

Obama Strikes Deal on Bush Tax Cuts and Unemployment

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BY MICHAEL COHN

President Obama announced a deal Monday evening to extend the Bush-era tax rates for two years, as well as other tax breaks and unemployment benefits, after Republican and Democratic congressional leaders forged a compromise in meetings with administration officials.



However, the deal to extend the Bush tax cuts even for those making more than \$250,000 a year met with criticism from some Democrats who accused the president of giving in to Republican tactics and violating one of his campaign pledges.

House Democrats passed a bill last week to extend the income tax rates only for those making less than \$250,000 a year, but the Senate failed last Saturday to pass two versions of the bill that would have extended the current tax rates for those making less than \$250,000 or \$1 million a year. Vice President Joe Biden plans to meet with members of the Senate Democratic caucus on Tuesday to sell the plan to them. Obama argued that the deal was necessary to sustain the economic recovery. "Make no mistake," he said. "Allowing taxes to go up on all Americans would have raised taxes by \$3,000 for a typical American family. And that could cost our economy well over a million jobs."

The deal would also extend unemployment benefits for 13 months for those whose benefits ran out at the end of last month or would have run out by the end of the year. An estimated 2 million people were expected to lose their emergency unemployment insurance benefits by the end of December.

Other elements of the deal would extend several other tax breaks that the administration believes are crucial to generating jobs, sustaining the economy, and making higher education more affordable.

"In exchange for a temporary extension of the tax cuts for the wealthiest Americans, we will be able to protect key tax cuts for working families — the Earned Income Tax Credit that helps families climb out of poverty; the Child Tax Credit that makes sure families don't see their taxes jump up to \$1,000 for every child; and the American Opportunity Tax Credit that ensures over 8 million students and their families don't suddenly see the cost of college shooting up," said Obama.

The Making Work Pay payroll tax cut, which was introduced with last year's economic stimulus bill, would be extended for another year under the deal, as well as bonus depreciation tax breaks that allow businesses to deduct the entire cost of purchasing equipment. "This agreement would also mean a 2 percent employee payroll tax cut for workers next year — a tax cut that economists

across the political spectrum agree is one of the most powerful things we can do to create jobs and boost economic growth," said Obama. "And we will prevent — we will provide incentives for businesses to invest and create jobs by allowing them to completely write off their investments next year."

The agreement also encompasses the estate tax, which temporarily went to zero at the beginning of this year, but was scheduled to return in January at a rate of 55 percent for estates over \$1 million. The tax rate will instead be capped at 35 percent for estates, with an exemption of \$5 million for individuals and \$10 million for couples.

The President said the tax cuts would help those who had been hit hardest by the recession, and whose taxes would otherwise go up while everybody else's stayed the same. He also pointed out that the deal would help the unemployed.

"Under this agreement, unemployment insurance will also be extended for another 13 months, which will be welcome relief for 2 million Americans who are facing the prospect of having this lifeline yanked away from them right in the middle of the holiday season," said Obama.

He noted that without a deal with Republican lawmakers, taxes would have gone up for everybody next year.

"What is abundantly clear to everyone in this town is that Republicans will block a permanent tax cut for the middle class unless they also get a permanent tax cut for the wealthiest Americans, regardless of the cost or impact on the deficit," he said.

"We saw that in two different votes in the Senate that were taken this weekend," Obama added. "And without a willingness to give on both sides, there's no reason to believe that this stalemate won't continue well into next year. This would be a chilling prospect for the American people whose taxes are currently scheduled to go up on January 1st because of arrangements that were made back in 2001 and 2003 under the Bush tax cuts."

Obama emphasized that he was not willing to let that happen. "I know there's some people in my own party and in the other party who would rather prolong this battle, even if we can't reach a compromise," he said. "But I'm not willing to let working families across this country become collateral damage for political warfare here in Washington. And I'm not willing to let our economy slip backwards just as we're pulling ourselves out of this devastating recession."

Senate Minority Leader Mitch McConnell, R-Ken., gave his endorsement on the deal. "I appreciate the determined efforts of the President and Vice President in working with Republicans on a bipartisan plan to prevent a tax hike on any American and in creating incentives for economic growth," he said in a statement. "Their efforts reflect a growing bipartisan belief that a new direction is needed if we are to revive the economy and help put millions of Americans back to work. Members of the Senate and House will review this bipartisan agreement, but I am optimistic that Democrats in Congress will show the same openness to preventing tax hikes the administration has already shown."

However, some Senate Democrats felt that Obama gave in too quickly to Republican demands during the negotiations. "I don't know if he caved," Sen. Sherrod Brown, D-Ohio, told [CNN](#). "I think he could have gotten a better agreement."