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United States Senate

Senator Tom Coburn, MD

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COMMITTEE ON THE JUDICIARY

RANKING MEMBER
SUBCOMMITTEE ON PRIVACY, TECHNOLOGY, AND THE LAW

December 10, 2012

President Barack H. Obama
The White House
1600 Pennsylvania
Washington, DC 20500

Dear President Obama,

Most Americans view Washington as broken, incapable of solving even the simplest of problems, much less the debt crisis threatening the very future of our nation. They have good reasons to believe so.

However, while serving on the National Commission on Fiscal Responsibility and Reform, I was encouraged members of both political parties were willing to make tough choices and support a plan that put the future of our nation before partisan politics. While the proposal was not perfect, it was balanced. It would have reduced the deficit by $4.1 trillion over a decade by reforming entitlements and the tax code, at the same time, and cutting lower priority and unnecessary spending, including defense. Over the past two years, I have introduced a number of bills to reduce the deficit, each with a Democrat co-sponsor, and offered a series of amendments to save taxpayers billions of dollars that were approved overwhelmingly—in some cases unanimously—by the Senate. Along with Senators Mark Udall and Jon Tester, for example, I introduced a bill (S. 310) and offered an amendment (S. Amdt. 281) —that passed 100 to zero to end unemployment payments to millionaires.

The will to solve our nation's fiscal problems exists, but missing is the courageous leadership needed to forge a bipartisan solution. Addressing the looming fiscal cliff provides the latest opportunity to demonstrate we are capable of putting our differences aside to do what is best for the nation.

Letting all of the 2001 and 2003 tax rates expire would raise taxes on every American, not just the wealthy, creating a financial calamity that could trigger another recession before we have even recovered from the current economic downturn.

Before any American is asked to pay a penny more in taxes we must first make a good faith effort to clean up the budget, including the tax code, by closing loopholes and eliminating tax giveaways. It would be unconscionable to tax mom and pop small businesses on Main Street while extending tax giveaways for lobbyists and special interests on K Street. Washington politicians are threatening to shove hardworking Americans over the fiscal cliff to keep the tax code favor factory for the well-connected open for business.

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Please urge Congress not to extend the dozens of expiring tax breaks for some of the country's biggest corporations and giveaways for special interest groups, from banks on Wall Street to movie producers on Sunset Boulevard.

The Finance Committee recently approved the extension of $72 billion of tax benefits, including New Markets Tax Credits for big banks, economic development tax credits for American Samoa businesses, special allowances for NASCAR sports complexes, and tax credits for maintaining railroad tracks, buying electric vehicles, and wind energy production companies.

Attached is a list of tax earmarks set to expire at the end of the year, that if allowed to do so, could save $18.5 billion without raising tax rates on any hard working Americans. Please do not sign into law any legislation that extends these tax earmarks. Beyond these expiring tax earmarks, there are plenty of other loopholes and giveaways in that tax code that could be axed, which could reduce the deficit by as much as $100 billion over ten years.

The first budgetary choice Washington should make to address our deficit is to eliminate these and other carve-outs in the tax code, refusing to include them as part of the end of year tax package. Doing so will simplify the code while making it fairer and flatter and will reduce the deficit without hiking rates on hard working Americans.

Sincerely,

Tom Coburn

Tom A. Coburn, M.D.
United States Senate

EXPIRING TAX EARMARKS: $18 BILLION IN DEFICIT REDUCTION

American Samoa Economic Development Credit, a credit offered to certain domestic corporations operating in American Samoa intended to offset their U.S. tax liability on income earned from active business operations and other business activities. ($62 million)

Seven Year Recovery Period for Motorsports Entertainment Complexes provides a special cost recovery period for property used for land and facility improvements at car racing complexes. ($78 million)

Indian Employment Tax Credit, a credit for employers of qualified employees that work and live on or near and Indian reservation. ($119 million)

New Markets Tax Credit is a complicated tax credit largely directed to big banks and financial institutions, which in turn provide investment capital for economic development projects in low-income communities, such as hotels, real estate complexes, fast food restaurants and car dealerships, among others. ($1.79 billion)

Credit for Expenditures for Maintaining Railroad Tracks provides a tax credit for short-line railroads to help offset the cost of maintaining railroad tracks they own or lease. ($331 million)

Qualified Zone Academy Bonds are bonds used to finance renovations, equipment purchases, train teachers, and other expenses incurred in certain areas of the country. ($235 million)

Special Expensing for Film and Television Production allows film and television producers to expense the first $15 million of movie production costs incurred in the United States. ($248 million)

New York Liberty Zone Tax Incentives are tax credits largely directed to big business and development companies that were intended to stimulate the redevelopment of downtown New York City after 9/11 but continue to be extended by Congress more than a decade later. ($60 million)

Limit on Cover Over of Rum Excise Tax Revenues to Puerto Rico and the Virgin Islands, which provides a per gallon payment to cover over the cost of an excise tax on certain alcoholic beverages produced in or imported into the United States. ($222 million)

Investment Tax Credit in Lieu of Production Tax Credit, are available for facilities producing electricity from solar resources. Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities are eligible for a production tax credit for electricity produced over a 10 year period. ($135 million)

Renewable Electricity Production Tax Credit, 2.2 cent per kilowatt hour tax credit for wind electricity produced for a 10 year period from a wind facility placed-in-service by the end of 2012. ($12.1 billion)

Alternative Fuel Vehicle Refueling Property Tax Credit, a 30 percent investment tax credit for alternative vehicle refueling property. ($44 million)

Cellulosic Biofuels Producer Tax Credit, allowing cellulosic biofuel facilities to expense 50 percent of their eligible capital costs in the first year for facilities placed-in-service by the end of 2012. ($59 million)

Indian Coal Production Tax Credit, production tax credit equivalent to $2 per ton for coal produced on land owned by an Indian tribe. ($1 million)

Incentives for Biodiesel and Renewable Diesel, a $1 per gallon tax credit for biodiesel, as well as a small agri-biodiesel producer credit of 10 cents per gallon. ($2.1 billion)

Credit for Construction of New Energy Efficient Homes, a credit for the construction of new energy-efficient homes that achieve a 30-50 percent reduction in heating and cooling energy consumption relative to a comparable dwelling constructed per the standards of the 2003 International Energy Conservation Code. ($154 million)

Credit for Energy Efficient Appliances, a tax credit for large companies and US based manufacturers of energy efficient clothes washers, dishwashers and refrigerators/ ($650 million)

Plug-In Electric Motorcycles and Highway Vehicles, an individual income tax credit for highway-capable plug-in motorcycles and 3-wheeled vehicles. The proposal replaces a 10 percent tax credit that expired at the end of 2011 for plug-in electric motorcycles, 3-wheeled vehicles, and other vehicles. ($7 million).