

Remarks Announcing the Tax Relief Plan and an Exchange With Reporters
February 5, 2001

The President. Good morning. I want to thank the families for being my guests here at the White House. I'm honored to host the Peterson family, the Claytor family, and the Gordon family, to talk about the economic challenges they face. Their circumstances are different, but I strongly believe they deserve to keep more of their own money, and so does every family in America, deserve to keep their own money.

And we're talking to these families here—I think they like the idea. Despite the prosperity of the past two decades, many American families feel squeezed. They sometimes carry a lot of consumer debt. In 1998 the average family credit card debt was more than \$4,000. At the same time, every American family is facing higher energy costs.

Under the plan I'll be sending to Congress later this week, every American who pays income taxes will get tax relief. And the average relief for a family of four with two children will be \$1,600. This is real and practical help, when at this time many Americans need it. Sixteen hundred dollars will pay the average mortgage for a month. Sixteen hundred dollars will pay for a year's tuition at a community college. Sixteen hundred dollars will pay the average gasoline costs for two cars for a year. And \$1,600 will buy the average California family 24 months' worth of electric power.

My plan addresses the struggles of American families and respects their judgment. It doesn't tell families how to spend their money. It doesn't single out some Americans for relief, while leaving others out. It's tax relief for everybody who pays taxes. That's what the times and basic fairness demand.

Here's how it will work. Under the existing law, Americans are grouped in five income tax brackets: 15 percent, 28 percent, 31 percent, 36 percent, and nearly 40 per-

cent. My plan would reduce that to four lower brackets: 10 percent, 15 percent, 25 percent, and 33 percent. In other words, we'd begin the simplification of the code.

Each of the families with me today would benefit from these lower taxes. Most families will get a \$1,000-per-child tax credit. Everybody who pays income taxes will get some relief, but the biggest percentage cuts will go to the families who need it most. The Peterson family, for example, will get a 100 percent cut in their income taxes, saving almost \$1,100 a year. Paul and Debbie and their two beautiful girls would appreciate that.

All of the income tax rates should be cut. Most families over a lifetime will move through a couple of different tax brackets. Many families will move through all four as they move up the ladder of economic success and then back down as they retire and leave the workforce. Our Tax Code should not punish success at any stage of life. With the top Federal income tax rate at almost 40 percent and with State income taxes on top of that, people can sometimes feel like the junior partner in their own lives. That's why we set the top rate at 33 percent. I believe it's an important principle that no American should pay more than a third of his or her income to the Federal Government in Federal taxes.

And Government shouldn't block the way into the middle class for hard-working people who are trying to get there. The single mother earning \$25,000 a year manages to earn \$1,000 by getting a promotion; the Federal Government takes about half of it away from her. That's a higher marginal tax rate than a lawyer earning \$250,000. That's not right, and that's wrong. And my plan addresses this inequity.

This is my approach: tax relief for everybody, in every bracket, averaging \$1,600

per family, while still reducing our national debt and funding important priorities.

I'm asking all Americans to examine this plan, and I'm asking for your support. The Constitution charges the Congress with the responsibility to write our tax laws, and I respect that responsibility. But it is my obligation to lead, and that's what I'm going to do. My plan is good for the long-term health of our economy. It is good for the businesses that create jobs. It is good for America and for the American families that make our country so unique and strong.

Thank you for coming.

Q. Mr. President, do you think the tax cut should be retroactive to the first of the year?

The President. A lot of Members of Congress have talked to me about that. And I do. And we look forward to working with Congress to expedite money into the pockets of the American people. I strongly believe that a tax relief plan is an important part of helping our country's economy recover. And I think expediting money into people's pockets is going to be a key ingredient. I look forward to working with Congress, Members of both parties, to accommodate the budgetary needs and, at the same time, help get money into people's pockets quicker.

Q. Mr. President, Democrats in Congress think that this plan, as it's structured now, is weighted too heavily to the higher income brackets. Are you willing to work with them to perhaps change the ratios a little bit, if that's what it takes to get their support?

The President. I believe the plan, strongly believe the plan that I have submitted is structured the right way. I've heard all the talk about class warfare and this only benefiting the rich. I think when people take a good, hard look at the rate reduction and who benefits and the fact that our plan erases inequities in the Tax Code or eases inequities in the Tax Code and that the biggest—the bottom end of the economic

ladder receives the biggest percentage cuts, people will come to realize it. I think it's important to cut all tax rates.

Yes.

Q. Mr. President, in addition to making the tax cut retroactive, your economic adviser said yesterday you would also support bringing more of the benefits forward to the first year of the plan. Is that correct?

The President. What I'm referring to is enhancing the cashflow of the taxpayer as quickly as possible, and that's what we're going to work on. I also saw some comments which I thought made a lot of sense, that some in Congress view this as an opportunity to load up the tax relief plan with their own vision of tax relief. I want the Members of Congress and the American people to hear loud and clear: This is the right size plan; it is the right approach; and I'm going to defend it mightily.

Q. There is no family, sir, representing the last tax bracket, the bracket that would get the highest dollar return. Why is that?

The President. Well, I beg your pardon, I'm representing—[laughter]—I got a little pay raise coming to Washington from Austin. I'll be in the top bracket. [Laughter]

Former President Clinton

Q. Mr. President, on another note, sir, it appears the Clintons may have taken some gifts that were actually given to the White House. Do you feel that they should return any of these gifts?

The President. It's important for all the facts to be laid out on the table, and I'm confident that the President—the former President and First Lady will make the right decision.

Thank you all.

NOTE: The President spoke at 10:18 a.m. in the Diplomatic Room at the White House.