



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 13, 2004
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 4275 - Permanent Extension of 10 Percent Individual Income Tax Rate Bracket (Rep. Sessions (R) Texas and 49 cosponsors)

The Administration strongly supports H.R. 4275, which would make permanent a higher level of tax relief through the 10 percent individual income tax rate. The Administration is pleased that the House is acting now to make this important part of the President's tax relief plan permanent.

The President has called on Congress to make the provisions of the 2001 and 2003 tax relief bills permanent to prevent tax increases from hitting America's families, small businesses, investors, farmers, and seniors. Tax relief has greatly helped the economy weather the storms of recent years and fueled the economic recovery underway today. Making this tax relief permanent will lay the foundation for sustained economic growth and job creation over the long term and enable taxpayers to plan for their future with more confidence.

Unless Congress acts by the end of this year, the 10 percent tax rate will be repealed for many families and replaced with the 15 percent tax rate. This will result because the level of income subject to the new 10 percent tax rate will increase by \$1,000 for a single filer, and by \$2,000 for married filers. At the same time, two other provisions of the President's tax relief program will expire – the increase in the child tax credit to \$1,000, and the full extent of marriage tax penalty relief. In addition, relief from the individual Alternative Minimum Tax also will expire at the end of this year unless Congress acts.

The new 10 percent tax rate has ensured that every income taxpayer in America has benefited from tax relief. The new, lower rate has also meant that the lowest income taxpayers have seen a one-third reduction in their marginal income tax rate from 15 percent to 10 percent. If the new 10 percent tax rate were allowed to expire for many families and replaced with the 15 percent tax rate, then taxes would increase for 73 million taxpayers. Making the 10 percent rate bracket permanent will help the economy continue to grow and create jobs.

While the President is committed to extending his entire tax relief plan permanently, it is particularly important that the Congress take quick action to extend the expansion of the 10 percent rate bracket, the increase in the child credit, the marriage penalty relief, and the Alternative Minimum Tax relief before they expire at the end of this year.

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