

Keeping America on Track for a More Prosperous Future

The last three years have revealed the fundamental strengths of America's economy. America suffered a series of shocks that slowed the economy, including a sharp drop in the stock market beginning in 2000, a sharp slowdown in business investment that began in mid-2000, the terrorist attacks of 9/11, revelation of corporate scandals that shook investor confidence, and the war in Afghanistan and Iraq. President Bush acted promptly to help America's workers by providing tax relief to put more money in families' pockets and to encourage businesses to invest, grow, and create jobs.

Since 2001, President Bush has:

- Proposed and signed into law major tax relief, resulting in the significant reduction in tax burdens for millions of American families and businesses. This tax relief doubles the child tax credit; reduces the marriage penalty; phases out the death tax; lowers taxes on capital gains and dividends; encourages small businesses to invest more and create new jobs; and lowers taxes for every American who pays income taxes.
 - The cumulative benefit of this tax relief for family budgets and business investment is enormous. Under these laws—compared to what taxpayers would have paid if President Bush's tax relief had not been enacted—
 - 111 million American taxpayers save an average of \$1,604 in taxes;
 - A family of four earning \$40,000 receive tax relief of \$1,948;
 - Nearly 5 million individuals and families see their income tax liabilities eliminated completely;
 - 43 million families with children receive an average tax cut of \$2,133;
 - 13 million elderly individuals receive an average tax cut of \$1,884;
 - 25 million small business owners save an average of \$3,016;
 - 26 million investors save an average of \$798 from lower tax rates on dividends and capital gains, including seven million seniors who save an average of \$1,088; and
 - Low-income families also benefit from provisions that make the child credit refundable for more families and reduce marriage penalties. In combination, the two provisions result in \$2.6 billion in savings in 2004 for 14.5 million taxpayers with adjusted gross incomes under \$15,000.
- Acted at the right time for our economy:
 - Without the President's tax relief, by the end of last year real GDP would have been more than 3% lower and the unemployment rate would have been more than 1 percentage point higher, with more than 2 million fewer Americans working;
 - Real after-tax incomes are up over 10% since December 2000, substantially more than after the last recession. The President's tax relief is an important component of that increase.
- Employed an economic program, including the tax relief, the impact of which can be seen throughout the economy:
 - Job creation is accelerating, with nearly 1.7 million jobs created since August of last year. Meanwhile, the unemployment rate of 5.4% remains below its average for the 1970s, 1980s, and 1990s;

- Recent economic growth rates have been among the fastest in nearly 20 years;
- Buoyed by the return of the stock market and strong home values, household wealth is at a record high;
- Consumer confidence as measured by the Conference Board Index hit a two-year high in July, and remains higher than year-ago levels;
- Homeownership is at an all-time high—69.2%—with minority homeownership also at an all-time high of 51%.

The President's 2005 Budget calls on Congress to make the tax relief permanent – so families and businesses can plan and invest with confidence.

- Heeding the President's call, Congress passed the Working Families Tax Relief Act on September 23, 2004. The Act gives families and small businesses added certainty and keeps us on the path to greater prosperity. Because of the tax relief legislation, key components of the President's tax relief will not expire next year. Specifically:
 - American families will continue to benefit from the increased child credit, additional marriage penalty relief, and expanded 10-percent bracket, so that a family of four earning \$40,000 will save \$913 in taxes in 2005; and
 - Overall, 94 million families and individuals will see their taxes lowered because of this legislation.
- Failure to extend all of the President's tax cuts permanently would dramatically increase the burden on American taxpayers in future years. Unless Congress acts on the remaining tax relief:
 - In 2006, allowable small business expensing will shrink from \$100,000 to just \$25,000, increasing the cost of capital investments for America's small businesses, and the research and development tax credit will expire;
 - In 2009, the top tax rate on dividends will increase from 15% to 35%, while the tax on capital gains will climb from 15% to 20%, raising the tax burden on retirees and families investing for their future; and
 - In 2011, the across-the-board rate relief, new 10-percent tax bracket, death tax repeal, marriage penalty relief, and all the remaining tax relief enacted over the past three years will sunset, resulting in tax increases for every American man or woman who pays income taxes.
- The President will not be satisfied until every American looking for work has found a job. In an effort to meet this goal, the President's FY 2005 Budget also includes:
 - More than \$500 million for the *Jobs for the 21st Century* initiative – designed to help current and future workers gain the skills and training necessary to fill jobs in high-growth fields;
 - \$24 billion in small business lending and equity programs to encourage job creation;
 - An additional \$6 million for the Minority Business Development Agency to continue to strengthen the partnership with the private sector and other Federal, State, and local entities that help promote the growth of minority businesses; and
 - An additional \$21 million increase for international trade activities through the International Trade Administration.

- President Bush's FY 2005 Budget provides 12.5% more funding than in 2001 for job training and employment assistance – for a total of \$23 billion for 30 programs in 9 agencies. This funding level represents a \$500 million increase over 2004:
 - The President's Budget invests nearly \$7.9 billion (a 5.6% increase) in helping workers train for and find jobs through employment and training programs and in direct assistance to workers adversely affected by foreign trade; and
 - The Department of Education, primarily through its Pell Grant program, is an important contributor to preparing people for the workplace. Education programs identified by GAO as being for job training, including Pell Grants for students at technical and two-year post-secondary schools, total almost \$11.2 billion (a 2.3% increase) in FY 2005.

- The President's Budget promotes technological innovation to enhance economic competitiveness and help create the jobs of the future. President Bush has prioritized science through record Federal investment in research and development:
 - The President's FY 2005 Budget increases total Federal research and development funding during his first term by 44% to a record \$132 billion;
 - In the context of the overall economy, non-defense research and development spending in the FY 2005 Budget is the greatest share of Gross Domestic Product since 1982; and
 - The President's Budgets have increased funding for a number of programs aimed at strengthening manufacturing innovation, including those within the National Science Foundation's Design, Manufacture and Industrial Innovation Division (up 27% since 2001 to \$66 million) and the Manufacturing Engineering Laboratory at the National Institutes of Science and Technology (up 50% since 2001 to \$30 million).

For Other Information About the President's Accomplishments and Proposals:

FY 2005 Budget

Department of Treasury: <http://www.whitehouse.gov/omb/budget/fy2005/treasury.html>

Department of Commerce: <http://www.whitehouse.gov/omb/budget/fy2005/commerce.html>

Corporate Responsibility

The White House: <http://www.whitehouse.gov/infocus/corporateresponsibility/>

Economy

The White House: <http://www.whitehouse.gov/infocus/economy/>

Home Ownership

The White House: <http://www.whitehouse.gov/infocus/homeownership/>

Department of Housing and Urban Development: <http://www.hud.gov/initiatives/homeownership/index.cfm>

Medical Liability

The White House: <http://www.whitehouse.gov/infocus/medicalliability/>

Small Business

The White House: <http://www.whitehouse.gov/infocus/smallbusiness/>

Technology

The White House: <http://www.whitehouse.gov/infocus/technology/>

Trade

The White House: <http://www.whitehouse.gov/infocus/internationaltrade/>