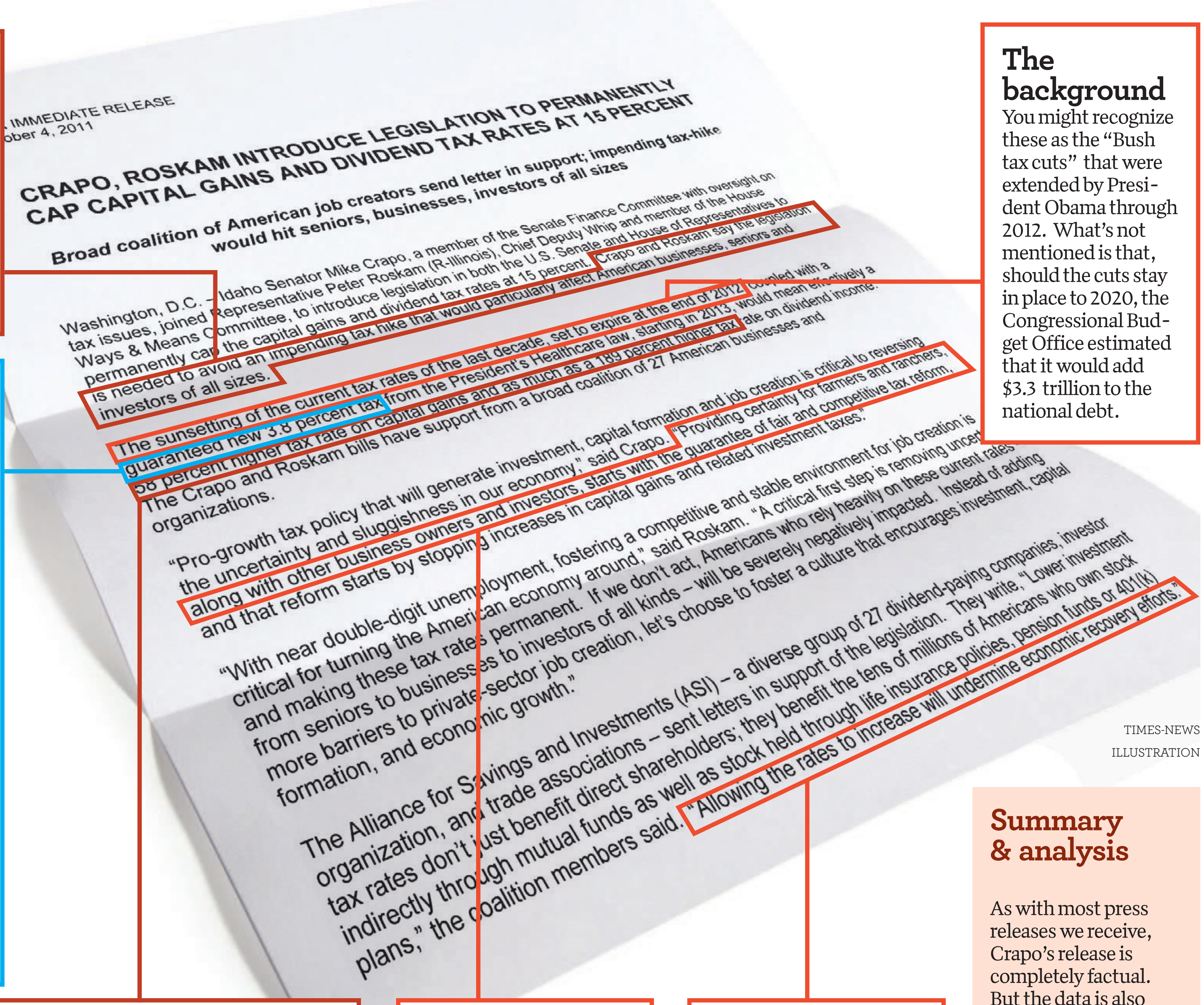
OUR VIEW

# Anatomy of a Press Release

Every day, the *Times-News* gets dozens of press releases. They come to us from stores, musicians, and politicians, all looking for free publicity for their event or platform. Most of the time, we're happy to lend them space, but we also like to check all releases for both spin and accuracy before we publish them. In the interest of transparency, here's a look at a recent release from Sen. Mike Crapo , R-Idaho. In this case, the release is accurate, although much of the data is represented to look scarier than it might actually be.



...IMMEDIATE RELEASE
...ober 4, 2011

CRAPO, ROSKAM INTRODUCE LEGISLATION TO PERMANENTLY CAP CAPITAL GAINS AND DIVIDEND TAX RATES AT 15 PERCENT

Broad coalition of American job creators send letter in support; impending tax-hike would hit seniors, businesses, investors of all sizes

Washington, D.C. – Idaho Senator Mike Crapo, a member of the Senate Finance Committee with oversight on tax issues, joined Representative Peter Roskam (R-Illinois), Chief Deputy Whip and member of the House Ways & Means Committee, to introduce legislation in both the U.S. Senate and House of Representatives to permanently cap the capital gains and dividend tax rates at 15 percent. Crapo and Roskam say the legislation is needed to avoid an impending tax hike that would particularly affect American businesses, seniors and investors of all sizes.

