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7TH DISTRICT, ILLINOIS



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## Congress of the United States House of Representatives

### CONGRESSMAN DANNY K. DAVIS Statement in Support of Obama Tax Cuts January 1, 2013

As we prepare to vote on the tax agreement made by the President and the Senate, I am reminded of a quote by President Franklin Delano Roosevelt who once said, "The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough to those who have little." By this measure, the agreement makes considerable progress. Although I have serious concerns about some provisions in the agreement that appear generous to the affluent at the expense of the middle class, the lion share of the agreement advances critical supports for Americans who are in need and temporarily averts drastic cuts to critical national programs. Although the agreement does not generate sufficient revenue to make critical investments in domestic programs, the Obama-Senate bill builds on our economic recovery rather than gutting it. This deal represents a solid foundation on which policymakers must build in the next few months to protect the well-being of our nation and citizens.

For two years, the Republican Leadership repeatedly championed the needs of the secure at the expense of the tens of millions of Americans facing historic levels of poverty, unemployment, food insecurity and foreclosure. I am proud that the bill before us rejected the Republican vision to deliver windfalls to the wealthy by taking from the poor and middle class. I wish to highlight critical elements of the Obama-Senate agreement that are critical to Chicago, Illinois and our country.

- As we recover from one of the worst recessions in our nation's history, the Obama tax cuts permanently provide substantial tax relief to Americans earning less than \$400,000. Indeed, approximately 114 million households will enjoy lower tax rates, liberation from the Alternative Minimum Tax, and respite from the marriage penalty.
- In the face of a current unemployment rate of 7.7% and historic levels of long-term unemployment, the Obama-Senate agreement continues the critical safety net of unemployment insurance. This provision immediately helps 2 million workers across the U.S. who lost benefits on December 29<sup>th</sup>, including 90,000 Illinoisans and an additional 2,800 Illinoisans who would have lost benefits *each week* in 2013.
- In the face of historic levels of poverty, the bill continues the largest anti-poverty programs in the country – the Earned Income Tax Credit and the Child Tax Credit. Across the nation, these credits lift 5 million children out of poverty each year. In my District, the 2009 tax figures reveal that the Earned Income Tax Credit and the Child Tax Credit provided approximately 78,000 families with \$195 million and almost 35,000 families \$35 million in assistance, respectively. These dollars make the difference between eating and going hungry, between staying warm during a Chicago winter or freezing, and between having a roof over one's head or going homeless.
- At a time when a quality education is essential economic security, the bill continues important education tax provisions, including: up to \$2,500 of the cost of tuition and related expenses for higher education; up to \$4,000 in deductions for qualified tuition-related expenses; up to \$2,500 in deductions on student loan interest; the tax-exempts Coverdell Education Savings Accounts up to \$2,000; up to \$5,250 from gross income the cost of employer-provided educational assistance; the exclusion of certain education scholarships from income; tax-exempt bonds for qualified education facilities; and up to \$250 deductions for teachers and school professionals who use their own funds to benefit their students.

- When businesses are beginning to expand hiring, the bill makes critical investments in businesses that will benefit companies in Chicago and the U.S. It promotes innovation by continuing the research and experimentation tax credit; it supports business investment and growth by extending the 50 percent bonus depreciation of capital expenditures; it provides a 15-year cost recovery period for certain leasehold, restaurant, and retail improvements as well as new restaurant buildings that are placed in service during the next year; it aids small business S-Corporations by extending the basis adjustment of S-Corp stocks making charitable contributions of property and by reducing the holding-period for sales of assets after a conversion to a S-Corp; it supports hiring of new employees via the Work Opportunity Tax Credit and the Employer Wage Credit for Activated Military Reservists; it promotes investment in economically-distressed areas by continuing tax incentives to businesses and residents within Empowerment Zones, including large parts of Chicago; and it promotes education and employment by providing tax credit Qualified Zone Academy Bonds, from which Chicago Public Schools and many other Illinois school districts have benefited.
- The bill strengthens health care for older Americans and vulnerable citizens. It avoids a 27% cut to reimbursement for doctors caring for Medicare without cutting benefits; it allows Medicare beneficiaries to go above the \$1,880 limit on outpatient therapy services provided the services are deemed medically necessary; it continues programs designed to improve Medicare performance; it allows Medicaid to pay a some premiums for low-income Medicare beneficiaries with incomes between 120% and 135% of poverty; it allows low-income families to keep their Medicaid coverage as they transition to employment or higher earnings; it eases eligibility determinations for state Medicaid and Children Health Insurance by allowing states to use information from other state offices (e.g., school lunch, food stamps); and it continues to support Family-to-Family Health Information Centers that aid coordinated care for children and youth with special health care needs.

Recognizing the fact that we have been stalemated for much too long, I have determined that – even though there are provisions of this agreement that I do not like and, in fact disagree with – I support the Obama-Senate agreement because it is a balanced first step to addressing our nation’s financial well-being. The Obama-Senate Agreement provides real help for those in Chicago, Illinois, and the nation. It protects hundreds of millions of hard-working Americans who need the government’s help to weather the extended storm of economic hardship.