

Candidates Divided on Extension of Payroll-Tax Cuts

Written by Hannah Hess
Monday, 29 August 2011 07:56

Division on tax policy provides an opportunity for a clustered field of Republican presidential candidates, who often sound identical on social and economic issues, to differentiate themselves.

During his recent swing through the Midwest, President Barack Obama urged Congress to extend a temporary payroll-tax break that allows the average American worker to keep \$1,000 of a \$50,000 salary rather than paying that money in taxes. Obama wants to extend for another 12 months the 2-percent tax cut that became effective on January 1.

Both Texas U.S. Representative Ron Paul and former U.S. House Speaker Newt Gingrich agree with the extension, their campaigns confirmed to IowaPolitics.com last week. They support keeping the tax on workers' wages at a 4.2-percent rate, rather than the normal 6.2 percent rate, as a way to keep more money in the pockets of middle-income Americans.

But former Massachusetts Governor Mitt Romney and Minnesota U.S. Representative Michele Bachmann approach the payroll-tax cut differently, with an eye toward job creation, deficit reduction, and businesses.

"I'm all in favor of keeping taxes down and keeping burdens down on American businesses and employers," Romney recently told Fox News' Neil Cavuto when asked if he wanted to extend the cut. "I want employers and ... entrepreneurs to have every incentive to open businesses and to start creating jobs."

Employers have continued to pay a 6.2-percent rate on workers' wages as part of the tax designated for Social Security. The tax cut applies only to workers' contributions.

Romney's campaign declined to comment for the record last week on whether the business-minded candidate supports extending the tax cut for workers.

Bachmann campaign press secretary Alice Stewart told IowaPolitics.com that like many

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Republicans in Congress, the Minnesota congresswoman believes that temporary tax cuts add to the nation's \$14-trillion debt.

Bachmann voted against the bill that created the temporary payroll-tax cut on December 16. The Tax Relief, Unemployment Insurance Reauthorization, & Job Creation Act cleared the U.S. House by a vote of 277 to 144. The bill also included a two-year extension of tax cuts enacted under President George W. Bush, a two-year estate-tax cut, and a 13-month extension of federal unemployment benefits.

Bachmann instead supports "long-term serious cuts" such as lowering income-tax rates or the corporate-tax rate as a way to "stimulate job growth and thus lead to tax revenue," Stewart said.

The 2-percent payroll-tax cut in question applies on earned income of less than \$106,800. It primarily benefits the 46 percent of Americans who owe no federal income tax but contribute payroll taxes on every paycheck, and will cost the federal government \$120 billion in 2011.

Paul supports extending the tax cuts as a way to stimulate the economy by allowing American workers to hold on to more of their paychecks, said Iowa campaign chair Drew Ivers.

Unlike Bachmann, Paul voted for the bipartisan tax plan in 2010.

"The key is to focus on reducing spending – to shrink the size and scope of government in a general way, in a progressive way – and phase into less and less government," Ivers said.

Gingrich also agrees with maintaining the cuts, campaign spokesperson R.C. Hammond told IowaPolitics.com.

"We support keeping the tax relief in place," Hammond said.

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Supporting the payroll-tax-cut extension aligns with the views of conservative leaders in Iowa, including Polk County GOP Chair Kevin McLaughlin. McLaughlin serves as president and founder of Iowans for Discounted Taxes, a not-for-profit that advocates for lower tax rates.

“They can make it permanent as far as I’m concerned,” said McLaughlin, who has lobbied for state property- and income-tax relief. “If you really want to get the economy up and running, you want to discount the income taxes, too, so that all the consumers that use those businesses have more to spend.”

Iowa Democratic Party Chair Sue Dvorsky characterized refusal to extend the cuts as a “tax hike on the middle class.” During a conference call with reporters last week, she called on Republican presidential candidates to stop “flip-flopping” on the tax-cut issue and give voters a final answer on what kind of tax policy they support.

Congress likely will address the issue when they return to Capitol Hill after the Labor Day weekend.

Multiple calls to Texas Governor Rick Perry, a front-runner in the race according to recent Iowa and national polls, were not returned on August 25. His position on the payroll-tax cuts is unclear.

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