

# Latest News on the Bush Tax Plan

## New points in Bush proposal:

- Acceleration of existing tax cuts – plan would not just speed up phase-in, it would implement ALL planned rate cuts retroactively to Jan. 1, 2003. Top rate immediately 35%, etc.
  - No expensing component – depreciation is targeted at small businesses only. Small businesses could write off \$75,000, rather than the current \$25,000.
  - Total marriage penalty relief implementation NOW (rather than 2009), total \$1000 child credit NOW (rather than 2010), bottom rate to 10% NOW (rather than 2008).
  - Order to Treasury to change withholding amounts on passage.
  - “Hold Harmless” provisions for AMT to make sure no taxpayer is hurt by these cuts.
  - “Individual Re-employment Accounts” with bonus for finding work quickly - \$3000 to individuals to fund retraining, etc. If job is found quickly before funds exhausted, individual may keep the funds.
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- With the economy slowing to around 1.5 percent in the fourth quarter, both the Democrats and the Republicans will release economic growth packages.
- The President’s plan is more than just an economic growth package, it is a tax reform package.
- Proper tax reform is desirable no matter what condition the economy is in and reforming the tax code generates efficiency gains that will improve economic growth by itself, albeit small gains.
- 3 out of the 5 easy steps will be included in the President’s proposal:
  - a. Lowering marginal rates by accelerating the 2004 scheduled income tax reductions.
  - b. Accelerated depreciation which is an incremental step to full business expensing
  - c. Eliminating the double taxation of dividends.

## The Plan

- Accelerating Marginal Rate Cuts

- a. Boosts short-term and long term economic growth
- b. Allows consumers to pay down their debt and continue spending.
- c. Small businesses pay income taxes not corporate and provides them with capital to hire new employees and make capital investments.
- **Expensing/Depreciation**
  - a. Business investment is the current problem in the economy.
  - b. Reduces the cost of capital by allowing companies to make purchases of capital equipment but not have to pay taxes on that purchase.
  - c. Benefits particularly small and capital-intensive industries, because it would provide a more affordable incentive for them to upgrade their equipment.
  - d. More investment leads to greater employment, higher incomes, lower prices, and a better standard of living for all working American families.
- **Dividends**
  - a. 100 percent elimination of the double taxation of dividends
  - b. No dollar of income should be taxed twice as currently is the case.
  - c. Boosts investor and consumer confidence
  - d. Eliminates market distortions created by government policy.
  - e. Increases total stock market value, which benefits all Americans
  - f. Benefits senior citizens

## **OVERCOMING CLASS WARFARE OBJECTIONS**

- **The dividend proposal achieves three objectives:**
  - 1) **Restores investor confidence, which is a major problem with the economy.**
    - a. Since the proposal hit the front pages of the newspapers, TV and radio on Thursday, investor confidence has increased 5 points in the Rasmussen overnight polls.
  - 2) **Helps the stock market.**
    - a. Our overnight polling data is telling us there is strong support for notion that growing stock market helps the economy and benefits all Americans.
  - 3) **Seniors rely on dividends as a source of steady income during retirement.**
    - a. While senior citizens receive only 15% of all income, they receive 47% of income from dividends each year.
    - b. Dividends make up a greater percentage of senior citizens income than capital gains, wages, and other income, especially for the lowest income senior citizens.

**Overnight polling shows a modest plurality oppose the dividend tax cut, but that shifts to a plurality in favor when seniors are mentioned as beneficiaries.**