

Economy

More than 90% of Pennsylvanians fear the economy will get worse before it gets better, according to a poll released at the end of March. Indeed, many Pennsylvanians have experienced the wrath of the economic turn-down firsthand. Marina Kats will make economic issues impacting Pennsylvania and, in particular, the 13th Congressional District a top priority. She will look at the facts candidly and make rational decisions...rather than playing politics-as-usual. Her ongoing priority will be to extend the existing tax cuts (which is a topic that is discussed under tax policy).

Marina Kats supports a prudent balance between globalization and protectionism, consistent with both existing free-trade agreements and the maintenance of fairness in commerce. When other governments subsidize their corporations to function in a “predatory” fashion (or if they manipulate their currencies to maximize the ability of homegrown industries to thrive), this threat to open competition must be subject to penalizing their bidders for domestic contracts. Existing agreements must be subject to renegotiation as conditions evolve; parameters employed may include prioritized American labor/environmental/safety rules.

Not only must we not permit shut-down of major American industries, we must build-up those that have been lost from when we were dominant in businesses that now flourish abroad (such as ship-building). Thus, Marina supports fair deals with Korea (regarding cars) and with the Americas to the south, particularly with Colombia (which desperately needs economic and political support).

Our economy is struggling because the rules have been irrationally twisted and manipulated over the years to benefit some groups to the detriment of others. They are no longer geared toward what people—consumers and businesses and workers—want and need for our economy to succeed. (Our economy is also struggling due to the sudden surge in the cost of petroleum products, which is a topic that is discussed under energy policy.) Regardless of political philosophy, people must be able to understand proposed remedies.

Taxes

Marina’s priority will be extending the temporary 2001-2003 tax cut bill, to stimulate the economy. This is essential, especially in the economic climate that this region has been experiencing during the past two years. She also wants to

MARINA KATS

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work towards reducing the long term capital gains tax. Raising taxes will, without doubt, hurt the local economy; thus, she will oppose tax hikes.

Marina wants to overhaul the capital gains tax structure. Over taxation has always been a hindrance to long term economic growth. Currently our capital gains tax rates for individuals is divided into just two categories short-term capital gains and long-term capital gains. Short-term capital gains refer to realized profits on assets (stocks) held for less than a year while long-term gains refer to realized profits on assets held for more than one year. Short-term gains are taxed at the ordinary income tax rate while long-term gains are currently taxed at 15% for most people (5% for those in the lowest tax brackets). The 15% tax rate is actually a reduced rate that was enacted in 2003 and will revert back to a higher rate of about 20% in the year 2011 unless it is overridden with a new tax bill.

Consistent long term investment in our economy is a huge stimulus for economic growth which creates both jobs and new wealth for Americans. The jobs and wealth created by economic growth, in turn, produce a healthy tax base to fund government operations. Overtaxing these investments reduces the incentive for one to invest in the markets and interferes with our economy's vitality and in the long run actually decreases the tax base. As a catalyst to stimulate such investments and bring new capital into the marketplace Marina Kats is proposing that we restructure the capital gains tax so that the long-term tax rates are further reduced in accordance with the length of time an asset has been held. For example, assets held from 1 to 2 years would still be taxed at the current 15 %, those assets held from 2 to 4 years would be taxed at 12%, from 4 to 6 years 9%, 6 to 8 years 6%, 8 to 10 years 3%, and all assets held more than 10 years would be taxed at a rate of 1.5%. By providing incentives for long term investing, we are providing the confidence to publically traded companies that the capital will be available that is needed to build up their businesses into profitable enterprises. For the investors who have chosen to keep their money in the market over longer time frames the payoff will be enhanced returns that are taxed at ever decreasing rates. Marina will keep the short-term capital gains tax as is.

She supports a provision of tax incentives to encourage automobile manufacturers to convert or to expand existing domestic facilities to produce advanced technology vehicles (hybrids and diesels), just as Brazil has been able to accomplish

To get our economy back on track, we have to fix some rules and eliminate others. Elimination of a mandate that taxpayers itemize to obtain key benefits would allow middle-income families to "level the playing field" by being able to take advantage of the same credits as are invoked by upper-income families.

MARINA KATS

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Everyone should be encouraged to promote savings and to invest in American companies, instead of enhancing debt.

Citizens can agree that the arcane, complex, disjointed tax code has these problems:

First, it does not satisfy its fundamental purpose (to raise money to fund government) because, instead, it serves as a tool for economic engineering.

Second, it favors certain activities and creates loopholes to benefit a select few.

Third, it does not keep pace with today's economy and, thus, it forces individuals and families to make bad choices with their own money.

Fourth, it empowers special interest groups because it encourages ongoing modification, year after year.

