



Office of Democratic Leader Nancy Pelosi

May 7, 2003

Democratic Jobs and Economic Growth Plan

FAIR:

Tax Cuts for Working Families

FAST-ACTING:

1 Million Jobs This Year

FISCALLY RESPONSIBLE:

Paid For

Office of the Democratic Leader, H-204, The Capitol, 202-225-0100



Democratic Jobs and Economic Growth Plan

Tax Cuts for Working Families

- ✓ Increase in the Child Tax Credit
- ✓ Expansion of Ten Percent Bracket
- ✓ Eliminate Marriage Penalty

Investment Tax Credits for Small Business

- ✓ Business Expensing Up to \$75,000
- ✓ Bonus Depreciation

Targeted Assistance for Those Looking for Jobs

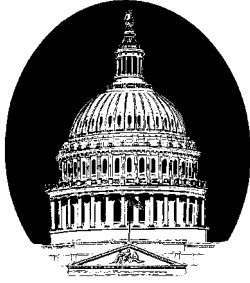
- ✓ Extend Unemployment Benefits
- ✓ Broaden Coverage

Support for States and Localities

- ✓ Health Care
- ✓ Education
- ✓ Homeland Security
- ✓ Infrastructure

Business Incentives for Job Creation

- ✓ Corporate Tax Incentive for Manufacturing
- ✓ Tax Incentive for Hiring Long-Term Unemployed



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ www.house.gov/budget_democrats

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The Democratic Jobs and Economic Growth Plan

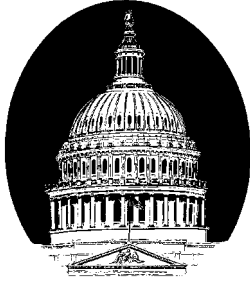
The Democratic Jobs and Economic Growth plan is fair — with tax cuts for working families. It is fast acting — creating 1.1 million new jobs this year. And it is fiscally responsible — fully paid for over ten years.

- ***Tax Cuts for Working Families*** — The Democratic jobs plan provides an immediate increase in the child tax credit to \$800 per child. For low-wage working families, this credit is refundable, and will reach more than 2.6 million children not covered by the current law. Furthermore, the Democratic package makes immediate both the expansion of the 10-percent tax-rate bracket (now slated to occur in 2008), and key provisions to eliminate the marriage penalty. Within months, these provisions will put money in the pockets of average Americans—boosting consumer demand, and the jobs and business investment needed to meet it. These tax cuts will deliver far more immediate impetus to the economy than the Republican proposal of providing long-term tax breaks for recipients of taxable dividends. Cost = \$29 billion in 2003-2004, \$98 billion over 2003-2013.
- ***Investment Tax Incentives for Businesses*** — The Democratic plan provides tax incentives to businesses to generate investment and jobs now. The plan allows small businesses to expense up to \$75,000 of the cost of new investments through 2004, triple the current limit. For all businesses, the plan restructures last year's bonus depreciation provisions so that firms can write off a 50 percent bonus for the next 12 months, and only a 30 percent bonus for the balance of 2004. Domestic manufacturers get a tax break in the Rangel remedy to a World Trade Organization case against the United States. All business tax components encourage investment now, when the economy needs a boost. Cost = \$29 billion in 2003-2004, \$8 billion over 2003-2013.

- ***Targeted Assistance to Those Looking for Jobs*** — The Democratic jobs plan (based on the Rangel unemployment compensation bill) extends unemployment benefits for 26 weeks, increases the level of benefits, and provides temporary aid to states to broaden coverage to low-wage earners and part-time workers. As documented by *Economy.com*, this assistance for those looking for work is the most effective stimulus for the economy and consumer demand by putting money in the pockets of those most likely to spend it. Cost = \$27 billion in 2003-2004 and over 2003-2013.
- ***Support for States and Localities to Create Jobs: Infrastructure, Homeland Security, Education and Health Care*** — Fiscal crises in the states are forcing tax increases and cuts in critical programs, undermining jobs and the economy's recovery. The Democratic plan provides states with funds to avoid these cuts and to address critical needs in areas including Medicaid (\$18 billion in 2003-2004 and over 2003-2013), homeland security, transportation infrastructure, and an additional fund for one-time assistance to help those hurt most by unemployment and a stagnant economy (\$26 billion in 2003-2004 and over 2003-2013). Total cost = \$44 billion in 2003-2004 and over 2003-2013.

