# Ensign says raising taxes would hurt U.S. in trade

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WASHINGTON -- Sen. John Ensign, R-Nev., warned Thursday against Congress raising taxes this fall, saying the United States risks its competitiveness against Asian and European nations that are "racing" in the opposite direction to cut taxes.

"The corporate income tax rate in America is the second highest in the industrialized world," Ensign said in a Senate speech. "Rather than looking for ways to raise taxes, I believe this Congress should be looking for ways to make us more competitive by lowering taxes."

Ensign's message of low taxes, reduced spending and smaller government was not new for him. But he said he chose to speak on the topic as Congress begins to consider tax and spending bills for the fall.

The Nevada Republican joined the Senate Finance Committee this summer where new taxes are being debated both publicly and privately among senators in back rooms, he said.

"I just want to start laying down that to keep this economy strong we have to look not just at keeping taxes low but can we look at lowering other business taxes," he said following the speech.

"There are certainly some taxes I believe the (Democrats) are going to try to raise this fall," Ensign said.

Among higher-profile issues, the Finance Committee is considering bills that would change the way that private equity fund managers are taxed on millions of dollars they receive as profit for arranging complex business restructurings.

Managers now are able to count much of this "carried interest" profit as capital gains, which are taxed at 15 percent, a lower rate than if it was considered ordinary income. Bills before Congress would raise the rate on such gains to as much as 35 percent.

Ensign said lawmakers also are eyeing possible tax increases to offset the cost of "fixing" the alternative minimum tax, an added levy on a growing number of middle income taxpayers.

Also, he noted, a Democrat-adopted 2008 budget resolution assumes that some of the tax cuts Congress passed early in President Bush's term will expire as scheduled in 2010, a move that Republicans decry as a de facto tax increase.

The Democratic budget does assume that tax cuts aimed at helping the middle class, like the child tax credit, will remain and will be extended.

"Today our economy is healthy and strong because of tax relief that the Republican Congress provided," Ensign said. "But that is the past."

A spokesman for Senate Majority Leader Harry Reid, D-Nev., said Democrats have passed bills "that put working families first."

Democrats argue the Bush tax cuts lean to the wealthy.

"President Bush has not done the economy any favors," Reid spokesman Jon Summers said.

In the speech, Ensign maintained that "countries around the world including in Europe, are racing to cut their taxes."

A study of 86 countries last year by KPMG International showed that tax cuts attracted investment, with revenue losses "offset by new revenue from increased hiring and spending," he said.

"Sound familiar? It's the economic plan that in the 1980s helped raise our nation out of one of our worst economic situations," he said.

That strategy was promoted by President Reagan and "marked the longest peacetime expansion in history."