

Keeping Our Economy Healthy

President Bush Lays Out Short- And Long-Term Measures To Keep Our Economy Growing And Creating Jobs

Tonight, President Bush will call on Congress to enact the pro-growth policies needed to ensure our economy continues to grow and create jobs. The U.S. economy has a solid foundation, but there are also areas of real concern. America has seen the longest uninterrupted period of job growth on record, but job creation has slowed. Consumer spending has been growing, but the cost of imported oil has increased. Business investment and exports are still rising, but the housing market is declining. These mixed indicators reinforce the need for a short-term economic boost and long-term policies that hold down taxes, open new markets for U.S. exports through trade agreements, increase energy production, and reform the mortgage markets.

- **The President will ask Congress to quickly pass the \$150 billion economic growth package agreed upon in bipartisan negotiations between the Administration and House leadership.** This agreement 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 and to increase economic growth by roughly two thirds of a percent of GDP. Congress should move quickly to pass this bill, without derailing or delaying it.
- **The Administration has also taken several steps to shore up the housing sector.** The Administration has launched the *FHASecure* initiative, expected to help more than 300,000 families refinance their homes. In addition, Secretaries Paulson and Jackson have facilitated the private-sector HOPE NOW alliance, which has developed a plan under which more than a million homeowners could receive help.
 - **The President continues to call on Congress to pass legislation to modernize the Federal Housing Administration to assist struggling homeowners and to strengthen the regulator for Freddie Mac and Fannie Mae to ensure they focus on their housing mission.**
- **In a time of economic uncertainty, the worst thing Congress could do is raise taxes.** The economy benefits when Americans can keep more of their own hard-earned money to spend and invest. President Bush continues to believe tax relief must be made permanent to keep our economy healthy in the long term.

President Bush Urges Congress To Quickly Pass The Growth Package Negotiated By The Administration And Bipartisan House Leadership

The bipartisan economic growth package 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, with a minimum of \$300 per person and \$600 per couple. This relief would be fully available to everyone with adjusted gross income less than \$75,000 for singles and \$150,000 for married couples filing jointly and everyone eligible for this relief would also receive an additional \$300 per child. It gradually phases out for taxpayers with income above those thresholds.
- **For example, this would mean:**
 - A single parent with two children earning \$38,000 would receive a check for \$1,050 – a rebate of \$450 and a child tax credit of \$600.
 - A married couple with two children earning \$80,000 would receive a check for \$1,800 – a rebate of \$1,200 and a child tax credit of \$600.
 - An individual with no children earning \$20,000 would receive a rebate check for \$600.

The growth package 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 package agreed upon by the Administration and House leadership does not raise taxes or include unnecessary spending or regulatory provisions. The President appreciates the hard work of Treasury Secretary Henry Paulson, House Speaker Nancy Pelosi, and House Republican Leader John Boehner in working together on these temporary and effective measures to help our Nation deal with difficult economic challenges.

To Help Ensure Long-Term Economic Growth, The Tax Relief We Have Already Passed Must Be Made Permanent

President Bush believes the most important action to ensure the long-term health of our economy is to make sure the tax relief that is now in place is made permanent. The President's tax cuts are set to expire in less than three years. If Congress allows that to happen, we will see an end to many of the measures that have helped our economy grow – including the 10 percent individual income tax bracket, reductions in the marriage penalty, the expansion of the child tax credit, and reduced rates on regular income, capital gains, and dividends. This would mean that:

- A single mom with two children and \$30,000 in earnings would see her taxes go up by 67 percent.
- An elderly couple with \$40,000 in income would see their taxes go up by about 155 percent.
- Twenty-six million small business owners would see their taxes increase by nearly 17 percent – or about \$4,000 on average.

The Administration Has Taken Robust Steps To Help Struggling American Homeowners

In September, the President and his Administration launched a new initiative at the Federal Housing Administration (FHA) called *FHASecure*. *FHASecure* expands the FHA's ability to offer refinancing by giving it the flexibility to work with homeowners who have good credit histories but cannot afford their current payments. By the end of 2008, the FHA expects this program to help more than 300,000 families refinance their homes.

Treasury Secretary Henry Paulson and Housing and Urban Development Secretary Alphonso Jackson have facilitated the private-sector HOPE NOW alliance. HOPE NOW is a cooperative effort among mortgage counselors, servicers, investors, and lenders to maximize outreach efforts to homeowners in distress and to help homeowners refinance into a new mortgage or receive a modification.

President Bush signed the Mortgage Forgiveness Debt Relief Act of 2007, which will help Americans avoid foreclosure by protecting families from higher taxes when they refinance their home mortgages. This Act created a three-year window for homeowners to refinance their mortgage and pay no Federal taxes on any debt forgiveness they receive.

Last week, President Bush created the President's Advisory Council on Financial Literacy to help ensure the problems now disrupting the housing industry do not happen again. This Council includes representatives from the business sector, non-profits, and faith-based organizations. Chuck Schwab will serve as Chair and John Hope Bryant as Vice Chair.

Congress Has More Work To Do On Measures To Help Families Stay In Their Homes

The President has called on Congress since August to complete work on responsible legislation modernizing the Federal Housing Administration (FHA). This bill will give FHA the necessary flexibility to help hundreds of thousands of additional families qualify for prime-rate financing.

Congress needs to pass legislation permitting State and local housing agencies to help troubled borrowers by issuing tax-exempt bonds for refinancing existing home loans. Under current law, State and local housing agencies can issue tax-exempt bonds to finance new mortgages for first-time homebuyers, but States are unable to do the same for homeowners seeking to refinance.

Congress needs to pass legislation to reform the regulation of Government Sponsored Enterprises (GSEs) like Freddie Mac and Fannie Mae. GSEs provide liquidity to the mortgage market that benefits millions of homeowners, and it is vital that they operate safely and soundly. The President has called on Congress to pass legislation that strengthens independent regulation of the GSEs and ensures they focus on their important housing mission.

The President strongly believes that government assistance must be responsible – the wrong answer, such as a bailout for speculators and unscrupulous lenders, could actually prolong or worsen the problem.