Direct Budgetary Impact of the Democratic Jobs Program
Billions of Dollars

	<u>FY '03 - '04</u>	<u>FY '03 - '13</u>
TOTAL OF JOBS CREATION PROVISIONS	129	177
Job-Creating Tax Relief for Working Families	29	98
Job-Creating Tax Relief for Businesses	29	8
Job-Creating Tax Relief to Maintain Export Growth (Rangel FSC Proposal)	0	0
Extension of Unemployment Insurance Benefits	27	27
Targeted Assistance, Including Aid to States and Localities	44	44
Homeland Security/Priority Infrastructure/Critical Needs	26	26
Medicaid FMAP Assistance	18	18
OFFSETS: Freeze Top-Bracket Rates, Close Tax Shelters	-5	-177
GRAND TOTAL, INCLUDING OFFSETS	124	0



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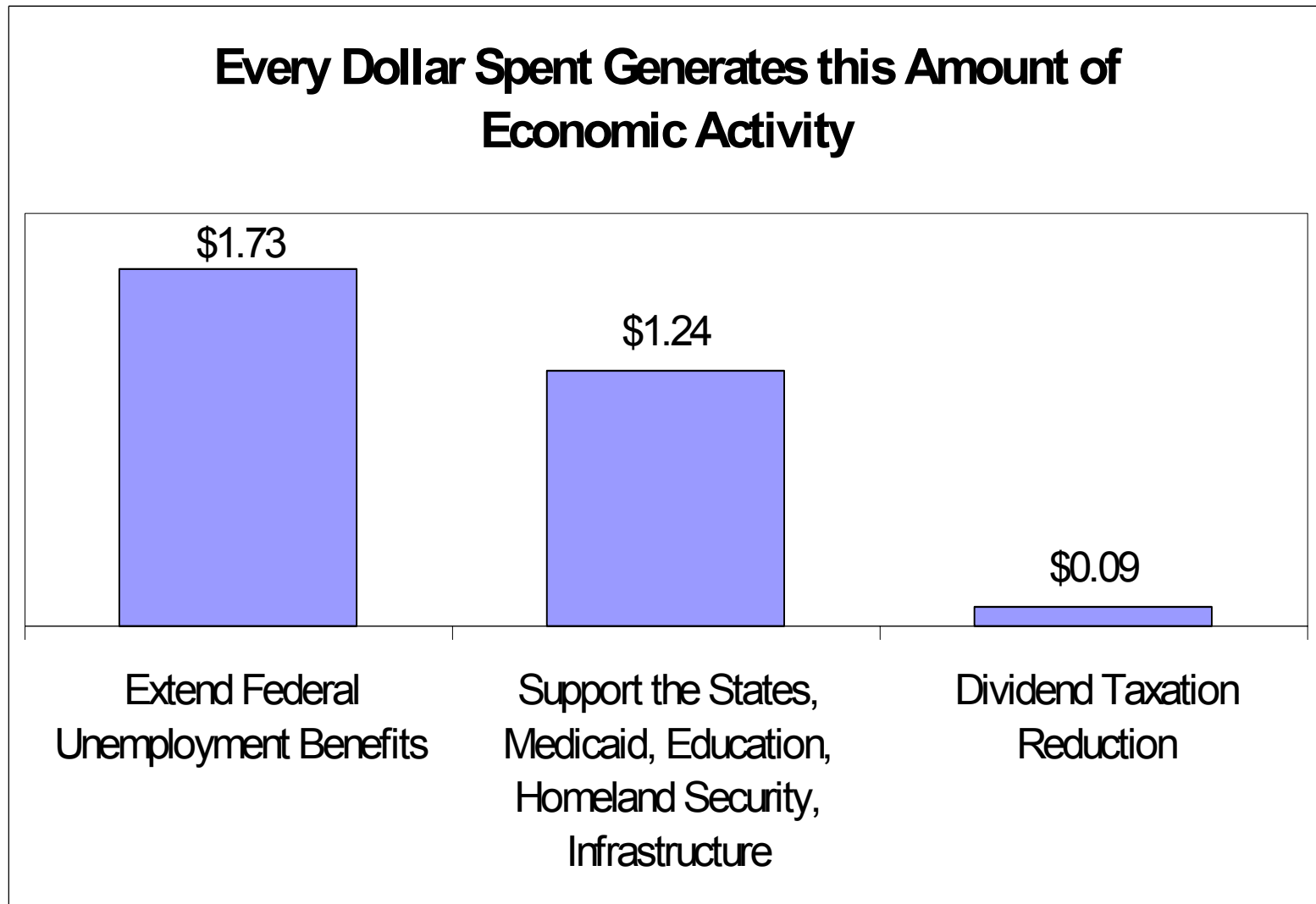
May 7, 2003

