WASHINGTON, D.C. – U.S. Rep. Harry Mitchell and Rep. Christopher Shays (R-Conn.) today joined forces to introduce bipartisan legislation to permanently reduce capital gains and estate taxes.

“Key tax cuts are set to expire, and that ought to concern Democrats as well as Republicans,” said Mitchell. “We need to get beyond partisanship and get rational about our nation’s tax policy. Raising capital gains taxes discourages investment and raising the estate tax hurts families who own homes and small businesses. That just doesn’t make sense. I appreciate Congressman Shays’ strong leadership and partnership on this important issue.”

“The fact is our economy averaged a 3.4 percent growth between 2004 and 2006 after we reduced the capital gains tax rate in 2003,” said Shays. “This bill will ensure that middle class families, retiring Baby Boomers, and small business owners are not saddled with a tax increase on their savings and investments. I am grateful for the work of Congressman Harry Mitchell on this bill, and for his leadership to take a bipartisan approach to provide tax relief to millions of Americans.”

Permanently Reducing the Capital Gains Tax

H.R. 3170, the Mitchell-Shays Capital Gains and Estate Tax Relief Act, permanently reduces the capital gains tax to 15 percent. In 2003, Congress temporarily cut the capital gains rate from 20 percent to 15 percent. The temporary cut is scheduled to expire in 2011, and if it is allowed to expire, Americans would experience a 33 percent increase in the capital gains tax.

Permanently reducing the capital gains tax is increasingly important. More Americans own stock than ever before, and increasingly invest in stock for retirement. The Federal Reserve recently reported that the value of capital gains increased by more than 80 percent from 1998 to 2004, fueled by more middle-income taxpayers investing their savings. Today, more than half of Americans own stock, up from less than 20 percent in 1983. [Sources: http://www.federalreserve.gov/pubs/oss/oss2/2004/bull0206.pdf
,
http://www.ici.org/pdf/rpt_05_equity_owners.pdf
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Permanently Reducing the Estate Tax

Mitchell-Shays would also permanently reduce the estate tax exemption. Unless Congress acts, the estate tax exemption, presently $2 million, will shrink back to $1 million in 2011, a change that would adversely impact middle class families.

The Mitchell-Shays bill establishes an automatic increase in the exemption, indexed for inflation, beginning with $3.75 million in 2010. It raises the exemption to $5 million by 2015 and then indexes the exemption for inflation thereafter. Furthermore, Mitchell-Shays eliminates the flat 55 percent tax rate and creates two lower estate tax rate brackets: 15 percent for estates valued below $25 million, and 30 percent for estates valued above $25 million.

Earlier this year, Democrats passed a budget resolution that allowed the 2001 and 2003 tax cuts to expire. Mitchell voted against the resolution, arguing that Congress should look at extending the estate and capital gains tax cuts that are set to expire in 2010.