

The American Option

- Introduced by Senator Jim DeMint (R–SC), the American Option Act proposes to aggressively and immediately lower taxes on businesses and individuals.
- Tax cuts will create rapid growth in wages and business incomes, which in turn will significantly help struggling sectors of the economy, i.e. **Smart Stimulus**.
- Consumer and government interest rates would be 5-10% lower making it easier for businesses to borrow and families to buy a home or refinance a mortgage.
- **Smart Stimulus** creates business investment of \$254 billion in new buildings, equipment and infrastructure.

Smart Stimulus is possible by:

- Reducing business taxes from 35% to 25%
- Making tax policy changes of 2001 and 2003 permanent
- Dramatically reducing the estate tax rate to 15%
- Reducing the individual tax rates to three levels – 10%, 15% and 25%
- Keeping tax rates on dividends and capital gains at 15%
- Permanently repealing the Alternative Minimum Tax

Why Tax Cuts are the Best Solution

- **Personal Wealth:** When Americans have more money in their pockets, they can make better decisions for their family including on health care, education and personal investment.
- **Do No Harm:** It is impossible for the economy to recover when Americans face the threat of a punitive tax hike, as they do now.
- **Better Wages:** Businesses can provide better wages and benefits to their workers.
- **Incentives:** The most effective means of helping the economy recover is to improve the incentives that drive economic activity, and that means reducing tax rates on work, saving, investment, risk taking and entrepreneurial activity.

Results for America

- **Employment:** Increases employment by a half million jobs in 2009 and by 1.3 million jobs in 2010, and creates 4.8 million jobs between 2009 and 2012.
- **Families:** Disposable personal income for an average family of four would rise, on average, by \$1,300 in 2009 and quickly rise to more than \$4,500 by 2013.
- **No New Taxes:** Without the pro-growth elements of this plan, these families could expect their tax rates to rise 4 percentage points, from an effective rate of 12% to an effective rate of 16%. This plan would keep the rate just under 13%.
- **Domestic Auto Sales:** Between 2009 and 2011, total sales of new automobiles and light trucks would increase by \$24.5 billion.
- **Small Businesses:** The effective tax rates for small businesses would fall from an average of 17.1% to an average of 14.8% and provide more than 2 million successful small businesses with lower tax rates.

State-by-State Benefits From Pro-Growth Tax Relief

	Income Gains per Four-Person Families		Job Gains	
	2009	2013	2009	2013
Alabama	\$1,180.93	\$3,956.57	6,858	27,862
Alaska	\$1,541.27	\$5,163.85	1,153	4,683
Arizona	\$1,166.50	\$3,908.22	10,080	40,954
Arkansas	\$1,102.52	\$3,693.84	4,363	17,727
California	\$1,484.79	\$4,974.60	59,379	241,250
Colorado	\$1,488.38	\$4,986.63	8,757	35,577
Connecticut	\$1,950.17	\$6,533.82	6,033	24,511
Delaware	\$1,414.40	\$4,738.77	1,418	5,761
District of Columbia	\$2,271.40	\$7,610.04	1,049	4,260
Florida	\$1,356.88	\$4,546.07	29,654	120,480
Georgia	\$1,202.47	\$4,028.72	15,533	63,110
Hawaii	\$1,425.91	\$4,777.36	2,107	8,560
Idaho	\$1,130.20	\$3,786.60	2,419	9,828
Illinois	\$1,476.80	\$4,947.85	21,144	85,905
Indiana	\$1,171.10	\$3,923.62	10,287	41,796
Iowa	\$1,276.78	\$4,277.69	5,324	21,629
Kansas	\$1,331.54	\$4,461.18	4,797	19,490
Kentucky	\$1,133.61	\$3,798.02	6,526	26,512
Louisiana	\$1,290.97	\$4,325.23	6,563	26,664
Maine	\$1,210.56	\$4,055.84	2,263	9,194
Maryland	\$1,657.13	\$5,552.01	9,538	38,753
Massachusetts	\$1,786.05	\$5,983.93	10,884	44,219
Michigan	\$1,215.04	\$4,070.85	15,584	63,316
Minnesota	\$1,468.25	\$4,919.18	9,399	38,187
Mississippi	\$1,024.26	\$3,431.65	4,174	16,959
Missouri	\$1,224.86	\$4,103.73	9,592	38,969
Montana	\$1,215.28	\$4,071.65	1,610	6,542
Nebraska	\$1,292.72	\$4,331.11	3,176	12,906
Nevada	\$1,415.26	\$4,741.66	4,543	18,458
New Hampshire	\$1,471.11	\$4,928.77	2,355	9,567
New Jersey	\$1,738.17	\$5,823.54	14,490	58,870
New Mexico	\$1,120.06	\$3,752.62	3,076	12,498
New York	\$1,676.61	\$5,617.29	30,680	124,649
North Carolina	\$1,226.43	\$4,109.01	14,529	59,032
North Dakota	\$1,392.02	\$4,663.81	1,183	4,806
Ohio	\$1,229.68	\$4,119.90	19,014	77,253
Oklahoma	\$1,318.14	\$4,416.27	5,632	22,884
Oregon	\$1,257.98	\$4,214.72	6,339	25,756
Pennsylvania	\$1,390.32	\$4,658.09	20,513	83,341
Rhode Island	\$1,399.37	\$4,688.44	1,803	7,325
South Carolina	\$1,153.49	\$3,864.64	6,956	28,262
South Dakota	\$1,327.81	\$4,448.68	1,420	5,768
Tennessee	\$1,228.99	\$4,117.58	9,687	39,357
Texas	\$1,384.37	\$4,638.18	37,744	153,349
Utah	\$1,109.85	\$3,718.42	4,404	17,891
Vermont	\$1,327.87	\$4,448.87	1,136	4,617
Virginia	\$1,506.34	\$5,046.81	13,244	53,810
Washington	\$1,498.96	\$5,022.08	11,253	45,721
West Virginia	\$1,049.68	\$3,516.81	2,547	10,349
Wisconsin	\$1,308.48	\$4,383.92	9,853	40,030
Wyoming	\$1,762.25	\$5,904.19	936	3,802

Sources: The Heritage Foundation, Center for Data Analysis, calculations based on the Global Insight Macroeconomic Model, the Current Population Survey, March 2007, and U.S. Department of Labor; Bureau of Labor Statistics, "Civilian Labor Force and Unemployment by State and Selected Area, Seasonally Adjusted", Table 3, at <http://www.bls.gov/news.release/laus.t03.htm> (February 2, 2009).

Twice the Jobs at Half the Price

Check out Heritage ideas for how to provide twice the jobs at half the price at heritage.org.