Comparison of Democratic and Republican Jobs Plans: Only the Democratic Plan Is Fair, Fast-Acting, and Fiscally Responsible

- ***Only the Democratic Plan Maximizes Job Creation Now*** — The Democratic plan uses a proven approach to creating jobs and growing the economy. Our plan puts money directly in the pockets of families most likely to spend it and provides tax relief to businesses most likely to invest it. The Democratic plan will add 1.1 million jobs to our economy in 2003. By contrast, the House Republican plan focuses on untested and indirect provisions — such as dividend tax breaks and capital gains tax cuts. As a result, it would create only 600,000 jobs in 2003, despite its much larger cost to the budget.
- ***Only the Democratic Plan Protects Long-Term Economic Growth With Fiscal Discipline*** — Because it is fully paid for, the Democratic plan does not make budget deficits worse over the long term. This fiscal discipline helps to keep interest rates low and builds the foundation for a strong economy now and in the future. By contrast, Republicans are proposing a plan that will make the deficit much worse. Already, the \$5.6 trillion surplus President Bush inherited has been replaced by a \$2 trillion deficit. Now, Republicans are proposing tax cuts costing more than half a trillion dollars — part of an overall tax agenda that would add an additional \$1.2 trillion in deficits over the next ten years. Large long-term deficits harm the economy by driving up interest rates and undermining business investment and job growth.
- ***Only the Democratic Plan Is Fair*** — The Democratic plan puts money directly into the hands of average Americans, the very people most likely to spend the money, boost consumer demand, and create jobs. The Democratic plan also provides a balanced package of tax relief for businesses to encourage additional hiring and investment. Republican proposals, however, center on reducing taxation of dividend income or both dividend income and capital gains. These proposals provide very small tax cuts to average Americans, while providing huge tax cuts to the very few.

- ***Only the Democratic Plan Prevents Tax Increases and Service Reductions by States*** — Fiscal crises in the states are forcing tax increases and cuts in critical programs, undermining jobs and the economy's recovery. The Democratic plan provides states temporary assistance to avoid these tax increases and service cuts — and prevent the job losses that would otherwise occur. None of the Republican proposals provide any funds to address the states' budget woes.
- ***Only the Democratic Plan Uses Honest Accounting*** — The Democratic plan contains no gimmicks or unstated costs. Over ten years, the cost of the package is fully paid for, so the plan does not increase budget deficits. By contrast, the House Republican plan includes the artificial expiration of many of the plan's components at the end of 2005. Because it is unlikely that Congress in fact would allow these provisions to expire, the true cost of the Republican plan is even larger — burdening the economy with even greater deficits.

