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Mr. DREIER. Mr. Speaker, our position as the world's leading economy is founded on the principle of entrepreneurship. This spirit inspires us to seek new and innovative products and services which enhance Americans' lives by exploring bold business ventures.

After two failed attempts to start an automobile manufacturing company, in 1903, Henry Ford and 11 business associates raised \$28,000 (nearly \$600,000 in today's dollars) to establish the Ford Motor Company, ushering in the age of modern transportation. This venture not only enhanced the free flow of products and people across the nation, but also spawned a revolutionary assembly-line production process, increasing manufacturing productivity and lowering prices for commercial and consumer goods for the American people. In the process, millions of new jobs were created in other new fields, such as part manufacturers, service repair technicians, salesmen, and customer service representatives.

Venture capital also played a significant role in the boom of entrepreneurship that contributed to the unprecedented economic growth of the 1990s. According to the National Venture Capital Association (NVCA), venture capitalists raised over \$250 billion between 1994 and 2000 for investment in start-up companies. This frenzied business activity helped spur Initial Public Offerings (IPOs) over the same period worth over \$84 billion, boosting the value of financial markets. One major product of this tremendous financing activity was the commercialization of the Internet, which continues to have a significant impact on the U.S. economy. The Internet allows people to connect from all over the world, enhancing the free flow of products, services and most importantly, information. This technological revolution also created hundreds of thousands of American jobs, such as software developers, information technology technicians, salesmen and customer service representatives, many of which did not exist before.

The start-up capital raised by these entrepreneurs made innovations such as the automobile and the Internet possible and played a key role in transforming the U.S. economic and social landscape. So what's next on the horizon? What new industry will revolutionize the U.S. economy?

If we ever intend to find out, it is imperative that we continue to encourage greater investment spending in the economy. In 2003, President Bush and the Congress took an important step forward by reducing the capital gains tax rate for individuals to 15 percent. Since then, the economy has grown at an average a rate of 4.5 percent, business investment has increased by \$200 billion, financial markets are up \$2 trillion and over 3 million new jobs have been created. However, this rate is scheduled to expire in just four short years.

Unfortunately, the complex, confusing and temporary capital gains tax rates create a lock-in effect, a barrier which discourages investment and entrepreneurship, stifling job creation. That is why I am introducing the Investment Tax Simplification Act (ITSA) of 2005, which would help to knock down this barrier and enhance the free flow of investment capital in the economy by establishing a permanent and simplified maximum 15 percent capital gains tax for individuals and corporations. In addition, the capital gains tax would be eliminated for individuals in the 10 and 15 percent tax brackets.

Entrepreneurial small businesses, the driving force of growth in our economy, rely on access to capital to innovate and expand. According to the NVCA, there is over \$70 billion in venture capital funds sitting on the sidelines waiting for investment opportunities. Establishing a simplified 15 percent capital gains tax rate for individuals and corporations will help get that capital into the economy, turn innovative ideas into reality, create new jobs for American workers and produce new goods and services for all consumers. The NVCA estimates that between 2000 and 2003, venture capital funded companies created more than 600,000 new jobs for American workers. Many of these new, high paying jobs are in innovative, cutting edge industries, such as biomedical and information technologies that rely on private investing and financing.

Enacting a permanent and simplified capital gains tax for individuals and corporations would also have an appreciable impact on the Investor Class, the more than 50 percent of Americans who own assets dependent on financial markets. The ITSA would bolster the investment holdings of the Investor Class, helping them pay for their children's education, buy their first home or plan for retirement. And eliminating the capital gains tax for lower income Americans would provide them with greater opportunities to attain financial stability and build wealth.

In fact, the Congressional Budget Office, in its February 2005 "Budget Options" publication, recognizes the importance of making the 15 percent capital gains tax rate permanent. It states "Because the lower rates expire at the end of 2008, investments made after that time will not benefit from them at all, and investments made between 2003 and 2008 will benefit only partially because some of their returns will be earned after 2008. Hence many of the gains in efficiency that would result from the effects of the lower rates on the allocation of investment will not be realized unless [the rates] are perceived to be permanent."

Reducing the capital gains tax is also a proven winner at increasing revenues to the Federal Treasury. After the 1997 capital gains tax cut from 28 percent to 20 percent, increased economic activity resulted in an increase in capital gains revenues, from \$54 billion in 1996 to \$118 billion in 2000, a gain of nearly 120 percent. And as a result of the 2003 capital gains tax cut and other tax relief provisions, last year the Federal Treasury realized \$109 billion in unanticipated revenues.

Mr. Speaker, I encourage all of my colleagues to support the Investment Tax Simplification Act of 2005. Enhancing the free flow of capital in the economy will stimulate innovation and entrepreneurship, providing enormous benefit for the American people.