



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release  
Thursday, Sept. 23, 2004

## Grassley Helps to Advance Family Tax Cuts, Alternative Energy Tax Incentives

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today urged Congress to give final approval to continued tax relief for millions of families and individuals and continued tax incentives for renewable energy production. Grassley played a critical role in advancing the tax measures as chairman of a House-Senate conference committee overseeing their approval.

“The choice is between increasing taxes on millions of families and individuals next year or sparing them that tax increase,” Grassley said. “I’m glad those of us who fought for tax relief – the Republican-led Congress – are prevailing. Taxpayers deserve it. The President made this a priority, and I hope to have a bill on his desk within days. I’m also glad to continue our commitment to making electricity using renewable resources. We still have to pass a comprehensive energy bill, but in general, cutting taxes is an effective way to encourage positive, environmentally conscious means of producing electricity and fuel. I’m pleased all of these measures will pass with strong bipartisan support.”

Last night, the House-Senate conference committee charged with ironing out differences between each chamber’s tax package approved Grassley’s proposals with no changes. Grassley said the package is must-pass legislation because without it, provisions dealing with the child tax credit, relieving the marriage penalty and providing an expanded 10 percent tax bracket would have expired at the end of this year. Congress approved these provisions in earlier tax laws, also under Grassley’s leadership in the Senate. Specifically, the new tax package:

- keeps the child tax credit at \$1,000, instead of letting it drop to \$700, for the next five years; it phases out at an income of \$75,000 for a single taxpayer and \$110,000 for a couple. The tax package also ensures that families with a mother or father receiving tax-exempt combat pay will still be able to receive the maximum benefit from the child credit and the Earned Income Credit.
- continues an expanded 10 percent tax rate that lowers tax bills for virtually all taxpayers for six years. The 10 percent bracket – the lowest – is especially important for very low-income taxpayers, who would feel the effects of a tax increase in this bracket more acutely than higher-income taxpayers.

- continues to offer married couples relief from the marriage penalty that takes a bigger tax bite from many couples than if they were single taxpayers. This is extended for four years.
- extends for one year current relief from the alternative minimum tax, which was intended to make sure that wealthy Americans did not escape paying taxes but is starting to ensnare more middle-income taxpayers.
- creates a uniform definition of a child for the dependency exemption, child credit, the Earned Income Credit, the dependent care credit, and head-of-household filing status. This long-overdue simplification makes many more taxpayers – especially low-income taxpayers -- eligible for a child-related benefit. According to the nonpartisan Joint Committee on Taxation, this will be one of the most significant broad-based simplifications of the tax code.
- extends the current tax credit for the production of electricity from renewable resources such as wind until Jan. 1, 2006. Grassley authored the *Wind Energy Incentives Act of 1993*, which established the first-ever wind energy production tax credit.
- continues the full tax credit for electric vehicles and the full deduction for clean-fuel vehicles (powered by fuels including natural gas, electricity, or 85 percent or more ethanol) until 2006.

This is the fourth significant tax cut package that the President has championed since taking office and that Grassley has helped to advance as a leader of the Finance Committee. The House could vote on the package as early as today, and the Senate could vote as early as tonight, clearing the package for the President's signature by early next week.

“The right path is the one that advances the economy and creates jobs,” Grassley said. “Raising taxes on families and individuals would take the country off the right path. I’m glad we’re moving toward continued economic growth with a good tax package that makes sense for taxpayers and the economy.”