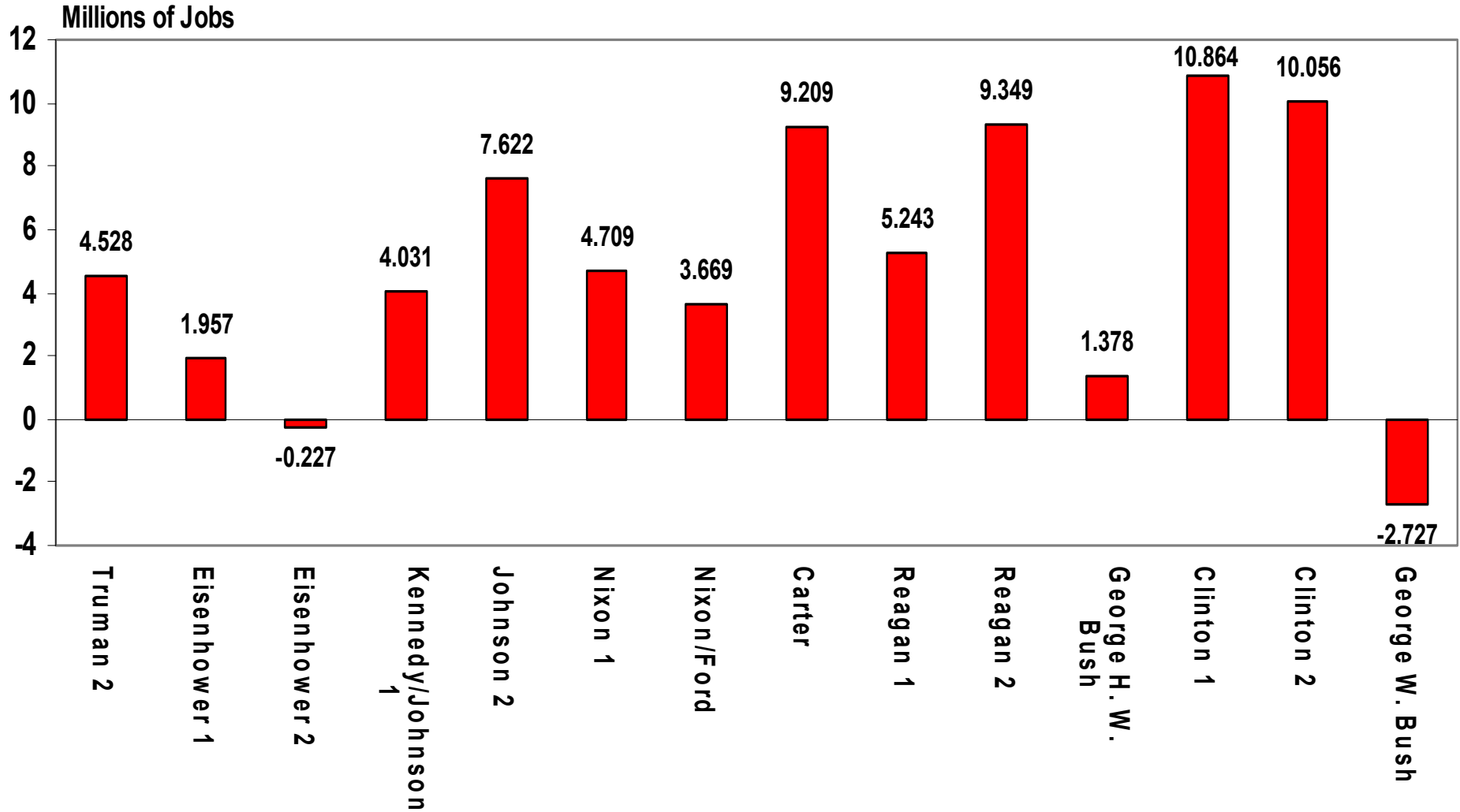
Democratic Jobs and Growth Plan Provides More Economic Bang for the Buck than Republican Tax Proposals



