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

July 30, 2008
(Senate)

STATEMENT OF ADMINISTRATION POLICY

S. 3335 - Jobs, Energy, Families, and Disaster Relief Act of 2008
(Sen. Baucus (D) Montana)

The Administration supports responsible and timely alternative minimum tax (AMT) relief as proposed in the President's Budget. Congress should act quickly to protect 26 million American taxpayers from an unwelcome tax increase and to avoid repeating the unnecessary administrative complexity caused by congressional delay in 2007. In addition, the Administration supports the extension of the tax credit for research and experimentation (R&E) expenses, incentives for charitable giving, subpart F active financing and look-through exceptions, and the new markets tax credit. In its FY 2009 Budget, the Administration proposed that several of these provisions be made permanent, including the R&E tax credit. However, due to other objections to the bill, should it be presented to the President in its current form, his senior advisors would recommend a veto.

The Administration strongly supports continuation of tax incentives for renewable energy, and in fact the President recently proposed a more effective approach that would reform today's complicated mix of incentives to make the commercialization and use of new, lower emission technologies more competitive. The President's proposal would consolidate this mix into a single expanded program that would be carbon-weighted, technology-neutral, and long-lasting. This policy would make lower emission power sources less expensive relative to higher emission sources while taking into account our Nation's energy security needs. It would take the government out of picking technology winners and losers in this emerging market. And it would provide a positive and reliable market signal for technology investment and investment in domestic manufacturing capacity and infrastructure.

Overall, the Administration does not believe that efforts to avoid tax increases on Americans need to be coupled with provisions to increase revenue. Although the Senate has avoided pairing AMT relief with tax increases, the bill contains a host of objectionable provisions. The Administration strongly opposes the provision in the bill that would subject U.S. companies to continued double taxation by further delaying the effect of new rules for allocating worldwide interest for foreign tax credit purposes. The Administration also strongly opposes the provision in the bill that would treat U.S. citizens with deferred compensation from certain employers -- in all industries -- more unfavorably than other U.S. citizens. Together, these provisions would increase tax burdens, undermine the competitiveness of U.S. workers and businesses, and could have adverse effects on the U.S. economy. The Administration also opposes the continued expansion of tax-credit bonds and the reinstatement of the exclusion from tax of amounts received under qualified group legal services plans. The Administration urges Congress to eliminate all such provisions from the final bill.

The Administration also strongly opposes the provision in the bill to increase cash balances in the Highway Account of the Highway Trust Fund by transferring $8 billion from the General Fund. It is a longstanding principle that highway construction and maintenance should be funded by those who use the highway system. Instead, this provision is both a gimmick and a dangerous precedent that shifts costs from users to taxpayers at large. Moreover, the provision would unnecessarily increase the deficit and would place any hope of future, responsible constraints on highway spending in jeopardy. This provision is unnecessary, because the Administration has proposed a responsible alternative that protects taxpayers.

Finally, the Administration objects to a budget gimmick in the bill that would raise revenues by modifying the tax treatment of deferred compensation over the current budget window, but allow this provision to expire so that it, like the new rules for allocating worldwide interest for foreign tax credit purposes, will return to be available as a "revenue-raiser" in next year's ten-year budget window. These types of gimmicks, done for so-called "pay as you go" reasons, harm the integrity of the tax code and increase uncertainty for taxpayers.

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