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**Annual meeting  
Sat., Sept. 18  
9:30 a.m. – 3 p.m.  
Montgomery**

**St. John's A.M.E. Church,  
807 Madison Ave.  
Montgomery, AL 36104**

#### **DIRECTIONS**

##### **From north Alabama via I-65:**

1. Take the Clay St. exit (172).
2. Turn SLIGHT LEFT onto Dickerson St.
3. Turn LEFT onto Herron St.
4. Herron St. becomes Bibb St.
5. Bibb becomes Madison Ave.
6. St. John's at 807 Madison is on the LEFT.

##### **From south Alabama via I-65:**

1. Take the Herron St. exit (172).
2. Herron becomes Bibb St.
3. Bibb becomes Madison Ave.
4. St. John's at 807 Madison is on the LEFT.

##### **From east Alabama via I-85:**

1. Take the Union St. exit (1).
2. Follow Union to Madison Ave.
3. Turn RIGHT on Madison.
4. St. John's at 807 Madison is on the LEFT.

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# Report

*This newsletter made possible by the members of Arise Citizens' Policy Project*  
Vol. 13, No. 6

August 17, 2010

## **Annual Meeting Sept. 18th**

# **Members to set 2011 priorities**

**At the ACPP annual meeting on Sept. 18** (*see calendar*), members will have two new issues to consider as they choose policy goals for the coming year. The new proposals (a permanent equal pay commission and a 10-year plan to prevent and end chronic homelessness) will vie with last year's issues (Hurricane Katrina relief, worker savings incentives, constitutional reform, a death penalty moratorium, an affordable housing trust fund and public transportation) for the five annual slots on the ACPP agenda. Two of our seven issues (state tax reform and adequate state budgets for human services) are permanent priorities. The new proposals appear below, followed by the standing issues.

### **Equal Pay Commission**

*By Jo Ann Cummings, President, American Association of University Women (AAUW) of Alabama and appointee, Equal Pay Commission 2010, and Janet Smith, President, AAUW Montgomery Branch*

In Alabama, there are disparities in pay between men and women and between minorities and non-minorities that cannot be explained away by differences in education, experience or responsibilities. We need to establish an Equal Pay Commission to study these disparities and recommend solutions.

Based on year-round, full-time median salaries for 2007, Alabama women earned \$29,300 vs. \$40,500 for Alabama men. This is a wage gap of 28 percent (as compared to a 22 percent gap nationally). African American females earn 55 percent, and Hispanic women earn 57 percent, of the wages White men earn in Alabama.

Most people in Alabama work because they have to, to support themselves and their families. Female-headed households suffer disproportionately from low wages. More than one-third of Alabama's single female heads of households with children are living at or below the federal poverty threshold. When hard-working people are not paid for the full value of their work, the whole family, community and state suffers.

Thirty-nine other states have passed equal pay laws. State Rep. Laura Hall has been introducing legislation to establish an Equal Pay Commission for many years. For the first several years, Rep. Hall submitted bills to establish this commission, but she had little support, and the bills never made it out of committee for approval by either the House or Senate. In 2009, Rep. Hall and Sen. Vivian Figures introduced resolutions (HR 797, SJR 123), and AAUW lobbied to provide support. Both were approved on the last session day and became Act 2009-806. However, little action was taken to seat the commission (only three of nine appointments were made), and the commission did not meet before expiration of its term.

In 2010, resolutions (HR 147, HJR 155) were introduced to reauthorize the commission. HR 147 passed in the House, but HJR 155 never made it out of the Senate committee. Therefore, the commission was not reauthorized in 2010. We believe we need to develop more Senate support to pass future legislation.

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## A few words from Kimble —

**Is this election year unpredictable, or what?** Not only do we have two unlikely gubernatorial candidates, but they're relatively unlabeled on many issues. (Dr. Robert Bentley is one of the few legislators who has voted both for and against the grocery tax bill.)

**We have to operate above and below the fray.** Our "untax groceries" bumper sticker message builds awareness and momentum, but just about every candidate can agree with it. Ask how they would pay for it and world views diverge. Some wouldn't pay for it at all; they favor a straight tax cut, which is irresponsible in a time of teacher layoffs. As we've seen, most legislators and two-thirds of voters think it's time to end a huge tax deduction for the top 4 percent, paying the bill for untaxing groceries. Bottom line: Slogans aren't enough. Voters and legislators need to realize that high-income Alabamians get bigger tax breaks than the rest of us.

