

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

December 6, 2010

STATEMENT BY THE PRESIDENT
ON TAX CUTS AND UNEMPLOYMENT BENEFITS

Room 430
Eisenhower Executive Office Building

6:32 P.M. EST

THE PRESIDENT: Hello, everybody. Sorry to keep you waiting.

For the past few weeks there's been a lot of talk around Washington about taxes and there's been a lot of political positioning between the two parties. But around kitchen tables, Americans are asking just one question: Are we going to allow their taxes to go up on January 1st, or will we meet our responsibilities to resolve our differences and do what's necessary to speed up the recovery and get people back to work?

Now, there's no doubt that the differences between the parties are real and they are profound. Ever since I started running for this office I've said that we should only extend the tax cuts for the middle class. These are the Americans who've taken the biggest hit not only from this recession but from nearly a decade of costs that have gone up while their paychecks have not. It would be a grave injustice to let taxes increase for these Americans right now. And it would deal a serious blow to our economic recovery.

Now, Republicans have a different view. They believe that we should also make permanent the tax cuts for the wealthiest 2 percent of Americans. I completely disagree with this. A permanent extension of these tax cuts would cost us \$700 billion at a time when we need to start focusing on bringing down our deficit. And economists from all across the political spectrum agree that giving tax cuts to millionaires and billionaires does very little to actually grow our economy.

This is where the debate has stood for the last couple of weeks. And 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.

We saw that in two different votes in the Senate that were taken this weekend. 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.

I am 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. 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.

I'm not willing to see 2 million Americans who stand to lose their unemployment insurance at the end of this month be put in a situation where they might lose their home or their car or suffer some additional economic catastrophe.

So, sympathetic as I am to those who prefer a fight over compromise, as much as the political wisdom may dictate fighting over solving problems, it would be the wrong thing to do. The American people didn't send us here to wage symbolic battles or win symbolic victories. They would much rather have the comfort of knowing that when they open their first paycheck on January of 2011, it won't be smaller than it was before, all because Washington decided they preferred to have a fight and failed to act.

Make no mistake: 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.

At the same time, I'm not about to add \$700 billion to our deficit by allowing a permanent extension of the tax cuts for the wealthiest Americans. And I won't allow any extension of these tax cuts for the wealthy, even a temporary one, without also extending unemployment insurance for Americans who've lost their jobs or additional tax cuts for working families and small businesses -- because if Republicans truly believe we shouldn't raise taxes on anyone while our economy is still recovering from the recession, then surely we shouldn't cut taxes for wealthy people while letting them rise on parents and students and small businesses.

As a result, we have arrived at a framework for a bipartisan agreement. For the next two years, every American family will keep their tax cuts -- not just the Bush tax cuts, but those that have been put in place over the last couple of years that are helping parents and students and other folks manage their bills.

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.

These are the tax cuts for some of the folks who've been hit hardest by this recession, and it would be simply unacceptable if their taxes went up while everybody else's stayed the same.

Now, 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.

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.

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. This is something identified back in September as a way to help American businesses create jobs. And thanks to this compromise, it's finally going to get done.

In exchange, the Republicans have asked for more generous treatment of the estate tax than I think is wise or warranted. But we have insisted that that will be temporary.

I have no doubt that everyone will find something in this compromise that they don't like. In fact, there are things in here that I don't like -- namely the extension of the tax cuts for the wealthiest Americans and the wealthiest estates. But these tax cuts will expire in two years. And I'm confident that as we make tough choices about bringing our deficit down, as I engage in a

conversation with the American people about the hard choices we're going to have to make to secure our future and our children's future and our grandchildren's future, it will become apparent that we cannot afford to extend those tax cuts any longer.

As for now, I believe this bipartisan plan is the right thing to do. It's the right thing to do for jobs. It's the right thing to do for the middle class. It is the right thing to do for business. And it's the right thing to do for our economy. It offers us an opportunity that we need to seize.

It's not perfect, but this compromise is an essential step on the road to recovery. It will stop middle-class taxes from going up. It will spur our private sector to create millions of new jobs, and add momentum that our economy badly needs.

Building on that momentum is what I'm focused on. It's what members of Congress should be focused on. And I'm looking forward to working with members of both parties in the coming days to see to it that we get this done before everyone leaves town for the holiday season. We cannot allow this moment to pass.

And let me just end with this. There's been a lot of debate in Washington about how this would ultimately get resolved. I just want everybody to remember over the course of the coming days, both Democrats and Republicans, that these are not abstract fights for the families that are impacted. Two million people will lose their unemployment insurance at the end of this month if we don't get this resolved. Millions more of Americans will see their taxes go up at a time when they can least afford it. And my singular focus over the next year is going to be on how do we continue the momentum of the recovery, how do we make sure that we grow this economy and we create more jobs.

We cannot play politics at a time when the American people are looking for us to solve problems. And so I look forward to engaging the House and the Senate, members of both parties, as well as the media, in this debate. But I am confident that this needs to get done, and I'm confident ultimately Congress is going to do the right thing.

Thank you very much, everybody.

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6:41 P.M.

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