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Revitalizing Investment, Savings, and Entrepreneurship (RISE) Act

The RISE Act will unlock capital, boost investment, and stimulate economic growth and innovation for all Americans by capping the federal long-term capital gains tax rate at 15%. This was the top rate at which capital gains were taxed from 2003 to 2012 and has historically been supported by both Democrats and Republicans.

With an additional 3.8% Medicare surtax, federal capital gains taxes in the United States are as high as nearly 24% - nearly five percentage points more than the Organization for Economic Co-operation and Development (OECD) average. When combined with rates as high as 14% on the state level, we are significantly discouraging the essential investment businesses need to thrive.

Lower Capital Gains Taxes Grow the Economy and Boost Investment

- Investing in businesses and start-ups is inherently risky. When investors evaluate potential investments, they consider the cost of capital, the minimum return that would be necessary to justify undertaking such a risk.

- The lower the cost of capital, the more likely investors are to undertake the risk of investment. However, **high capital gains tax rates lower the return on investment, thus increasing the cost of capital and reducing overall investment in the economy.**

- The RISE Act will ensure that more businesses, from Main Street to Wall Street, receive the funding they desperately need to grow and thrive.

- **When businesses grow, so do productivity and innovation, boosting wages, raising the standard of living, and keeping prices low for all Americans.**

Lower Capital Gains Tax Rates Have Been Supported by Democrats and Republicans

- **After passing overwhelmingly through a Democratic-controlled House and Senate, President Obama signed a law that preserved a 15% top capital gains tax rate** in 2010. That legislation received 139 Democratic votes in the House and 38 Democratic votes in the Senate.

- In 2003, President Bush signed legislation that lowered the top capital gains tax rate from 20% to 15%. This rate **remained the top rate for nearly a decade**.

- In 1997, President Clinton signed legislation that lowered the top capital gains rate, passing with 164 Democratic votes in the House and 37 Democratic votes in the Senate.

What the Experts Have Said

- A 2012 joint working paper from the Congressional Budget Office and the Joint Committee on Taxation acknowledged that **lower rates on capital gains "encourage entrepreneurs to invest time and effort into starting, building up, and selling new businesses"** and "encourage savings, which may increase the long-term productivity of the nation." [1]

- In a 2010 study, world-renowned economist Allen Sinai found that **lower capital gains taxation significantly benefits U.S. macroeconomic performance**. He argued that "a reduction in the capital gains tax rate would be a pro-growth fiscal stimulus that creates new jobs and new businesses, funds entrepreneurship, reduces the unemployment rate, increases productivity, and in the long run brings in more payroll taxes." [2]

- Stephen Entin, Senior Fellow Emeritus at the Tax Foundation and former Joint Economic Committee economist, found that **a 15% capital gains tax rate would benefit long-run GDP and government revenues more than a 24% rate**.[3]

- During a 1997 Senate Banking Committee Hearing, former Federal Reserve Chairman Alan Greenspan testified that the **major impact of capital gains taxes "is to impede entrepreneurial activity and capital formation."** He went on to say that "while all taxes impede economic growth to one extent or another, the capital gains tax is at the far end of the scale. I argued that the appropriate capital gains tax rate was zero." [4]

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[1] Joint Committee on Taxation and Congressional Budget Office. New Evidence on the Tax Elasticity of Capital Gains. Working Paper CX-56-12, 15 June 2012.

[2] Sinai, Allen. "Cap Gains Taxation: Less Means More." The Wall Street Journal, 21 Sept. 2010

[3] Entin, Stephen. The Effect of the Capital Gains Tax Rate on Economic Activity and Total Tax Revenue. Institute for Research on the Economics of Taxation, 9 Oct. 2009.

[4] Greenspan, Alan. Testimony before the Senate Banking Committee. 25 Feb. 1997.