The sunsetting of the current tax rates of the last decade, set to expire at the end of 2012, coupled with a guaranteed new 3.8 percent tax from the President's Healthcare law, starting in 2013, would mean effectively a 58 percent higher tax rate on capital gains and as much as a 189 percent higher tax rate on dividend income. The Crapo and Roskam bills have support from a broad coalition of 27 American businesses and organizations.

"Pro-growth tax policy that will generate investment, capital formation and job creation is critical to reversing the uncertainty and sluggishness in our economy," said Crapo. "Providing certainty for farmers and ranchers, along with other business owners and investors, starts with the guarantee of fair and competitive tax reform, and that reform starts by stopping increases in capital gains and related investment taxes."

"With near double-digit unemployment, fostering a competitive and stable environment for job creation is critical for turning the American economy around," said Roskam. "A critical first step is removing uncert... and making these tax rates permanent. If we don't act, Americans who rely heavily on these current rates from seniors to businesses to investors of all kinds – will be severely negatively impacted. Instead of adding more barriers to private-sector job creation, let's choose to foster a culture that encourages investment, capital formation, and economic growth."

The Alliance for Savings and Investments (ASI) – a diverse group of 27 dividend-paying companies, investor organization, and trade associations – sent letters in support of the legislation. They write, "Lower investment tax rates don't just benefit direct shareholders; they benefit the tens of millions of Americans who own stock indirectly through mutual funds as well as stock held through life insurance policies, pension funds or 401(k) plans," the coalition members said. "Allowing the rates to increase will undermine economic recovery efforts."

TIMES-NEWS ILLUSTRATION

## The call to action

Completely true: There is definitely a tax hike coming. The part about particularly affecting American business, seniors and investors of all sizes is alarmist, though. The impending tax hike would largely affect businesses and investors, but the inclusion of "seniors" into the phrase makes the hike seem more all-encompassing than it is.

## The numbers, part one

Here's where things start to get subjective. In the case of the "guaranteed 3.8 percent tax from the president's healthcare law," it's a half truth. There is a 3.8 percent tax coming for the new health care laws, but most of us will never pay it.

The tax is on "unearned" income, which is mostly dividends and income made from investments, and it only applies if you're making more than $250,000 as a couple (or $200,000 for singles).

That rules out a lot of us.

It applies on home sales, too. If you're married and sell your home, you'll pay the tax — but only if you walk away with half a million dollars in net profit.

The law applies to selling a business or other capital gains, too, but you'd have to have a business worth a lot of money and still be drawing a pretty hefty salary.

## The background

You might recognize these as the "Bush tax cuts" that were extended by President Obama through 2012. What's not mentioned is that, should the cuts stay in place to 2020, the Congressional Budget Office estimated that it would add $3.3 trillion to the national debt.

## The numbers, part two

These numbers sound pretty scary, too. And, technically, they're all accurate. But the truth lies in how they're cast. Here's the short version:

**58% increase:** The capital gains rate is currently 15 percent. If the Bush tax cuts expire, that goes up to 20 percent. Add the aforementioned Medicare tax (if your salary is more than $200,000), and it could go as high as 23.8 percent. That's 8.8 percent higher, and not something to take lightly — but it doesn't sound as dire as a 58 percent increase.

**189% increase:** The other number has gone through a similar treatment. It is technically accurate, but there's more to it.

This staggering percentage pertains if you factor in all of the worst-case scenarios. In order to hit that increase, you'd have to be in the highest tax bracket possible — making $380,000 per year. If the Bush cuts expire, the bracket for people at that level of income goes up 4.6 percent. Add in the 3.8 percent increase from the previous example.

Now, toss in the hammer — that any short-term gains you make have to be taxed at the same rate as the rest of your income — and you have a substantial increase.

But that 189 percent number only pertains to people who are making more than $380,000 per year in earned income and who make a large share of their income through investing — hardly a statistic that applies to most seniors.

## The soundbites

Farmers and ranchers? Where did that come from? While it's true that some farmers and ranchers deal in capital gains in excess of $500,000 for their families, the tax is realistically one that will be paid by investors dealing in large sums of money and those selling a business lock, stock and barrel.

Adding farmers and ranchers into the sound bite seems like a heavy-handed way to pander to rural Idahoans.

## The third-party endorsement

Of course, every press release needs to have an endorsement by someone other than the originators.

In this case, it's the Alliance for Savings and Investments, a coalition of companies like large telecoms and investment firms.

It's a credible group, but it's also one whose primary position statement is "making permanent the differential tax rates on capital gains and dividends."

Hardly a neutral party.

## Summary & analysis

As with most press releases we receive, Crapo's release is completely factual. But the data is also spun harder than it should be.

We believe that the truth of the matter should stand on its own. Relying on the most hyperbolic of methods to crunch statistics and resorting to "we must pass this now"-style scare tactics only result in increasing the divide between us all.

Our elected officials should stick with the facts, and help educate us in making up our minds, instead of trying to guide us through selective representation of the data.