Since people talk about public policy more during election campaigns, let's watch for opportunities to offer an informed perspective on budgets, taxes and economic pressures on low-income people. Sure, if you get the chance, ask a candidate a question. But you also can write letters to the editor, sign up supporters, recruit fans for our Facebook page and show them the way to [untaxgroceries.org](http://untaxgroceries.org).

**We need your voice and your support.** Our team is now smaller after losing policy analyst Anna Blair and organizer Zack Carter, and we can't afford to replace them. That means members and staff alike must pitch in and take responsibility for advocacy. Your dollars help keep our voice strong in challenging times. Thank you!

Yours in hope,

*Kimble*

## Equal Pay Commission

[Continued from Page 1]

Though equal and fair pay has been addressed by past federal legislation, there are still gaps affecting women and minorities, allowing businesses to continue pay discrimination. The career expectations for minorities, girls and young women and the attitudes of society also must change so that all of our citizens can reach their full earnings potential.

Opposition will argue that government should not interfere and that, in these economic times, employers cannot afford to adjust pay. But with women now making up half of the workforce, their families bear the burden when they are not paid equitably.

ACPP represents a broad array of low-income individuals in our state who continue to suffer the effects on their salaries due to discrimination and inequitable pay policies based on their gender or race. If an Equal Pay Commission is established, then these problems can be studied, data collected and recommendations made.

We need a bill submitted to the Legislature to establish a more permanent commission, so that the commission cannot be dissolved until its work is completed. As a recognized representative of the people, ACPP has the resources and lobbying power to get a bill passed. If ACPP supports this objective, then we can enact a bill that could make a huge difference for members and low-income citizens throughout our state.

### A 10-year plan to prevent and end homelessness in Alabama

*By William A. Boyd III, Program Coordinator/  
Project Director, Birmingham Coalition for the Homeless*

Homelessness surged alarmingly during the 1980s due to severe budget cuts in federal housing and supportive programs that removed safety nets for individuals and families on the edge of poverty, plus a host of other factors. In the Birmingham and Jefferson County area,

homelessness grew 145 percent from 1987 to 2005. Estimates of the number of people who are homeless in Alabama on a given night range between 5,000 and 8,000.

A chronically homeless person is an individual who (1) has been continuously homeless for one year or more, or has had at least four episodes of homelessness in the past three years, and (2) has a disabling condition — that is, a serious mental illness, a diagnosable substance use disorder, a developmental disability, or a chronic physical illness or disability.

The primary sources of funding in Alabama for homelessness are U.S. Department of Housing and Urban Development (HUD) grants to community programs making up what HUD calls the Continuum of Care. HUD funding in Alabama includes the Supportive Housing Program (SHP) that promotes the development of housing and services to assist homeless persons to transition to housing and self-sufficiency.

The Governor's Statewide Interagency Council on Homelessness simply gathers, disseminates and regurgitates existing data and statistics on homelessness, the economic strain and impact on our economy, and the need to do something, yet fails to address the implementation of existing 10-year plans (proven to be successful in other areas of the country) through dedicated funding.

Our goal is to ensure that all people living in our community have appropriate, affordable roofs over their heads, and access to services that will help the chronically homeless do so.

ACPP has in previous years called for "adequate state budgets." Addressing the implementation (funding) of a 10-year plan (Birmingham has one) to prevent and end chronic homelessness further underscores our commitment to fairer state policies toward low-income Alabamians.

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## Current Arise priorities

### Permanent issues:

#### **Tax reform**

Alabama's tax system is upside-down, requiring low- and middle-income people to pay twice the share of their income in state and local taxes that higher-income people do. Alabama also is one of only two states with no tax break on groceries. Even though Alabama has some of the nation's lowest taxes per capita, low- and middle-income people account for a disproportionately large share of those tax revenues.

ACPP pushed hard in 2010 to bring Alabama's regressive tax system closer to balance by removing the state sales tax on groceries and over-the-counter medicines. Proposed legislation would have replaced the revenue by capping an income-tax deduction for the top 4 percent of taxpayers. The bill would have cut taxes for 96 percent of Alabamians, including all couples making up to \$200,000 and all singles making up to \$100,000. The measure would have protected education funding. It also would have helped small businesses by pumping \$400 million into the retail economy. The bill lost on a House procedural vote in 2010, but the sponsor said he will try again in 2011.

#### **Adequate state budgets**

Alabama will enter fiscal year (FY) 2011 with yet another pair of tight state budgets after consecutive years of budget cuts caused by falling revenues. The cuts already have forced double-digit tuition increases at several universities, longer waiting lists for community mental health services, a state employee hiring freeze and higher health insurance costs for state workers. As federal assistance dries up and revenues continue to slump, layoffs and even deeper service cuts may be ahead for Alabama.

