



Tax Cuts for Families And the Forgotten Middle Class

Excerpts from recent speeches by Governor Bill Clinton

Empowering working Americans means letting them keep more of what they earn. Ronald Reagan and George Bush raised taxes on the middle class. I'm going to cut them. In a Clinton Administration, we'll cut income tax rates on the middle class: an average family's tax bill will go down 10 percent, a savings of \$350 a year. And the deficit won't go up -- instead, those earning over \$200,000 a year will pay more, though still a smaller percentage of their incomes than they paid in the '70s, not to soak the rich but to return to basic fairness.

Families with children deserve additional tax relief. The value of the tax exemption for children has dropped dramatically since World War II, while the tax burden and the cost of raising a family went up. In 1948, a typical family of four paid just 0.3% of their income in federal income taxes. Today, a similar family pays 30 times as much.

We need to stop taxing away the money parents need to raise a family, and restore the value of the children's tax exemption. We should replace the current \$2,150 dependent's exemption with up to an \$800 per-child tax credit, which would be equivalent to exempting from tax as much as \$ 5,330 for a family in the 15 percent tax bracket. This change would mean additional tax savings this year of up to \$480 per child for an average-income family.

We can pay for it without raising the deficit, by enacting a combination of spending reforms, such as cutting the \$200 billion annual budget for the federal bureaucracy, and tax changes designed mainly to close tax loopholes for high-income people.

This change, along with middle-class tax reform, would deliver real tax relief for those who work hard and play by the rules. Combining the impact of these two reforms, our plan would cut federal taxes for an average-income family with two children by as much as \$1300.

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