



Skoch2010

Issues Update

December 7, 2009

A Special Day of Remembrance

One of my most precious possessions is a casting given me when I left Pacific Air Forces (PACAF) Headquarters at Hickam Air Force Base, Hawaii in 1998.

The current PACAF headquarters building is a facility that stood on December 7th, 1941. It was strafed by enemy aircraft as they attacked Pearl Harbor and Hickam Field.

Over the years, the Air Force has consciously resisted repairing the hundreds of bullet holes that still pock the building's exterior, allowing them to stand as a permanent reminder that we must always remain vigilant, and always remain ready. As I left Hickam, I was presented with a casting of a few of those bullet holes, and it sits on my desk reminding me every day of those important things.

I hope we can each take a moment this week to remember Pearl Harbor, to remember the brave men and women who perished in that attack, and to remember all those who have served in behalf of our nation in every conflict.

And let us remember that we must forever remain strong.

Temporary Tax Credits for Employers

An interesting development is brewing on Capitol Hill. With high unemployment numbers, our House leadership has decided that now would be a good time to tap the Troubled Asset Relief Program ("TARP"-- the Wall Street bank bailout) to pay for (according to House Speaker Pelosi) "investments we have in jobs." We also note that the White House is now considering offering "wage subsidies" or tax credits to companies that create new jobs, and using TARP money to pay for jobs programs.

Think about it. Our government taxes U.S. corporations at the second highest tax rate in the industrialized world: 35%. (European countries have corporate tax rates around 10%. Our corporations pay about 39% when state rates are added in.) And we have payroll taxes that strongly discourage the creation of jobs. It shouldn't surprise us that companies continue to move offshore where the costs of doing business are far lower.

Now our elected leadership is concerned that unemployment remains too high, so they want to use "untapped" (but borrowed all the same) bail-out money to give tax credits to companies to hire more people. They reason that if companies get some tax money back, they will be able to create more jobs.

But wait a minute. Doesn't the money the government proposes to "give" companies come from the taxes the government collects from companies and individuals? Why is it ordinarily okay to tax them at such a high rate as to discourage hiring, but when hiring falls off (as it will) and jobs are lost, our elected officials decide then it's a good idea to lower taxes to create jobs?

We don't create opportunities for people to work by borrowing more money and "giving" it to companies to hire people. We create those opportunities by lowering taxes on companies so they want to stay here and hire Americans.

Shame on all the elected officials who voted for TARP. They should have known at the outset it was unconstitutional and a horrible idea. And they should know it even more now that the fund is being turned into yet another slush fund to be used for "stimulus."

Lincoln Wants Government to Regulate Compensation

Saturday, our Senator Blanche Lincoln issued a bulletin in which she unveiled her plan "to cut the current \$1 million tax shelter for insurance companies' executive compensation."

She calls the current law "an excessive tax break," pointing out that current tax law allows businesses to deduct up to \$1 million annually per executive as a business expense. Her proposal would limit this amount to \$400,000—the President's salary—for health insurance companies that she believes will profit as a result of the Senate's health insurance bill.

Her amendment to health insurance reform legislation "does not dictate what a business pays an employee, but it does limit the taxpayer subsidies for the compensation."

We're delighted that our liberal senator is now concerned with the proliferation of taxpayer subsidies. But we can't help but wonder where she has been for all these years, and we marvel that someone who voted for stimulus bills, for bailouts, and for all manner of spending can suddenly decry as a "subsidy" something that is a cost of doing business, and refer to it as a "tax shelter." Will she next declare that deducting the cost of advertising is a "tax shelter"? Or how about rent businesses pay? Are those legitimate business expenses, or are they "tax shelters"?

And isn't it fascinating that she thinks the president's salary is somehow the upper limit of what corporations should pay their executives without tax penalty? (She conveniently fails to mention that the president's total compensation is far more than his \$400,000 salary.)

But most of all, look at the reason she gives for doing this. She argues that since companies will be awash in new customers (because all of us will be required by the Senate bill to buy health insurance) and since the government "gave" these insurance companies all these new customers, they shouldn't be allowed to pay their executives more than what the president earns without being penalized.

The fact is, insurance companies aren't going to be awash in new customers who help them remain profitable and stay in business. You see, under the bill she supported moving forward in the Senate, health insurance companies will be required to accept anyone for coverage. That means many of their new "government forced" customers will be people with preexisting conditions who will be anything but profitable for the companies that are forced to accept them as customers. They will be an instant draw on the operating expenses of those companies who will be immediately paying for care for people who never paid a dime in premiums.

Blanche Lincoln could have killed the Senate's "health insurance reform" bill by not voting to allow it to move forward to the Senate floor. Without her single vote, it would have failed. But she voted to let the proposal move forward, and by any measure that makes her a supporter. She is now running for cover by introducing an amendment that she believes will make her appear as a friend of the people, but that is in reality another intrusion by big government into how companies run their businesses.

We are not defending executive salaries. In too many cases salaries at the top are way out of line with what is reasonable. But is it government's role to decide what companies can pay their people? Wouldn't a better solution be to let the companies that spend less on payroll win in the marketplace with lower costs and therefore lower prices to us?

Senator Lincoln is trying desperately to develop the image of "moderate" before the 2010 election, while at the same time she--above all--remains loyal to her Democratic leadership.

Blanche needs to go. They all need to go.

Until next week...

A handwritten signature in white ink that reads "Bernie Skoch". The signature is written in a cursive, flowing style with a large initial 'B'.

Bernie Skoch