Fifth, it is both unstable and unpredictable instead of simple and comprehensible.

Therefore, the following changes should be made in the individual-tax code system:

First, the number of tax-brackets should be reduced from six to three (15% for lower-income, 25% for middle-income, and 30% for upper-income).

Second, people should be able to elect to use a flat-tax, transitioning from the current progressive tax system (as Senator McCain has proposed). Using a simple tax form—which is less than half the length of the current Form 1040—would save time, money and aggravation. Implementing this streamlined system would both allow Americans to adjust to a system that better reflects the future economy and be more fair, for both families and businesses.

Third, the complicated set of loopholes should be eliminated. People will have more faith in the tax system if they feel everyone (neighbors and business competitors) is paying his/her fair share.

Fourth, a Family Tax Credit should be implemented, thereby reducing taxes for middle class families instead of penalizing married couples. This would replace the process of claiming exemptions for each household member by establishing standard credits such as these: \$3,300 for all

MARINA KATS

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married couples, \$2,800 for all unmarried taxpayers with a child, \$1,650 credit for dependent taxpayers, and an additional \$1,500 credit for each child and \$500 for each other dependent.

Fifth, the Alternative Minimum Tax should be repealed; it is unfair to middle-income families and, if allowed to remain, would raise the taxes of more than 52 million taxpayers by 2015.

Sixth, the “Death Tax” should be repealed. It is wasteful and inefficient, and it raises barely over 1% of the total federal tax revenue; for every dollar it generates, it prompts expenditure of another dollar on avoidance, administrative compliance, and enforcement costs. In addition, morally, it is unjustified to tax people’s savings heavily at the time of their deaths.

Seventh, a “Work Credit” should be created. This would reward workers (particularly those in lower-income families), replacing the earned income tax credit. Specifically, the credit should be increased for working families to \$3,750 (with one child) and to \$5,800 (with two or more children).

Eighth, tax benefits for home ownership should be extended to all taxpayers, not just to the wealthy who itemize. In this way, we should change the standard deduction to a credit equal to 15% of the mortgage-interest paid.

Ninth, the availability of charitable-giving deductions should be expanded to all people who donate more than 1% of their income. This would increase charitable giving and reduce the size of government by growing institutions that do a better job providing services to those in need. It is also good for the soul.

Tenth, tax-free health insurance should be extended to all taxpayers, enabling everyone—not just those who receive insurance from their employers—to purchase health insurance with pre-tax dollars.

Eleventh, dividends in foreign companies should continue to be taxed at 15%, but 100% of dividends earned from U.S. companies should be excluded; in addition, 75% of capital gains from domestic companies should be excluded. This would immediately spur the economy and restore faith in the dollar by encouraging investment in American companies instead of forcing businesses to borrow.

Twelfth, Social Security benefits should be taxed at 15%, rather than on a sliding-scale (depending on income and marital state) at varying levels.

MARINA KATS

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Seniors should not be penalized by a system that gives with one hand and takes with the other.

Marina Kats wants the following changes made in the tax-free savings-account system:

First, there should be only three simple tax-free savings accounts: at-work, health and education, and retirement. Simplifying the system (pooling the current number of categories from a total of 15 alternatives) would enhance everyone's understanding of the system and reduce costs.

Second, both health care and education costs should be saved in one account, to be used at a family's discretion (for both school and doctor's bills). Each year, a family should be able to save \$10,000, replacing specialized Health and Medical Savings Accounts (HSA's and MSA's).

Third, impediments to saving and investment must be removed. It should be easier for employers to offer savings plans (instead of having to use middle-men) and everybody should be able to deposit \$10,000 annually in a retirement account.

Marina Kats wants the following changes made in the business-tax code system:

First, the tax reporting system should be changed to reflect how companies actually keep their records. The current complicated, bloated, expensive, time-consuming system forces businesses to maintain two sets of records (one for how the business actually runs and the other for how the IRS wants it reported).

Second, large businesses should be taxed at a single rate (approximately 30%), replacing the current use of eight brackets (which encourage them to juggle numbers to avoid paying their fair share). Also, depreciation-rules should be updated, reflecting how best to encourage new investment in today's economy.

Third, small businesses should continue to be taxed at the new individual rates.

Marina Kats believes that through a fully modernized and intelligently thought out taxation system we can accomplish both the necessary funding of the federal government and also vital economic stimulation. Economic stimulation through smart taxation policies is key to maintaining a self sufficient growing economy that also results in adequate tax revenue generation without unduly burdening individuals, small businesses, or

MARINA KATS

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even large corporations as all are vital elements in our economic structure. This is the positive feedback taxation system Marina Kats will work to achieve.