Bush Proposes $670 Billion Stimulus Plan

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CHICAGO, Jan. 7 -- The Bush White House today unveiled an economic plan with large rewards for investors and individual taxpayers but with no benefits for states and little inducement for capital investment.

In a barebones description of the plan released this morning, the White House said the proposal would provide $670 billion in tax cuts over 10 years but only $98 billion of that in the first 16 months. Of the $98 billion, $20 billion comes from the elimination of the dividend tax.

The Bush plan proposes spending less in the first year than the $136 billion plan House Democrats offered yesterday. But the Bush plan would cost nearly five times as much over 10 years because the Democratic proposals are all short-term measures to stimulate the economy.

Of the $674 billion package, all but $3.6 billion comes in the form of tax breaks; those funds are for $3,000 accounts that unemployed workers can use to find new jobs.

According to official White House figures, the administration proposes spending $3 over 10 years to end dividend taxation; $64 billion to accelerate cuts in income tax rates; $58 billion to speed up the removal of the "marriage penalty;" $91 billion to hasten an increase in the child tax credit; $48 billion to accelerate the move of lower income taxpayers to the 10 percent bracket; $29 billion for adjustments in the alternative minimum tax; and $16 billion in incentives for small business purchases.

In the first year, the administration would spend $29 billion on rate cuts; $20 billion on the dividend cut; $19 billion on the marriage penalty; $16 billion on the child tax credit on the 10 percent bracket; $8 billion on the alternative minimum tax; and $2 billion on investment incentives.

Specifically, Bush proposes making tax rate reductions from the $1.3 trillion tax cut 2001 effective this year and retroactive to Jan. 1 instead of the original phase-in dates and 2008. The government would adjust income-tax withholding immediately after
Bush would also reduce the "marriage penalty" paid by couples this year instead of raising the child tax credit to $1,000 from $600 this year instead of 2010. Checks would be issued this year. Bush would also move "several million" Americans into the lowest tax bracket of 10 percent instead of in 2008.

The White House has not yet detailed the mechanics of its cut in the dividend tax but would allow taxpayers to exclude dividend payments from their taxable income. Small businesses would be allowed to increase the amount of equipment purchases they can write off for tax purposes to $75,000 from $25,000; the amount would also be indexed to increase with inflation.

The White House document released today said Bush "is calling upon Congress" to extend unemployment benefits that expired on Dec. 28, but it provided no cost estimate. The White House proposed no assistance for cash-strapped state governments, although states would administer the $3.6 billion new federal program providing individual accounts for unemployed workers.

Bush's Council of Economic Advisers said Bush's plan would create 2.1 million jobs over three years, the White House said.

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