The FY 2011 Education Trust Fund (ETF) budget will protect all state-funded teacher jobs but will not provide enough money to buy classroom supplies or replace most textbooks. Next year's General Fund budget is designed to prevent major cuts to programs like Medicaid and ALL Kids, but a \$64 million hole has opened up because Congress passed only two-thirds of the additional Medicaid assistance that lawmakers built into the budget. And the two budgets could face a combined \$650 million shortfall in FY 2012 after money from the American Recovery and Reinvestment Act (ARRA) runs out. The budget situation will force Alabamians to choose next year whether to keep cutting public services or take a more balanced approach, combining spending cuts with new revenue.

### Issues proposed for renewal:

#### **Moratorium on executions**

In Alabama, money and race play a role in determining who ends up on death row. ACPP supports a moratorium requiring Alabama to halt executions for three years while experts review the system's handling of due process, indigent defense and the risks of wrongful convictions. In 2010, several bills constraining executions were introduced but didn't get much traction. However, a House subcommittee held a series of productive hearings on the moratorium bill, suggesting the possibility of new inroads on indigent defense in 2011. Though legislative sponsors are expected to bring their bills again next year, approval of a moratorium by the Legislature in 2011 appears unlikely.

#### **Constitutional reform**

Alabama's 1901 constitution gives the Legislature too much power at the expense of local governments. Without a new constitution, citizens continue to be denied the right to make decisions about local issues affecting their

communities. Many of Alabama's most pressing problems are embedded in the current constitution, from our inadequate public transportation to our upside-down tax system. ACPP supports the creation of a new constitution. Legislation calling for a constitutional convention was introduced last session but failed to come up for debate. The convention proposal retains some support at the State House. If it passed the Legislature, the entire state would get a chance to vote on whether to convene a convention. Proposals for selecting convention delegates vary. Some reformers would prefer to let the Legislature rewrite the constitution article by article. Prospects for legislative approval of a new constitution remain remote for 2011.

#### **Katrina relief**

The 2005 hurricane displaced hundreds of Alabama families. Many still have not rebuilt their homes to pre-storm levels, in part because the federal aid for which they qualified has been exhausted. Effective recovery requires a full assessment of unmet needs in Mobile County and distribution of adequate funds to help survivors rebuild their lives. Whereas most ACPP issues focus on State House advocacy in Montgomery, ACPP's work on Katrina relief has concentrated on securing federal appropriations, with some follow-up to pressure local government to distribute aid. With the hurricane five years in the past and current attention focused on the ecological and economic consequences of the BP oil disaster, further policy action on Hurricane Katrina rebuilding will be an uphill struggle.

#### **Worker savings incentives**

Worker savings incentives can help low-income people save money for education, housing or entrepreneurship. Individual Development Accounts (IDAs) have proved to be an effective tool in assisting low- and

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## Worker savings incentives

*[Continued from Page 3]*

moderate-income people to acquire assets that otherwise would be unavailable to them. The proposed bill would allow state funds to be used to match individual savings up to \$2,000 (a federal match brings the total to a maximum of \$6,000 per participant) for asset acquisition. A major recommendation of the House Task Force on Poverty, the IDA bill was passed by the Legislature in 2009 but was pocket vetoed by Gov. Bob Riley. A new version, with input from the governor's policy team, is likely to pass in 2011.

## Housing Trust Fund

Alabama has an estimated shortage of 45,000 affordable housing units. Thirty-eight states and thousands of local governments have found housing trust funds to be an effective resource in addressing housing across the country. In 2008, a legislative task force recommended creation of the Alabama Affordable Housing Trust Fund. The legislation would allow state funds to be allocated to the trust fund to address a number of housing needs, from rehabilitation to home acquisition, with special emphasis on serving special population groups, such as people with disabilities. Introduced late in the 2009 session, the bill failed to see action. In 2010, the measure passed the House unanimously but failed to see action in the Senate. The bill will likely be a priority of the Commission to Reduce Poverty in the 2011 session.

### **Endorsement:**

#### **Public transportation**

Alabama is one of only four states in the nation that devote zero state dollars to public transportation. Existing public transit options are a patchwork of poorly funded local systems (occasionally supplemented with federal funds). Bus routes are sketchy (and mostly limited to urban areas), and rail options are non-existent.

