

## **SUMMARY – 2008 ECONOMIC GROWTH PACKAGE**

Office of Republican Leader John Boehner (R-OH)

January 24, 2008

### **OVERVIEW-REFUND CHECKS**

**All Americans who have earned income of at least \$3,000 in 2007 will receive at least a \$300 rebate check. Those Americans with children will also receive \$300 additional for each child. In general, Americans who have an income tax liability will receive progressively more, up to \$600 for individuals and \$1,200 for couples, plus the additional amount for children. This plan is phased out for single filers with more than \$75,000 of Adjusted Gross Income (AGI) and \$150,000 for married couples filing jointly.**

**The rebate is strongly tilted towards taxpayers, with more than 70% of its benefits going to individuals and families that pay income taxes.**

The proposal is an accelerated reduction of the 10% rate for 2008 filings, which will reduce income taxes for millions of hardworking Americans. Specifically, the rebate includes a one-time payment of 10% of the first \$6,000 of taxable income (\$12,000 if married filing jointly) for a maximum check of \$600 (\$1,200 if married filing jointly). In addition, the proposal provides an additional amount for millions of families with kids.

The rebates will be sent to qualifying individuals and families by check, which will be delivered as soon as possible; the amounts will NOT be part of a taxpayer's regular income tax refund.

Under the plan, Americans will need to make no additional filing with the IRS or otherwise apply for the checks; they will be mailed automatically.

**GENERAL STRUCTURE:** There are two ways Americans can receive a check: 1) If a person pays income taxes; or 2) If a person has earned income of at least \$3,000 (i.e., the individual must have worked in 2007). Check amounts will be the sum of two separate calculations: the Base Amount and the Children's Bonus. Checks will be phased-out for those with AGI above \$75,000 (\$150,000 in the case of married couples filing jointly).

#### **1. The Base Amount:**

The base amount is whichever is greater between two options:

Option A – Federal income tax paid in 2007, with a maximum of \$600 for single filers (\$1,200 for married filing jointly).

**OR**

Option B – A flat amount of \$300 for single filers (\$600 married for married filing jointly), but only if the filer's earned income in 2007 was at least \$3,000.

**PLUS**

### The Children's Bonus:

Anyone qualifying for the base amount (because they had at least \$3,000 in earned income or paid at least \$1 in federal income taxes in 2007) also receives an additional \$300 per child, with no cap on the number of children.

#### **Revenue Cost** [in billions of dollars]

Total: \$103

Outlay increase: \$28

Tax reduction: \$75

### **EXAMPLES**

Ex 1. John Doe had a job for part of the year, earning \$9,000. He has custody of two children. He owed no federal income taxes for 2007. Under the proposal he would be eligible for a Base Amount of \$300 for himself (because his earned income was at least \$3,000). His earned income would also be sufficient to get a \$300 Children's Bonus for each of his two kids, for a total of \$900.

Ex. 2. Mr. and Mrs. Smith both worked part-time in 2007 and have two children. After application of available deductions and credits, they had a federal income tax liability of \$500 for 2007. Under the proposal, they would be better off with Base Amount of \$600 for a couple (for which they qualify, because their earned income was more than \$3,000). They would therefore also have enough earned income to qualify for a Children's Bonus of \$300 for each of the five children. Thus, their total check would be \$1,200.

Ex. 3. Mr. and Mrs. Jones have five children. After taking available credits and deductions, their 2007 taxable income was \$95,000, leaving them with a federal income tax liability of just over \$16,600. Under the proposal, they would get the full Base Amount of \$1,200. They would also qualify for a Children's Bonus of \$1,500, bringing their total check to \$2,700.

Ex. 4. Mr. and Mrs. Senior are retired. As a result of their investment income, the couple paid \$4,000 in federal income taxes in 2007, meaning they would get the full base amount of \$1,200. They had no dependent children, so there is no Children's Bonus.

Ex. 5. Mr. and Mrs. Ipo have one child. They were able to retire young but still collect dividends and capital gains from a business they sold a few years ago. The couple paid \$19,000 in federal income taxes on that income in 2007. They would therefore qualify for the Base Amount of \$1,200. They would also qualify for a Children's Bonus of \$300, because they paid at least \$1 of federal income tax in 2007 (even though they had no earned income), for a total check of \$1,500.

Ex. 6. Mr. and Mrs. Withers are lawyers, with a combined income in 2007 of \$300,000. They have four children. Because their AGI is over \$150,000, they are disqualified from receiving either the Base Amount or the Children's Bonus. They would not receive a check.

## OVERVIEW-BUSINESS TAX CUTS

**Bonus Depreciation:** The economic growth package will provide for a 50 percent bonus deduction on new equipment in the year it is placed in service, with certain exceptions for equipment with a “long life.” This temporary tax cut offers significant savings on new property with a depreciation period of 20 years or less. This will give employers – particularly small businesses – greater incentive to invest and create jobs for more Americans searching for work. The temporary bonus depreciation, coupled with expensing measures enacted in May 2003, resulted in a four percent increase in business spending in the first six months alone. *The cost is approximately \$42.3B for 2008.*

**Section 179 Expensing:** This provision allows employers, including small businesses, to fully expense \$250,000 in both new and used tangible property in the year it is purchased up to an overall investment limit of \$800,000. This will provide a particularly strong incentive for small companies to invest in their businesses so they can continue to provide good-paying jobs for the American people. *The cost is approximately \$1B for 2008.*

**Increase in Government Sponsored Enterprises (GSE)/Federal Housing Administration (FHA) Conforming Loan Limit:** The conforming loan limits for both FHA and GSE (such as Fannie Mae and Freddie Mac) loans would be increased from \$362,000 to \$725,000 and from \$417,000 to \$625,000 respectively.