EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 31, 2012
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 8 – Job Protection and Recession Prevention Act of 2012
(Rep. Camp, R-MI, and 26 cosponsors)

The Administration strongly opposes House passage of H.R. 8, which would add to the deficit by extending unaffordable and unneeded tax cuts for the highest-income households, while raising taxes by an average of $1,000 on 25 million working families. H.R. 8 would hurt the economy both by increasing the long-term deficit and also by taking money out of the pockets of the families most likely to spend it in the near term.

H.R. 8 would add about $50 billion to the deficit by extending the high-income tax cuts that benefit only the top 2 percent of households and would add billions more to the deficit by extending tax cuts for the wealthiest estates (i.e., three in every 1,000 estates). Under the President's proposal for middle-class tax relief, the top 2 percent of households would continue to receive tax cuts on their first $250,000 of income (for married couples), which means that households with incomes over $1 million would still receive tax cuts averaging more than $10,000 from lower rates on their first $250,000 of income. On the other hand, under H.R. 8, tax cuts for households with incomes over $1 million would average $160,000 annually, with nearly 80 percent of the additional income tax cuts (relative to the President's proposal) going to these households.

Not only would H.R. 8 add to the deficit by continuing tax cuts for those with the highest incomes, it would raise taxes for 25 million working families by an average of $1,000 because it would discontinue the American Opportunity Tax Credit and improvements to the Child Tax Credit and Earned Income Tax Credit (EITC). Under the approach taken in H.R. 8, 11 million families and students would get less help paying for college next year, nearly 6 million working families would see tax increases due to reductions in the EITC for married couples and larger families, and 12 million working families with children would receive a smaller Child Tax Credit – including 5 million families that would no longer be eligible for the credit at all. In addition to creating hardship for these families, these tax increases would weaken the economy, since working families, unlike very high-income households, respond to tax increases by substantially cutting back their spending.

In contrast, the Senate voted last week to extend all income tax cuts for 98 percent of American families and voted to ask high-income households to contribute to deficit reduction by paying income taxes at the same rates as during the 1990s – a decade which saw the labor force expand by 23 million new jobs and also saw the largest budget surplus in American history. Letting the high-income tax cuts expire would save about $850 billion over the next ten years, or nearly $1 trillion taking into account the cost of tax cuts for the wealthiest estates.

The Administration believes that the House of Representatives should act now to adopt the Senate-passed bill (S. 3412) and provide certainty to middle-class families that their income taxes will not go up next year. The 114 million middle class families that stand to see their income taxes increase on January 1 by an average of $1,600 should not be held hostage to the tax cuts for the highest-income 2 percent provided by H.R. 8.

<u>If the President were presented with H.R. 8, he would veto the bill</u>.

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