President Obama Proposes Accelerating Business Investment to Promote Job Creation
Largest Temporary Investment Incentive in History

As part of a targeted set of proposals the President will talk about on Wednesday – including an investment in infrastructure to rebuild our roads, railways and runways and an enhanced , permanent Research and Experimentation tax credit – the President will propose to jump-start private investment and job creation by allowing companies to fully deduct qualified capital investments through the end of 2011. This measure would provide tax incentives for businesses to invest in the United States when our economy needs it most, which should both help create jobs now and expand the capital stock to support future growth. <u>This unprecedented step would be the largest temporary investment incentive in American history</u>.

- **<u>100 percent expensing through the end of 2011</u>.** Businesses in 2008 and 2009 were allowed to depreciate 50 percent of qualified investments up-front, and the current small business bill would extend this through 2010. The Administration proposes to expand this benefit for qualified investments to 100 percent expensing through the end of 2011. In order to begin encouraging additional investment immediately and to avoid capital waiting on the sidelines, the benefit would be retroactive to September 8, 2010.

- **Accelerates nearly $200 billion in tax cuts over the next two years—<u>with most paid back over time</u>.** Expensing would put nearly $200 billion in the hands of businesses over the next two years—helping companies that make new investments in the United States at a time they need it most. Furthermore, most of this relief would be recouped by the Treasury as businesses regain their strength. Specifically, businesses would get the upfront deduction for their investment—now when they most need it—but would give up their future annual depreciation allowances in future years when the economy is stronger. With this recoupment taken into account, the provision has a net cost of about $30 billion over the next ten years.

- **Would provide incentives for <u>millions of businesses</u> to expand investment.** Expensing would benefit 1.5 million corporations and several million individuals.

<u>What Outside Voices Say about Expensing</u>

- <u>Chamber of Commerce</u>: "[These] accelerated cost recovery proposals would, in the short run, act as an insurance policy by encouraging immediate investment, and, in the long run, would increase productivity and further the prospects for long-term economic growth." (Bruce Josten, Executive Vice President)

- <u>Alan Auerbach</u>: UC Berkeley Professor: "Unlike an investment credit, however, bonus depreciation is ideally suited to firms facing credit constraints. By deferring tax payments rather than simply reducing them, it can provide a much bigger benefit to firms facing a high cost of funds than it costs the government." (National Journal Online)

- <u>Chris Edwards:</u> Director of Tax Policy Studies, Cato Institute: **[**"The right tax policy can speed up the economy's return to growth… we need small businesses and entrepreneurs to take up the slack by starting new businesses and investing. Let's make these risky decisions easier for them by cutting their tax burden…(we should) move to expensing which would eliminate many investment distortions. Workers would be the beneficiaries as more capital investment would raise worker productivity and produce higher wages. (2001 Testimony for House Subcommittee on Tax, Finance, and Exports)