

CAMPAIGN 2010



U.S. Senate Minority Leader Mitch McConnell (R., Ky.), seen in Washington last month, says all the Bush-era tax cuts should be extended.

Groups Pan Taxes For Job Programs

By ELIZABETH WILLIAMSON

Multinational companies and small-business interests are working in concert to oppose some of the Obama administration's jobs proposals, including some that would raise taxes on big multinationals to pay for business hiring incentives.

The Business Roundtable, once the White House's chief ally on business policy, has joined in recent weeks with the Republican-leaning U.S. Chamber of Commerce and the National Federation of Independent Business, the capital's main small-business lobby, to oppose major elements of the Democratic jobs agenda.

They say even a proposed \$30 billion small-business lending plan, which initially won support from business groups across the political spectrum, isn't their biggest priority, given poor sales in a troubled economy.

Democrats hope that the small-business loan package will highlight their commitment to "Main Street" businesses. Instead, small-business owners are mobilizing this week to oppose an obscure provision in the health-care law that would require them to file a 1099 tax report for every vendor transaction valued at \$600 or more.

The Senate is expected to vote Tuesday on two measures that would scale back the reporting requirements. Both are expected to fail. On Wednesday, the Chamber of Commerce is bringing several hundred small-business owners to Capitol Hill to press lawmakers for the provision's repeal.

"Of all things in the health-care law, this is going to be a priority for the business community. It's not going away," said Bruce Josten, chief lobbyist at the Chamber.

Election-year efforts by the White House and Democratic lawmakers to tax multinationals to pay for small-business and other hiring initiatives have backfired, business leaders say. The Business Roundtable, which includes chiefs of U.S. multinationals, will release a study Tuesday slamming proposals that the group says ignore the interdependence of large and small businesses.

both large corporations and the small businesses that sell \$3 billion a year in goods and services to them.

"The customer relationship between big and small business is at the heart of our ability to succeed," said Business Roundtable leader Johanna Schneider.

President Barack Obama has worked to woo businesses over the past week, with proposals for a permanent research-and-development tax credit and a measure allowing businesses to more quickly write off 100% of their new investment in plants and equipment through 2011.

To help pay for those incentives, as well as for a middle-class tax cut, Democrats propose to tax multinational corporate earnings.

"These are tax cuts for businesses of all sizes that invest, innovate and create jobs in America," said White House spokeswoman Jennifer Psaki. "The president looks forward to working with the business community on expanding, simplifying and making permanent the research-and-development credit and expensing, which would be the largest temporary investment incentive ever."

The business advocates say that raising taxes on overseas earnings would more than offset the new incentives.

"If you're trying to promote macroeconomic growth and job creation across all fronts, you don't as a federal government try to pick winners and losers," Mr. Josten said.

The relationship between the Obama administration and the business community, never an easy one, took a bad turn early this year, when businesses of all sizes objected to pieces of the president's health-care reform.

This year, a record number of small-business owners are running for Congress, according to the NFIB. It has tallied, but not necessarily endorsed, 30 of its members vying for congressional seats. All but one are Republicans.

"This cycle is unlike any I have ever seen. There are people who are crawling out of the woodwork, with no previous political experience, who are frustrated," said Lisa Goeas, political vice president for the NFIB.

The NFIB's political action committee is spending about \$1 million on state and federal races nationwide, not much in comparison with the Chamber's \$75 million. The Roundtable's legal status prevents it from contributing to political races.

Positions Harden on Tax Cuts

Boehner's Hint at Possible Compromise on Bush-Era Rates Doesn't Gain Traction

By JOHN D. MCKINNON

Battle lines hardened one day after a top Republican lawmaker suggested the possibility of compromise on extending the Bush-era tax cuts, signaling a protracted debate between now and the November elections.

In the Senate, Republican leader Mitch McConnell vowed again Monday to fight for across-the-board extension of all the current tax levels, including those for higher earners, saying that "we can't allow America's job creators to pay for Democrats' out-of-control spending."

centrists might waver and allow Congress to move on a plan to extend the current tax breaks only for middle-class earners.

"I do not believe that it is wise to increase taxes at a time when our economy is so weak and our unemployment rate is so high," Sen. Susan Collins, a moderate Maine Republican who has voted with Democrats, said in a written statement provided by her office.

A spokeswoman for Sen. Scott Brown, the Massachusetts Republican, said that he "is always opposed to tax increases, especially during a recession."

The Republican senators' comments reaffirmed the GOP's opposition to allowing the tax cuts to expire for higher earners, one day after the Republicans' leader in the House, Rep. John Boehner of Ohio, suggested he might vote for a middle-class extension if that was the only option on the table.

Mr. Boehner's comments, despite the backlash, reflect the prospect that lawmakers of both parties will eventually need to come to agreement on some mix of extensions for lower- and higher-income earners, perhaps after the November election. For his part, the House GOP leader tweeted a message Monday that "Republicans are unified: to boost our economy, we need to stop ALL tax hikes and cut

spending now."

With a few weeks remaining in the calendar before a campaign recess, it remained doubtful that the Senate—where House Democrats want the legislative action to start—would be able to come to agreement. That could leave Democrats and Republicans in both chambers firing political broadsides at each other for the next few weeks to gain an advantage.

