

Obama Administration: Tax & Economic Issues

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Obama Economic Agenda

- Job 1: responding to the financial sector crisis, the credit squeeze, the housing market meltdown, and the fallout for those who are losing their jobs and homes
 - Need for both short-term and long-term solutions involving:
 - Tax and spending policies
 - Shoring up public confidence
- Other tax issues (AMT; estate tax; Bush tax cuts; comprehensive tax reform) to come later in the year

Background

- Administration working with Congressional leadership to fashion large (\$800 billion) stimulus package
- Bill on desk by January 20?? (Feb. 15 more likely)
 - Congressional committee hearings beginning this week
 - Components from several committees: Appropriations, Banking, Energy & Commerce, Financial Services, Transportation & Infrastructure, Ways & Means
 - Where's my bailout? Every major sector and industry calling for their share

\$800 Billion Stimulus

- Includes money for infrastructure spending on highways and public transportation
- Major expansions of government-assisted health care (FMAP) insurance and unemployment compensation
- \$300 billion in tax cuts for workers and businesses

\$300 Billion Tax Plan

- Refundable tax credit (aka cash payment) for everyone making roughly \$200,000 or less distributed via reduced withholding and payroll tax credit on first \$8,000
- Three business proposals:
 - Extend bonus depreciation to permit faster write-off of equipment
 - Accelerate operating loss carry-back to recover prior payments
 - Refundable tax credit for each new worker hired or current worker retained

Obama Tax Plan

Bush Tax Cuts	Retain selected provisions (keep cuts for rates up to 28%; 33 and 35% rates would return; child credit expansion, marriage tax relief)—no tax increases during economic crisis?
Estate Tax	Permanent: \$3.5 million exemption per spouse and 45% top rate
AMT	Retain with index for inflation
Corporate taxes	Cut capital gains tax on investment in small business; lower rates for those expanding in U.S.; R&D credit permanent
Tax increases	Increase capital gains to 20%; corporate loophole closing; information reporting of basis for gains
Simplification	Simplified pre-filed return for wage earners
Other tax proposals	Refundable mortgage credit; expand EITC; new college tax credit among others; Additional social security tax (employer and employee) on workers earning more than \$250,000

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111th Congress

- Tax committees to consider stimulus package right away
- Ways & Means:
 - Embattled Chairman
 - New ranking member Dave Camp (R-MI) (friendly to charitable community; co-sponsor of IRA legislation)
- Senate Finance
 - Close relationship between Chairman Baucus and ranking member Grassley
- Nonprofits will continue to be a target