

## **FACT SHEET:**

### **Consequences Of The President's Proposed Tax Hike On South Dakota**

*On January 1, 2013, taxes on the American people will go up unless Congress acts. In December 2010, President Obama signed an extension of the 2001 and 2003 tax cuts, calling the action "tax relief that will protect the middle class, that will grow our economy, and will create jobs for the American people." Today, the President wants to increase taxes on individuals that make more than \$200,000 per year and married couples that make more than \$250,000 per year. The President is telling South Dakotans the "wealthy" need to pay their "fair share." What the President is not telling us is that this move would raise taxes on many small businesses in South Dakota.*

#### **Impacts on South Dakota:**

**The President's proposed tax hike could result in 2,200 lost jobs in South Dakota.** According to an Ernst & Young study published this month, raising taxes on high-income earners, as the President has called for, could cost 2,200 jobs in South Dakota. (Ernst & Young, "[Long-Run Macroeconomic Impact Of Increasing Tax Rates On High-Income Taxpayers In 2013](#)," July 2012)

**95 percent of South Dakota businesses pay taxes at the individual rate.** According to an Ernst & Young study published in 2011, 95 percent of South Dakota business firms classified themselves as an S corporation, partnership or sole proprietorship. This means they pay taxes at the individual rate. Under the President's plan, taxes for many of these businesses would go up. (Ernst & Young, "[The Flow-Through Business Sector and Tax Reform](#)," April 2011)

- More than 73,000 of South Dakota's over 77,000 businesses pay taxes at the individual rate.
- These over 73,000 businesses employ 63 percent of the state's private sector workforce.
- That's over 200,000 South Dakotans.

#### **Impacts on America as a whole:**

**The President's proposed tax hike would mean increased taxes on millions of small businesses.** 75 percent of small businesses are structured as pass-through entities (S corporations, limited liability companies, sole proprietorships or partnerships) that must pay tax on their business income at the individual rate, according to a National Federation of Independent Business (NFIB) National Small Business Poll. (NFIB, "[Keep Tax Rates Low](#)," Accessed 7/26/12)

**78 percent of small businesses say the taxation, regulation and legislation from Washington makes it harder to hire more employees,** according to a Chamber of Commerce Small Business Outlook Survey. (U.S. Chamber of Commerce, "[Small Business Outlook Survey](#)," January 2012)

- 74 percent say the recent health care law makes it harder for their business to hire more employees.
- 86 percent say they would rather have more certainty from Washington than more assistance.

**Small businesses say taxes are the single most important problem they are facing,** according to a NFIB study. (NFIB, "[Taxes Overtake Sales as Top Small-Business Concern](#)," 6/15/12)