

Remarks on Tax Reform

July 9, 2012

Thank you. Thank you very much. Everybody, have a seat. Have a seat. Well, good afternoon, everybody. I'm glad things have cooled off a little bit. I know folks were hot. *[Laughter]*

We're here today to talk about taxes, something that everybody obviously cares deeply about. And I've often said that our biggest challenge right now isn't just to reclaim all the jobs that we lost to the recession, it's to reclaim the security that so many middle class Americans have lost over the past decade. Our core mission as an administration and as a country has to be, yes, putting people back to work, but also rebuilding an economy where that work pays off, an economy in which everybody can have the confidence that if you work hard, you can get ahead.

Now, what's holding us back from meeting these challenges, it's not a lack of plans; it's not a lack of ideas. It is a stalemate in this town, in Washington, between two very different views about which direction we should go in as a country. And nowhere is that stalemate more pronounced than on the issue of taxes.

Many members of the other party believe that prosperity comes from the top down, so that if we spend trillions more on tax cuts for the wealthiest Americans, that that will somehow unleash jobs and economic growth.

I disagree. I think they're wrong. I believe our prosperity has always come from an economy that's built on a strong and growing middle class, one that can afford to buy the products that our businesses sell, a middle class that can own homes and send their kids to college and save enough to retire on. That's why I've cut middle class taxes every year that I've been President: by \$3,600 for the typical middle class family. Let me repeat: Since I've been in office, we've cut taxes for the typical middle class family by \$3,600.

I wanted to repeat that because sometimes there's a little misinformation out there—*[laughter]*—and folks get confused about it.

Moreover, we've tried it their way. It didn't work. At the beginning of the last decade, Congress passed trillions of dollars in tax cuts that benefited the wealthiest Americans more than anybody else. And we were told that it would lead to more jobs and higher incomes for everybody and that prosperity would start at the top but then trickle down.

And what happened? The wealthy got wealthier, but most Americans struggled. Instead of creating more jobs, we had the slowest job growth in half a century. Instead of widespread prosperity, the typical family saw its income fall. And in just a few years, we went from record surpluses under Bill Clinton to record deficits that we are now still struggling to pay off today.

So we don't need more top-down economics. We've tried that theory. We've seen what happens. We can't afford to go back to it. We need policies that grow and strengthen the middle class, policies that help create jobs, that make education and training more affordable, that encourage businesses to start up and create jobs right here in the United States.

So that's why I believe it's time to let the tax cuts for the wealthiest Americans—folks like myself—to expire. And by the way, I might feel differently—because it's not like I like to pay

taxes—[laughter]—I might feel differently if we were still in surplus. But we've got this huge deficit, and everybody agrees that we need to do something about these deficits and these debts. So the money we're spending on these tax cuts for the wealthy is a major driver of our deficit, a major contributor to our deficit, costing us a trillion dollars over the next decade.

By the way, these tax cuts for the wealthiest Americans are also the tax cuts that are least likely to promote growth. So we can't afford to keep that up, not right now. So I'm not proposing anything radical here. I just believe that anybody making over \$250,000 a year should go back to the income tax rates we were paying under Bill Clinton, back when our economy created nearly 23 million new jobs, the biggest budget surplus in history, and plenty of millionaires to boot.

And this is not just my opinion. The American people are with me on this; poll after poll shows that's the case. And there are plenty of patriotic and very successful, very wealthy Americans who also agree, because they know that by making that kind of contribution, they're making the country as a whole stronger.

At the same time, most people agree that we should not raise taxes on middle class families or small businesses, not when so many folks are just trying to get by. Not when so many folks are still digging themselves out of the hole that was created by this great recession that we had and at a time when the recovery is still fragile. And that's why I'm calling on Congress to extend the tax cuts for the 98 percent of Americans who make less than \$250,000 for another year.

If Congress doesn't do this, millions of American families—including these good-looking people behind me—[laughter]—could see their taxes go up by \$2,200 starting on January 1 of next year. That'd be a big blow to working families, and it would be a drag on the entire economy.

Now, we can already anticipate—we know what those who are opposed to letting the high-end tax cuts expire will say. They'll say that we can't tax job creators. And they'll try to explain how this would be bad for small businesses.

Let me tell you, the folks who create most new jobs in America are America's small-business owners. And I've cut taxes for small-business owners 18 times since I've been in office. I've also asked Congress repeatedly to pass new tax cuts for entrepreneurs who've hired new workers and raised their workers' wages.

But here's the thing that you have to remember. The proposal I make today would extend these tax cuts for 97 percent of all small-business owners in America. In other words, 97 percent of small businesses fall under the \$250,000 threshold. So this isn't about taxing job creators, this is about helping job creators. I want to give them relief. I want to give those 97 percent a sense of permanence.

I believe we should be able to come together and get this done. While I disagree on extending tax cuts for the wealthy, because we just can't afford them, I recognize that not everybody agrees with me on this. On the other hand, we all say we agree that we should extend the tax cuts for 98 percent of the American people. Right? Everybody says that. The Republicans say they don't want to raise taxes on the middle class. I don't want to raise taxes on the middle class.

So we should all agree to extend the tax cuts for the middle class. Let's agree to do what we agree on. Right? That's what compromise is all about. Let's not hold the vast majority of

Americans and our entire economy hostage while we debate the merits of another tax cut for the wealthy. We can have that debate. *[Applause]* We can have that debate, but let's not hold up working on the thing that we already agree on.

In many ways, the fate of the tax cut for the wealthiest Americans will be decided by the outcome of the next election. My opponent will fight to keep them in place. I will fight to end them. But that argument shouldn't threaten you. It shouldn't threaten the 98 percent of Americans who just want to know that their taxes won't go up next year.

Middle class families and small-business owners, they deserve that guarantee. They deserve that certainty. It will be good for the economy, and it will be good for you. And we should give you that certainty now. We should do it now. It will be good for you. It will be good for the economy as a whole.

So my message to Congress is this: Pass a bill extending the tax cuts for the middle class; I will sign it tomorrow. Pass it next week, I'll sign it next week. Pass it next—well, you get the idea. *[Laughter]*

As soon as that gets done, we can continue to have a debate about whether it's a good idea to also extend the tax cuts for the wealthiest Americans. I'll have one position. The other side will have another. And we'll have that debate, and the American people can listen to that debate.

And then next year, once the election is over, things have calmed down a little bit, based on what the American people have said and how they've spoken during that election, we'll be in a good position to decide how to reform our entire Tax Code in a simple way that lowers rates and helps our economy grow and brings down our deficit, because that's something that we're going to have to do for the long term.

But right now our top priority has to be giving middle class families and small businesses the security they deserve. You're the ones who are driving this recovery forward. *[Applause]* You're the ones who are driving this recovery forward, and I think it's time to widen the circle of opportunity and help more Americans who work hard to get ahead. It's time that we learned the lessons of our past and lay the foundation for a better future. That's what I'm focused on every day, and I hope Congress will join me in doing the right thing.

So thank you very much, all, for being here. Thank you.

NOTE: The President spoke at 12:08 p.m. in the East Room at the White House. In his remarks, he referred to Republican Presidential candidate former Gov. W. Mitt Romney of Massachusetts.

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