

House Republican Economic Recovery Plan

President Obama asked House Republicans for their input on the stimulus bill. In addition to some of the worthwhile policies already included, such as net operating loss carryback and expensing for small businesses, House Republicans are proposing:

Immediate Tax Relief for Working Families:

Rather than a refundable credit based on payroll taxes, House Republicans propose reducing the lowest individual tax rates from 15% to 10% and from 10% to 5%. As a result every taxpaying-family in America will see an immediate increase in their income with an average benefit of \$500 in tax relief from the drop in the 10% bracket and \$1,200 for the drop in the 15% bracket. A married couple filing jointly could save up to \$3,200 a year in taxes.

- The two lowest tax rates in America are 10% and 15%. Every taxpayer pays income taxes beginning at the 10% rate.
- 105.2 million tax returns paid tax at the 10% rate, including:
 - 44.9 million married couples, and
 - 13.5 million heads of households
- A married couple pays 10% of their income in taxes on their first \$16,700 in income
- Lowering the 10% rate to 5% would result in an average tax cut of \$500

- In addition to the taxes they paid at the 10% rate, an additional 79.0 million tax returns paid tax at the 15% rate, including:
 - 37.5 million married couples, and
 - 7.7 million heads of households
- A married couple pays 15% of their income in taxes on their income between \$16,700 and \$67,900
- Lowering the tax rate from 15% to 10% would result in an average tax cut of \$1,157

Help for America's Small Businesses:

Small businesses (those employing less than 500 individuals) employ about half of all Americans, yet they can be subject to tax rates that siphon away one-third or more of their income. House Republicans propose to allow small business to take a tax deduction equal to a 20% of their income. This will immediately free up funds for small businesses to retain and hire new employees.

- Small Businesses, those with 500 or fewer employees:
 - Represent 99.9 percent of the 27.2 million businesses in America
 - Employ about half of all private sector employees
 - In 2005 they created 979,102 net new jobs, or 78.9 percent of new jobs
- Irrespective of whether they pay taxes at the corporate or individual level, small businesses can pay up to 35% of their income in taxes to the federal government
 - The United States business tax rate ranks the 29th highest (out of 30) among the major economies of the world
 - The only country with a higher tax rate is Japan

No Tax Increases to Pay for Spending:

The stimulus proposal pending in Congress includes record levels of government spending that will substantially increase the current deficit. House Republicans are concerned that this level of spending will result in some proposing near-term tax increases on American families. House Republicans are insisting that any stimulus package include a provision precluding any tax increases now or in the future to pay for this new spending. House Republicans believe that any stimulus spending should be paid for by reducing other government spending, not raising taxes.

- With a \$1 trillion deficit this year – before we even consider a stimulus bill, and with a \$10.6 trillion national debt, we can't afford to borrow money and waste it
- Once the additional costs of stimulus legislation are added, the deficit rises to 12% of GDP, twice the current post WW II record
- Speaker Pelosi has already stated this year that she is in favor of raising taxes “as soon as possible.” (Paul Kane, "Pelosi Urges Obama To Raise Taxes On Wealthy This Year," *The Washington Post*, 1/8/09)

Assistance for the Unemployed:

Incredibly, the Federal Government actually imposes income taxes on an individual receiving unemployment benefits. House Republicans are proposing to make unemployment benefits tax free so that those individuals between jobs can focus on providing for their families.

- As a result of the taxation of unemployment benefits, unemployed Americans forfeit approximately 11% of their unemployment benefits to the Federal Government

Stabilizing Home Values:

The real-estate market is paralyzed as potential buyers wait on the sidelines expecting prices to fall even further. This is becoming a self-fulfilling prophecy. In order to encourage responsible buyers to enter the market and stabilize prices, House Republicans are proposing a home-buyers credit of \$7,500 for those buyers who can make a minimum down-payment of 5%.

- Even though prices on homes have been falling, sales have also fallen
- At the current rate that homes are being sold in the U.S. it would take over 11 months to sell all the homes currently on the market, and that assumes no new home go up for sale