rate hikes occur on singles making \$200,000 or more and married couples making \$250,000 or more, the vast majority of this 21 percent would get hit with a tax increase. The only portion of this 21 percent of S corporation and partnership owners who would not be hit with a tax hike are those who are married and make between \$200,000 and \$250,000.

According to a 2011 Ernst & Young study entitled "The Flow-Through Business Sector and Tax Reform," citing 2007 data from the U.S. Census Bureau, over 44 million workers employed by S corporations and partnerships, including limited liability companies—over 60 percent of the 69 million employees who work for flowthrough businesses—are going to get hurt. So almost 21 percent of S corporations and partnership owners will be subject to the tax hikes on the top two rates, and over 64 percent of the workers in flowthrough businesses are found in these types of businesses. This is before we even consider the impact on owners of sole proprietorships, which employ the remaining 36 percent of employees in the flowthrough sector.

When the Federal Government takes an additional 5 percent of the money that these small businesses earn, the effects are clear. Far from this being—as the President suggests—money business owners don't need, it will, in fact, lead to lost jobs, stagnant or reduced wages, and a decrease in investment.

The President campaigned on raising the top rates, and he seems bent on doing so. But he owes it to the American families to come clean about the impact these hikes will have on the economy and on jobs. He should come clean and admit his desire for redistribution trumps all other considerations.

The debate over the fiscal cliff has been quite discouraging for me. The President knows why it is that Republicans support full extension of current tax policy, and it is not because we are trying to defend the so-called rich. It is because we have a genuine and empirically grounded concern about the impact of marginal rate hikes on small businesses, the jobs they create, and the men, women, and families who depend on them. I couldn't care less about the truly rich.

Instead of acknowledging that marginal rate hikes would have an outsized impact on small businesses, the President has decided instead to demagog this issue, paint Republicans as out of touch, and put political points ahead of