We affirm resolved: The United States should abolish the Capital Gains Tax.

**Contention 1 is Encouraging the Middle Class**

The **Tax Policy Center** explains that a capital gain is realized when a capital asset, such as a stock or mutual funds, is sold or exchanged at a price higher than it bought for.

Depending on the tax bracket, a taxpayer pays a 15 to 20 percent tax on gains when the liquidate their assets. This is known as the Capital gains tax

However **Moore ‘15** explains the capital gains tax is not adjusted for inflation. So when inflation is high, the "gain" can be mostly due to the increase in prices. In other words the gain can just be an illusion and thus tax rate can rise above 100 percent.

**Golman of the Manhattan institute** finds that the capital gains tax hurts the economy by creating a disincentive for the middle class to increase their income through investing, and thus should be abolished.

There is precedence for success.

When Switzerland abolished its capital gains tax, real income increase by 3.0 percent.

**Contention 2 is Boosting Business**

In that status quo small business creation is statgent.

**Demers 2017 writes in Time Magazine** that Small businesses drive our economy — and yet, they’ve gone missing. Historically, we’ve come to expect the creation of around 600,000 new businesses a year. Instead, we’ve hovered around the 400,000 and only a fraction of those new businesses end up surviving beyond a year or two.

However abolishing the capital gains tax reverses this trend and creates small business growth in three ways.

**First is efficient entrepreneurship**

**Chari of UCLA** explains some individuals have a comparative advantage in starting new business enterprises relative to managing existing enterprises. Unfortunately, the capital gains tax creates friction as it increases the cost of sell a business off. As a result, there is an inefficient allocation of abilities where people are left to manage their own enterprises instead of selling them off and creating new ones.

He quantifies thatif the capital gains tax were to be reduced to zero, the number of entrepreneurs specializing in startups would increase by 19%.

**Second is access to capital**

**Cato** writes one of thebenefitof reducing the capital gains tax is diverting investment to new business startups because it increase the rate of return for investors as well as decreases the cost of moving capital.

A study by **Thomas Wilson** found that decreasing capital gains taxes by 4 percentage points leads to a 1 to 2 percent increase in investment.

Empirically **Cato** find that are there more small business start-ups during periods of low capital gains taxes.

This is highly important as **Robb 2013 of New Wave** writes that Access to capital for small businesses is one of the biggest policy issues in the United States as a lack of sufficient starting capital constrains the development of new small businesses.

**Third is improved management**

**Clemens 2014** writes that start-up firms cannot typically offer salaries that are competitive with established businesses and therefore often recruit managers using equity stakes. However the capital gains taxes reduce the returns that these managers receive, thereby diminishing the likelihood that start-ups will be able to attract the talent that growth requires.

Unfortunately a study by **U.S. Bank** shows that 82% of small businesses fail because of mismanagement.

**The impact is is Creating Jobs**

**Stephen of the Cato Institute** writes that small businesses create 50 to 80 percent of all new jobs in the United States.

And **Austin Nichols of the Urban Institute** finds Low-income workers are disproportionately likely to work in smaller firms. Such firms employ 35 percent of workers in low-income families.

There is precedence for success

**Forbes 2012** find that when Bush cut the capital gains tax in 2003 caused investment spending which was on the decline to reversed and increased 6.7% per quarter producing 8 million new jobs, and dropped the unemployment rate to 4.4%.

Thus **Whalen 2012** quantifies that eliminating taxes on investments would create 1.3 million jobs per year.

Job Growth is highly important as **Roelfs 2011** finds

the risk of death was 63% higher among those who experienced unemployment than among those who did not, after adjustment.