House Democratic leaders are discussing whether to have a vote if the Senate can't pass anything, "to clearly show our differences with the Republicans," a House spokesman said. GOP leaders, meanwhile, could be anticipating that they will gain leverage over a tax cut extension if they gain seats in the November elections.

Senate Democrats said they expected to roll out a proposal in the next couple of days. One possibility: Raise tax rates next year only for very high earners, possibly those making over \$1 million, according to aides. No details have been settled.

In response to Mr. McConnell's Monday comments, Senate Majority Leader Harry Reid issued a statement on Monday calling it "unconscionable for Senate Republicans to hold middle-class tax cuts hostage in order to secure more tax giveaways for millionaires and CEOs

who ship American jobs overseas."

Senate Democrats don't have the votes to overcome a Republican filibuster on the tax issue if all GOP senators stick together. Worse for Democrats, at least five of their members have expressed concerns about raising anyone's taxes at a time of economic weakness.

In addition, on Monday a spokesman for Sen. Michael Bennet (D., Colo.) said he would "consider a short-term compromise" on extending tax cuts for higher earners in order to preserve middle-class tax relief, while he opposes a long-term extension of tax cuts for higher earners.

Rhetoric Monday suggested Republicans and Democrats are far from agreement, but still eager to have the debate ahead of the November elections.

"I think we're going to have a very vigorous debate," said Sen. Jack Reed (D., R.I.) in an interview. "I think the bulk of the [floor] time is going to be a big debate about whose side are you on—is it the wealthiest Americans [or] middle- and low-income Americans?"

About 1.25 million households, or just under 1% of taxpayers, would be affected by the higher top rates proposed by Mr. Obama next year, says the non-partisan Tax Policy Center.

Spending by Groups for GOP on Rise

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Columbus, Ohio, to endorse Republican candidates. By buying television spots that favor Republican candidates, the groups hope to help the GOP make up for fund-raising shortfalls by its party organizations and candidates.

Campaign-finance reports show that Democratic candidates in the closest races for Congress enjoy, on average, a two-to-one advantage in money in the bank. To counter that, the pro-Republican groups plan to spend \$100 million beginning this week on 60 to 70 close House races, according to people familiar with their plans.

In terms of total spending of all kinds on all congressional races, which was reported at \$3.6 billion in 2008, the outside groups' effort may seem like a small factor.

But it looms larger when viewed in the context of fund-raising gaps in the closest House and Senate races. In these, Democratic candidates and the Democratic Party have about \$80 million more in the bank than their Republican counterparts, according to fund-raising data.

Leaders of more than a dozen pro-Republican groups hold weekly strategy sessions. Because the first was held at Karl



'Businesses have traditionally had little appetite for political risk,' but Democratic policy in Washington 'has brought them to the fight.'

U.S. Chamber of Commerce political director Bill Miller

Rove's home on Weaver Terrace in Washington, participants are known as the Weaver Terrace group. They divide up House and Senate races to avoid duplication, as labor unions and liberal organizations have long done.

Mr. Rove and another Republican strategist who attends, Ed Gillespie, helped launch two of the newest and biggest pro-Republican organizations, American Crossroads and Crossroads GPS. Together, they plan to spend \$52 million this fall.

The two groups have spent \$1.5 million buying TV ads to help Nevada Republican Sharron Angle challenge Senate Majority Leader Harry Reid, who leads her in campaign fund-raising, \$19.2 million to \$3.5 million.

Crossroads GPS also spent \$1 million in Missouri, where Republican Rep. Roy Blunt is vying with Robin Carnahan for a Senate seat, and \$1 million in California, where Democratic Sen. Barbara Boxer faces Republican challenger Carly Fiorina.

In all, conservative and business groups paid for \$9.5 million in pro-Republican television ads in August, three times the amount spent by labor unions and liberal groups.

Asked about the pro-GOP efforts, a spokesman for the Democratic Senatorial Campaign Committee said, "Our campaigns have the resources they need to wage competitive races."

The stepped-up spending

nated \$1 million to the Republican Governors Association. Companies have long been allowed to donate to governors' associations because the groups, being focused on state-level races, aren't subject to a 2002 law affecting federal campaign finance.

A lot of corporations' money is channeled through organizations that aren't required to disclose their donors, such as trade associations.

One, the U.S. Chamber of Commerce, is aiming to spend as much as \$75 million, according to its president, Thomas Donohue. That would be more than double its spending on the 2008 elections. The Chamber's efforts began in earnest last week with a \$10 million round of ads in Illinois, Ohio, Pennsylvania, New Hampshire, Florida and Indiana.

Its plans would make the Chamber the largest single outside spender this election cycle. The AFL-CIO and Service Employees International Union plan to spend at least \$84 million in a coordinated effort mostly on behalf of Democratic candidates. Unlike most of the major conservative groups, the Chamber endorses a few Democrats.

"Businesses have traditionally had little appetite for political risk," the Chamber's Mr. Miller said before a rally with Republican Senate candidate Rob Portman at an Ohio plant that makes upholstery for planes and cars. "This has been changed, he said, by concern that Democrats in Washington are pursuing policies that will hurt business. "That's clear to their businesses has brought them to the fight," he said.

Although 527 organizations must make timely reports of their activities, most other major outside groups don't. The \$300 million that conservative-leaning organizations are planning to spend includes some money that won't have to be reported until months or years after the voting, owing to disclosure rules that have kept pace with the ever-evolving ways outside groups may legally spend money during elections.

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