Alabama's near-total dependence on automobiles has led to urban sprawl, clogged roads, decreased air quality, isolation of rural areas, and increased racial and economic segregation. For low-income Alabamians, seniors and people with disabilities, lack of mobility limits access to medical care, legal services, employment and other vital connections. Road builders, long a powerful influence at the State House, have repeatedly blocked efforts to remove Alabama's constitutional prohibition on spending gasoline tax revenues for public transit. Advocates are exploring new directions for the coming year.

## IRS action hinders predatory loans

*By Stephen Stetson, policy analyst*

**A common predatory lending product in Alabama may be nearing its final days** thanks to federal intervention. The Refund Anticipation Loan (RAL), a high-interest loan secured by an expected income tax refund, has long been targeted as preying on low-income workers. Typically, to start the RAL process, a professional tax preparer will tell a tax filer who expects a refund that it is possible to speed up the refund process. (The usual wait time for federal processing of an e-filed return is two weeks). The lender offers to loan the tax filer the amount of the refund, with a guarantee that the refund (plus interest and fees) will be used to repay the loan. In taking out RALs, taxpayers are paying extremely high interest to borrow money from themselves.

**Fortunately, the federal government is stepping in to do what state advocates thus far have been unable to do.** The Internal Revenue Service (IRS) is discontinuing a service that aided banks and the tax preparation industry in determining whether a

taxpayer's anticipated refund will be paid or will be intercepted for payment of other debts.

**According to the Consumer Federation of America, in 2008, RALs skimmed \$738 million** from the refunds of 8.4 million American taxpayers, many of whom are low-income qualifiers for the Earned Income Tax Credit (EITC). State advocates had tried to increase disclosure requirements on RALs in 2009 as a part of a legislative attempt to increase the professionalism of the relatively unregulated tax preparation industry. That effort was blocked at the committee level, but in January the IRS announced rules requiring tax preparers to be registered and tested and to adhere to a code of ethics.

**The recent developments won't end RALs in Alabama but will make them slightly more difficult to acquire.** The IRS also is exploring permitting a portion of tax refunds to go directly to pay for tax preparation. Some taxpayers use RALs and a related non-loan product, refund anticipation checks (RACs) to avoid paying the fees for tax preparation out-of-pocket. Splitting refunds between the taxpayer and the tax preparer could end one incentive to pay for RALs and RACs.

### **A note from Brenda**

It's been a long, hot summer, and while at times it seems we'll never see sub-90-degree days again, history and experience tell us that the summer will end, autumn will follow, and cooler temperatures will return. Policy change, unfortunately, is not so predictable. It often takes years to garner enough legislative support to make things happen. ACPP owes special thanks to our members who stand with us year after year. Your continued support is crucial as we prepare for the next phase of the untax groceries campaign. Haven't donated lately? Please send your contribution today to help make food more affordable for Alabama families.

In gratitude,  
*Brenda Boman*  
*Development director*

### Battles over Bush tax cuts ahead in Congress

By Chris Sanders, policy analyst

**The 111th Congress has been an active one**, reforming the nation's health care, student loan and financial systems, as well as passing recovery measures to protect jobs and stabilize the economy. But a full plate of issues will remain for federal lawmakers when they return in September.

**Tax policy debates likely will dominate the discussion for the rest of 2010.** Congress must decide which Bush tax cuts to renew and which to allow to expire on schedule in 2011. The decisions on upper-income tax cuts and the estate tax will affect how much money is available to invest in education, transportation and other public services that help the economy grow. And if expanded low-income tax credits are not renewed, millions of children and working families could fall deeper into poverty.

**Congress averted major service cuts and job losses in Alabama and other states last week** when it passed a \$26 billion package of state aid to save the jobs of hundreds of thousands of teachers and other public employees. The House approved the measure 247-161 last week after the Senate OK'd it 61-39. President Obama quickly signed the bill into law, ending months of debate over additional state aid as the assistance under the American Recovery and Reinvestment Act (ARRA) nears an end.

**Alabama's share of the aid will be about \$282 million**, including \$149 million to save teacher jobs and \$133 million to shore up the Medicaid budget. State legislators assumed in their fiscal year (FY) 2011 General Fund budget that Alabama would receive \$197 million in enhanced Medicaid assistance, meaning a \$64 million shortfall will remain. Legislators did not assume the

Education Trust Fund (ETF) would receive any additional federal aid, however, so that money could help the state save education jobs and programs that otherwise might have been cut because of slumping ETF revenues.

