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## Suddenly, a raft of tax-break proposals from Obama

By TOM RAUM (AP) – 16 hours ago

WASHINGTON — President Barack Obama's proposed tax breaks for business sound like ideas that have enjoyed broad Republican backing in the past. But in today's toxic political atmosphere, he's unlikely to get much — if any — GOP help.

Still, his plans put Republicans on the spot, making it harder for them to say no to legislation they once embraced.

In a speech on Wednesday in Cleveland, Obama will ask Congress to let businesses quickly write off 100 percent of their spending on new plants and equipment through 2011.

Its part of a raft of new Obama proposals to spur job creation and help businesses — and to try to give his party a much-needed boost ahead of November elections that will determine which party controls the House and Senate.

Clearly frustrated by the halting economic recovery and mindful of polls showing Republicans poised to make big midterm gains, Obama had his economic advisers come up with a fresh set of proposals with job-creating potential.

Among them: a \$50 billion program to rebuild roads, railways and airports and to create a new infrastructure bank to oversee long-term projects. Legislation containing multiple public works projects has usually been popular in Congress across party lines.

The administration has not spelled out exactly how it would pay for all the new proposals, but suggested it would offset tax cuts by closing various corporate loopholes and levying targeted tax hikes on big business, particularly on the oil and gas industry and on multinational corporations. Some of these tax proposals were included in the budget Obama submitted to Congress earlier this year but were never acted on by Congress.

Rep. Dave Camp of Michigan, the senior Republican on the tax-writing House Ways and Means Committee, called Obama's business tax measures serious proposals worthy of consideration. But he said that "raising taxes to cut taxes is at best a zero sum game."

The proposed tax break for research and development has been around in one form or another since 1981 and in the past has drawn bipartisan support. However, Congress previously extended it just for short periods of time, usually just for one or two years, with frequent lapses that make it hard for businesses to plan. The credit most recently lapsed in 2009.

Obama has long advocated making the credit permanent.

His proposal to let companies quickly write off 100 percent of their investments in new plants and equipment is similar to proposals advanced several times by President George W. Bush — with considerable GOP support at the time.

The idea is to give companies an incentive to spend and invest now, rather than later. The administration claims the change would put nearly \$200 billion in the hands of businesses over the next two years.

Under the current law, a company gets to deduct 50 percent of the costs upfront, and the remainder over three to 20 years, depending on the nature of the investment.

"This measure would provide tax incentives for businesses to invest in the United States when our economy needs it most," says a White House fact sheet.

A senior administration official said the expensing provision would potentially benefit 1.5 million corporations and several million individuals. The tax break would be retroactive to this Wednesday.

Obama's expensing and R&D tax credit proposals would generally help large businesses the most. A separate bill is before the Senate to give special tax breaks and loan incentives to small businesses. Obama has said that legislation should be Congress' first order of business when it returns next week from its summer recess.

Chris Edwards, director of tax policy for the libertarian-leaning Cato Institute, said he favors both a permanent research tax credit and Obama's proposal for 100 percent expensing, calling both "very positive" steps and a sign that the administration is getting seriously worried about the economy.

Still, he added, "the administration would nullify the benefits if they are matched by various tax proposals for businesses."

Thomas Mann, a political scientist at the Brookings Institution, said Obama's three proposals — infrastructure spending, a permanent R&D credit and upfront 100 percent business write-offs — "constitute a re-entry into the make-the-economy-grow argument."

"All of them had support among conservatives and right-of-center economists for many years. That makes it more awkward for the Republicans just to say no," Mann said. But that isn't

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President Barack Obama speaks at the annual Milwaukee Area Labor Council Laborfest Monday, Sept. 6, 2010, in Milwaukee. (AP Photo/Morry Gash)



Map



stopping them, he added.

The Obama proposals would require congressional approval, which is highly uncertain given Washington's partisan atmosphere and the fast-approaching midterms.

"We understand what season we've entered in Washington," said White House spokesman Robert Gibbs. Still, he said, even if Congress doesn't take up Obama's new proposals before the elections, "the president and the economic team still believe that these represent some very important ideas."

The acceleration of the business write-off for plants and equipment would have a net long-term cost of \$30 billion, far less than the amount the legislation would put in the hands of businesses, the White House contends. That's because if companies take their write-offs upfront, they can't depreciate the costs over a longer period for future tax breaks — as they do now.

Republican leaders greeted Obama's most recent proposals cautiously, given past GOP support for various components.

"The White House is missing the big picture," said House Minority Leader John Boehner, R-Ohio. "These aren't necessarily bad proposals. ..." But he said they don't address the larger problems of "excessive government spending" and Democratic tax policies, including the impending expiration of Bush-era tax cuts.

Obama and Democratic congressional leaders want to renew the Bush tax cuts for households earning under \$250,000 a year. Republicans want to extend all of them, saying a recession is no time to raise taxes.

Obama's recently departed budget director, Peter Orszag, suggested in an op-ed article in Tuesday's New York Times that policymakers seem locked "into a budget scenario out of which there are few politically plausible routes of escape." As a compromise, he suggested extending the Bush tax cuts until 2013 "and then end them altogether."

Gibbs said he had never heard Orszag make such an argument in internal White House deliberations and that the president did not agree with him on such a "compromise."

*Associated Press writers Julie Pace and Stephen Ohlemacher contributed to this report.*

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