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New Growth Package Meets Criteria To Keep Our Economy Healthy

Bush Administration Reaches Bipartisan Agreement With House Speaker Nancy Pelosi And Republican Leader John Boehner On Measures To Keep Our Fundamentally Strong Economy Growing

Today, President Bush announced his Administration reached a bipartisan agreement with House leadership on an economic growth package, and he encouraged Congress to deliver a bill to his desk as soon as possible to bolster the economy this year. The President's advisors and many outside experts expect that our economy will continue to grow over the coming year, but at a slower rate than we have enjoyed for the past few years – and there is the risk of a downturn. The agreement reached today meets the criteria the President set forward last week to provide an effective, robust, and temporary set of incentives to protect the health of our economy and encourage job creation. If enacted in a timely manner, it is expected to help create more than half a million jobs by the end of 2008.

The Growth Package Includes Measures To Bolster Both Business Investment And Consumer Spending, Which Are Critical To Economic Growth

- 1. The agreement reached today would allow Americans to keep more of their money to stimulate consumer spending.** The growth plan provides approximately \$100 billion in temporary relief that will allow Americans to keep or spend more of their incomes. Under the agreement:
 - In 2008, taxes would be cut from 10 percent to zero percent on the first \$6,000 dollars of taxable income for individual taxpayers and the first \$12,000 of taxable income for couples.** Taxpayers could receive rebates of up to \$600 for individuals and \$1,200 for couples. A minimum of \$300 per person and \$600 per couple would be available to those with at least \$3,000 of earned income. This relief would be available to everyone with adjusted gross income less than \$75,000 for singles and \$150,000 for married couples filing jointly. It will be phased out for taxpayers above those income thresholds.
 - Everyone eligible for this relief would also receive an additional \$300 per child.** For example, this would mean up to \$1,800 of tax relief for an eligible couple with two children.
- 2. The agreement would also offer incentives to spur business investment.** The agreement would save businesses approximately \$50 billion in near-term taxes through a temporary change to the tax code that will allow American businesses that buy new equipment this year to deduct an additional 50 percent of the cost of their investment in 2008. This will encourage businesses to expand and create new jobs now because buying equipment, software, and tangible property this year will dramatically lower their taxes. The agreement also increases expensing for small businesses.

The Agreement Reached Today Adheres To Principles President Bush Set Forward Last Week To Guide

Deliberations

The growth package:

- **Is big enough to make a difference in an economy as large and dynamic as ours.** The package is approximately \$150 billion, an amount sufficient to provide a boost to the economy.
- **Is built on broad-based tax relief that will directly affect economic growth, not Federal spending that would have little immediate impact on our economy.** The package is not a collection of spending programs – it does not include any government outlays beyond the minimum rebate check and refundable child tax credit.
- **Is temporary and will take effect right away so we can get help to our economy when it is needed most.** The personal tax relief will begin to stimulate consumer spending and additional economic growth within about 60 days of enactment, when the first rebate checks are expected to go out.
- **Does not raise taxes or include wasteful spending provisions.**

The Growth Package Announced Today Would Use Proven Methods To Keep Our Economy Healthy.

The experience of the 2001 and 2003 tax cuts shows that providing tax relief to families stimulates the broader economy by boosting household spending. For example, rebate checks increased total consumption by about 0.8 percent in the quarter that the 2001 rebates were received and about 0.6 percent in the subsequent quarter. As the non-partisan Congressional Budget Office noted, "Most analysts agree that the 2001 rebate stimulated the economy."

The approximately \$100 billion of individual tax relief included in the growth package represents a substantially larger amount than the tax rebates of 2001. In 2001, \$38 billion was distributed in rebate checks, amounting to 0.4 percent of GDP. \$100 billion amounts to 0.7 percent of current GDP.