**With the state aid bill approved, congressional attention is turning to taxes.** Federal tax cuts enacted during the Bush administration are scheduled to expire in 2011 unless lawmakers renew them. Obama and congressional Democratic leaders propose making the tax cuts permanent for 98 percent of American households: all couples making \$250,000 or less and all individuals making \$200,000 or less. Congressional Republicans want to make the tax cuts permanent for the top 2 percent as well.

**Some Democrats have floated the idea of temporarily extending the upper-income tax cuts.** But many lawmakers fear a temporary extension could become permanent, adding to the long-term national debt. Continuing the tax cuts for the top 2 percent of households would cost about \$80 billion over the next two years, according to the Center for American Progress, and \$1 trillion over the next decade (including interest on the debt), according to the Center on Budget and Policy Priorities (CBPP).

**Low-income tax credits also will be on the agenda this fall.** ARRA expanded the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) to increase eligibility and help ensure that people who take lower-paying jobs can earn enough to support their families. Obama proposes making the EITC and CTC expansions permanent. Failure to renew the CTC at current levels would push 600,000 American children into poverty and 4 million deeper into poverty, the CBPP estimates. Nationwide, 18.1 million children would see their CTC reduced or

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## Have you seen this? Alabama's low tax burden

Gadsden Times, Sunday, Aug. 15

Think Alabama should expand its highly acclaimed Alabama Reading Initiative?

How about its pre-K program, again recognized as one of the most successful in the country?

Should the state fix its roads and bridges?

These and many more tax-funded programs can be accomplished easily. All it takes is more money. But wait, you say, our taxes are already too high.

Well, yes and no.

Alabama's tax burden, according to the nonpartisan Public Affairs Research Council of Alabama (PARCA) at Samford University, is the second lowest in the nation. Only South Carolina places a lower tax burden on individuals, PARCA reported.

It's unlikely that PARCA's report will be enough to cause state politicians to drop their no-new-taxes stand. Lawmakers believe that tax increases are political suicide, and they may be right. It would be nice, however, to see someone lead the charge for tax reform.

Alabama's current tax structure unfairly penalizes the state's lower-income citizens because it relies so heavily on sales tax. In buying the necessary items to survive, someone who makes \$20,000 a year faces a bigger burden from sales taxes than does someone who makes \$100,000.

Alabama is one of only two states that taxes groceries, again hitting lower-income people harder. And, while it is better than it was just a few years ago, Alabama still has one of the lower thresholds for collecting income taxes.

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## Thank you, contributors!

Your generous support helped us end the fiscal year on June 30 at close to pre-recession levels of giving. The hard times haven't ended yet, but we hope this trend signals that the worst is over! Arise Citizens' Policy Project thanks the following donors for their gifts received between June 21 and July 27, 2010:

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## Alabama's taxes

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Guess which demographic group that hits hardest?

Low taxes are attractive for many reasons, but when they keep a city, county or state from providing valuable services and programs to the people who need them most, it's beyond sad. It borders on criminal, and that's what Alabama's tax structure does – hit low-income families and children, all of them, hard. That should be corrected.

## Washington update

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eliminated, including 278,000 in Alabama, according to the CBPP. And 201,000 Alabama children could lose some or all of their EITC benefits if the ARRA improvements are not extended, the CBPP estimates.

**What to do about the estate tax is another unresolved question for Congress.** The estate tax has decreased throughout the decade and expired entirely this year under Bush-era legislation, but it will return at 2001 levels next year unless Congress changes the law. Obama proposes making permanent the 2009 estate tax thresholds, with a \$3.5 million exemption per person and a top marginal tax rate of 45 percent.

**At those levels, only the top one-fourth of 1 percent of estates owed any estate tax at all in 2009,** according to the CBPP. And only about 100 farm estates or family-owned businesses were expected to pay the estate tax last year, according to the Tax Policy Center (TPC). Still, some lawmakers have proposed increasing the exemption and lowering the tax rate beyond 2009 levels, which would further reduce revenues available for education and other public services.

**Recent history suggests the expiration of the upper-income tax cuts would not hurt small-business job creation.** About 90 percent of the nation's tax filers with small business income report annual incomes below \$200,000, according to the TPC, meaning they would see no tax increase. And only the top 3 percent of taxpayers with business income face the top two rates, the CBPP estimates. For the handful of highest-earning small businesses that would pay more, the expiration would mean a return to the tax rates of the 1990s, when small business employment increased by an average of 2.3 percent a year. That was more than twice the 1 percent average annual growth between 2001 and 2006, when the upper-income tax cuts were in place.