

Living Within Our Means and Investing in the Future: The President's Plan for Economic Growth and Deficit Reduction

Overview

The health of our economy depends on what we do right now to create the conditions where businesses can hire and middle-class families can feel a basic measure of economic security. In the long run, our prosperity also depends on our ability to pay down the massive debt the federal government has accumulated over the past decade. Today, the President sent to the Joint Committee his plan to jumpstart economic growth and job creation now – and to lay the foundation for it continue for years to come.

The President's Plan for Economic Growth and Deficit Reduction lives up to a simple idea: as a Nation, we can live within our means while still making the investments we need to prosper – from a jobs bill that is needed right now to long-term investments in education, innovation, and infrastructure. It follows a balanced approach: asking everyone to do their part, so no one has to bear all the burden. And it says that everyone – including millionaires and billionaires – has to pay their fair share. Overall, it pays for the President's jobs bill and produces net savings of more than \$3 trillion over the next decade, on top of the roughly \$1 trillion in spending cuts that the President already signed into law in the Budget Control Act – for a total savings of more than \$4 trillion over the next decade. This would bring the country to a place, by 2017, where current spending is no longer adding to our debt, debt is falling as a share of the economy, and deficits are at a sustainable level.

THE AMERICAN JOBS ACT

- Tax cuts to help businesses hire and grow
 - Cutting the payroll tax in half on the first \$5 million in payroll, targeting the benefit to the 98 percent of firms with payroll below this threshold.
 - A complete payroll tax holiday for added workers or increased wages up to \$50 million
 - Extending 100 percent expensing into 2012
 - Reforms and regulatory reductions to help entrepreneurs and small businesses access capital
- Putting workers back on the job while rebuilding and modernizing America
 - A “Returning Heroes” hiring tax credit for veterans
 - Preventing up to 280,000 teacher layoffs, while keeping cops and firefighters on the job
 - Immediate investments in infrastructure, school buildings, and neighborhoods as well as a bipartisan National Infrastructure Bank
- Pathways back to work for Americans looking for jobs
 - The most innovative reform to the unemployment insurance program in 40 years and extension of emergency unemployment insurance preventing 6 million Americans looking for work from losing benefits
 - A \$4,000 tax credit to employers for hiring the long-term unemployed

- Prohibiting employers from discriminating against unemployed workers when hiring
- Expanding job opportunities for low-income youth and adults
- Tax relief for every American worker and family
 - Cutting payroll taxes in half for 160 million workers next year
 - Allowing more Americans to refinance their mortgages
- Fully paid for as part of the President's long-term deficit reduction plan

PAYING FOR OUR INVESTMENTS AND REDUCING THE DEFICIT

- The plan produces approximately \$4.4 trillion in deficit reduction net the cost of the American Jobs Act.
 - \$1.2 trillion from the discretionary cuts enacted in the Budget Control Act.
 - \$580 billion in cuts and reforms to a wide range of mandatory programs;
 - \$1.1 trillion from the drawdown of troops in Afghanistan and transition from a military to a civilian-led mission in Iraq
 - \$1.5 trillion from tax reform
 - \$430 billion in additional interest savings
- To spur economic growth and job creation, the plan includes one-time investment and relief in the American Jobs Act. That adds to the deficit in 2012 but is fully paid for over 10 years, and deficit reduction phases in starting in 2013, as the economy grows stronger.
- Deficit reduction is achieved in a balanced approach, with a spending cut to revenue ratio for the entire plan (including discretionary cuts) of 2 to 1.

Deficits and Debt

- The Joint Committee plan significantly reduces deficits and puts the country on a fiscally sustainable path by 2017.
 - The deficit is projected to fall to 2.3 percent of GDP in 2021. By comparison, if we did nothing, the deficit would be 5.5 percent of GDP in 2021.
 - Reaches "primary balance"-- where our current spending is no longer adding to our debt -- in 2017. At that point, current spending is no longer adding to our debt, debt is falling as a share of the economy, and deficits are at a sustainable level.
- The President's plan would reduce the national debt as a share of economy.
 - Stable or falling debt as a share of the economy is a key metric of fiscal sustainability.
 - If we did nothing, the national debt would rise to 90.7 percent of GDP in 2021. By contrast, under the President's plan, the national debt would fall to 73.0 percent of GDP in 2021 -- or an improvement of almost 18 percentage points.

Health Savings

- The plan includes \$320 billion in health savings that build on the Affordable Care Act to strengthen Medicare and Medicaid by reducing wasteful spending and erroneous

payments, and supporting reforms that boost the quality of care. It accomplishes this in a way that does not shift significant risks onto the individuals they serve; slash benefits; or undermine the fundamental compact they represent to our Nation's seniors, people with disabilities, and low-income families.

- The plan includes \$248 billion in savings from Medicare.
 - Within this total, 90 percent of the savings, or \$224 billion, comes from reducing overpayments in Medicare.
 - Any savings that affect beneficiaries do not begin until 2017.
 - The plan does not propose to change the eligibility age for Medicare benefits.
- Other health and Medicaid savings amount to \$72 billion.
- Because of the structural nature of these reforms, health savings grow to over \$1 trillion in the second decade.
- **The President will veto any bill that takes one dime from the Medicare benefits seniors rely on without asking the wealthiest Americans and biggest corporations to pay their fair share.**

Other Mandatory

- The plan includes \$250 billion in savings from other mandatory programs.
- Included within these savings are:
 - \$33 billion in savings from agriculture subsidies, payments, and programs
 - \$42.5 billion in reforms to Federal employee benefit programs, including programs for civilian employees and military personnel.
 - \$4.1 billion from the disposal of unused government assets.
 - \$92.2 billion from restructuring government operations and reducing government liabilities.
 - \$77.6 billion from improving Federal program management and reducing waste and abuse.

Revenues

- The President calls on the Committee to undertake comprehensive tax reform, and lays out five principles for it to follow: 1) lower tax rates; 2) cut wasteful loopholes and tax breaks; 3) reduce the deficit by \$1.5 trillion; 4) boost job creation and growth; and 5) comport with the "Buffett Rule" that people making more than \$1 million a year should not pay a smaller share of their income in taxes than middle-class families pay.
 - Tax reform should draw on the specific proposals the President has put forward, together with elimination of additional inefficient tax breaks. If the Joint Committee is unable to undertake comprehensive tax reform, the President believes the discrete measures he has proposed should be enacted on a standalone basis. Their enactment as a standalone package still would significantly improve the country's fiscal standing, represent an important step toward more

fundamentally transforming our tax code, and serve as a strong foundation for economic growth and job creation.

- To advance this debate, the President is offering a detailed set of specific tax loophole closers and measures to broaden the tax base that, together with the expiration of the high-income tax cuts, would be more than sufficient to hit the \$1.5 trillion target. These include:
 - Allowing the 2001 and 2003 tax cuts for upper income earners to expire (\$866 billion)
 - Limiting deductions and exclusions for those making more than \$250,000 a year (\$410 billion)
 - Closing loopholes and eliminating special interest tax breaks (approximately \$300 billion)