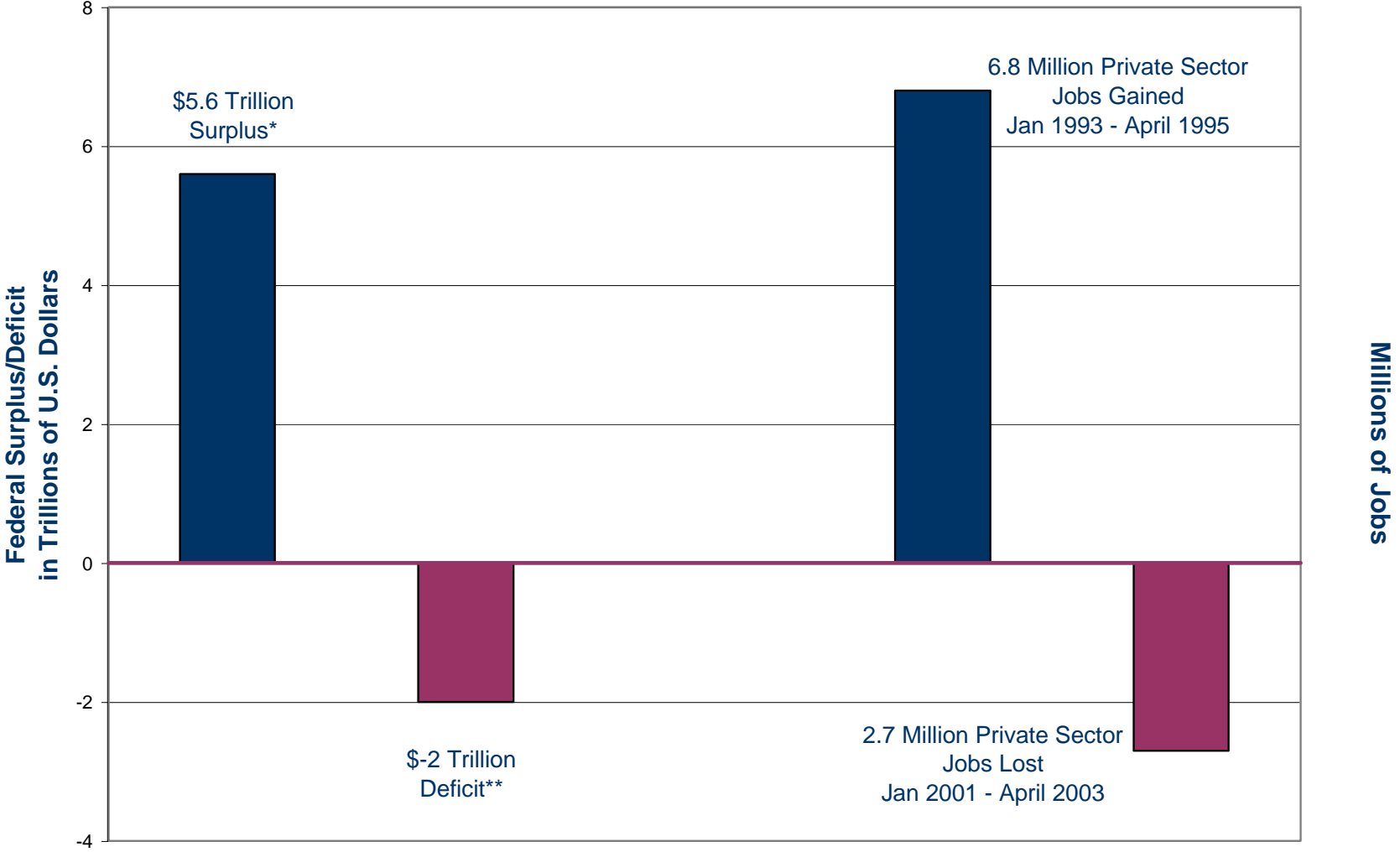
Note: This chart illustrates the one year change in real GDP associated with certain policies relative to each dollar of federal government revenue loss or spending increase.

Prepared by the Democratic Staff of the Committee on Ways and Means, based on data from Economy.com (04/30/03).

Worst Private-Sector Job Growth Since WWII



Bush Economic Record: Deficits and Job Losses As Far As The Eye Can See



Source: Congressional Budget Office and House Budget Committee

Source: Bureau of Labor Statistics

*10 year projection in January 2001
 **10 year projection in April 2003 under GOP Budget