

House Republicans' Plan for Immediate, Bipartisan Action on the Economy

House Republicans are proposing that both parties work together in September and take the following actions to promote job creation and ease economic uncertainty:

1. Cut non-security discretionary spending to FY 2008 levels.
2. Freeze all current tax rates for two years.

Cut Non-Security Discretionary Spending to FY 2008 Levels

BACKGROUND

When President Obama signed the nearly \$1 trillion 'stimulus' bill into law in February 2009, his Administration promised it would create jobs 'immediately' and keep unemployment below eight percent. Yet unemployment has been above nine percent for 16 consecutive months. On September 3, 2010, the Bureau of Labor Statistics reported that the nation's unemployment rate for August 2010 rose from 9.5 percent to 9.6 percent. By the Obama Administration's own standards, the 'stimulus' has failed.

Over the past two years, non-defense, non-military construction/veterans, and non-homeland security discretionary spending has increased by a staggering 85 percent. In other words, Washington spends \$7 million every minute of every hour of every day, which is twice as much as was spent per minute in 1980.

Excessive government spending is crowding out the private economy. Today, more Americans work for one level of government or another than work in all the goods producing industries, such as manufacturing, in our country. As a share of the economy, spending in 2010 will be 23.8 percent of GDP, compared to a forty-year historic average of 20.7 percent. **Having failed to pass - or even propose - a budget this year, Washington Democrats hope to make their elevated level of government spending the new "normal."**

WHAT WE PROPOSE

House Republicans are calling on both parties to work together and pass a bill this month that cuts non-security related government spending for the next year back to FY 2008 levels - the last year before all the bailouts, government takeovers, and 'stimulus' spending sprees began. Exceptions should be made for programs affecting seniors, veterans, and national security. **This proposal will save American taxpayers nearly \$100 billion in the first year alone.**

- Republican Non-Security Discretionary FY 2008 Freeze = \$1.029 trillion
(NOTE: defense, military construction/veterans affairs, and homeland security remain at the President's FY 2011 budget request)
- President Obama's FY 2011 Budget Request = \$1.128 trillion

The legislation House Republicans are proposing will provide the fiscal discipline [economists say](#) is needed to promote job creation and prevent a lame-duck Congress from writing another bloated omnibus spending bill after the November elections.

Freeze All Current Tax Rates for Two Years and Stop Job-Killing Tax Hikes

BACKGROUND

In just over 100 days, Washington Democrats will put in motion an unprecedented \$3.8 trillion tax increase, affecting every American who pays income taxes. Economists across the country are sounding the alarm that raising taxes, especially while the economy remains weak, will hurt economic growth and job creation. American families are set to face significantly higher taxes next year:

- Marginal tax rates will climb from 10, 15, 25, 28, 33, and 35 percent to 15, 28, 31, 36 and 39.6 percent. The Joint Committee on Taxation (JCT) estimates that 88 million taxpayers will pay an average of \$503 in higher taxes next year as a result of eliminating the 10 percent bracket alone.
- The marriage penalty is reinstated: the standard deduction for a married couple will be \$1,850 less than twice the standard deduction for singles and the last dollar of income taxed at 15 percent for married couples will be \$11,500 less than twice the amount for singles. The JCT estimates that 35 million married couples will face an average of \$595 in higher taxes in 2011 as a result of the marriage penalty making a comeback.
- The child tax credit will be cut in half, from \$1,000 per child to \$500 per child. The JCT estimates that 31 million families will pay an average of \$1,033 in higher taxes next year as a result of the child tax credit being halved.
- The top tax rates on long-term capital gains and dividends will increase from 15 to 20 percent and 15 to 39.6 percent respectively.

President Obama has stated that he wants to stop some tax hikes and not others. The nonpartisan Joint Committee on Taxation, Congress's official tax scorekeeper, [estimates](#) that **the tax hike endorsed by President Obama and his economic team will raise taxes on 50 percent of the small business income in America.**

Small businesses have been gasping for air while Washington Democrats ignore their calls for greater certainty in favor of job-killing government mandates and higher taxes. Small businesses, unlike Washington Democrats, know that paying more in taxes leaves fewer resources to make investments and hire new workers. These tax hikes will be especially painful at a time when small business credit is in short supply and there is less consumer demand due to the economic downturn.

WHAT WE PROPOSE

House Republicans are calling on both parties to work together and pass a bill this month that freezes all current tax rates for two years. This will prevent a job-killing tax hike and provide greater certainty to small businesses.

Earlier this week, former White House budget director Peter Orszag endorsed a two-year freeze on all tax rates, writing in [The New York Times](#) that “**...no one wants to make an already stagnating jobs market worse over the next year or two, which is exactly what would happen if the cuts expire as planned.**”

While President Obama intends to move forward with his plan to raise taxes on half of small business income in America, House Republicans are proposing a responsible way forward while fighting to permanently stop job-killing tax hikes.