

# Budget & Taxes Legislative Monitor

**Congressman Jim Nussle**

**Manchester, Iowa**

Summer 2006

## **Jim Nussle's Agenda ...**

*Expand Iowa's  
Economy to Create  
Jobs*

*Improve Iowa  
Education and  
Expect Better Results*

*Access to Quality  
Health Care for All  
Iowans*

*Secure Our Nation  
and Support Our  
Troops*

*Strengthen Iowa's  
Agriculture and  
Encourage Fair  
Trade*

*Responsible  
Budgets and  
Common-Sense  
Taxation*

*Promote Iowa as an  
Energy State*

*Retirement Security  
for All Iowans*

*Honor Promises  
Made to Iowa's Vet-  
erans*

## **Nussle Agenda for Responsible Budgets and Common-Sense Taxation**

*"As House Budget Committee chairman, it is my goal to craft budgets that are good for Iowa by supporting strength for America, growth for the economy and opportunity for the future. Maintaining fiscal discipline in Washington has long been a focus for me. As a senior member of the Ways and Means Committee, which has jurisdiction over tax issues in the House of Representatives, I believe tax relief has helped strengthen the economy. For continued economic growth, we should also take steps to simplify America's tax code."*

**Jim Nussle**

**Jim is working to achieve a positive legislative agenda for Iowa's future. Jim has worked on Iowa's priorities for the budget and taxes since coming to Congress and will continue to work on these goals in the 109<sup>th</sup> Congress.**

### **Goals for Responsible Budgets and Common-Sense Taxation:**

1. Fully Fund the War on Terrorism
2. Fully Fund Our Homeland Defense
3. Budget for Future Emergencies
4. Government Living Within Its Means
5. Ensure Certainty for Vital Transportation Funding
6. Eliminate Wasteful Washington Spending
7. Provide for Economic Growth and Job Creation
8. Long-term Fiscal Responsibility
9. Tax Code Fairness and Simplicity
10. Reduce Tax Burden on Families

**To achieve the goals, Jim has sponsored and co-sponsored many pieces of legislation, and as the House Budget Committee Chairman, he has written many items into his budget to reflect Iowa's priorities. You will find more details on the following pages.**

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## **Nussle's Budget and Taxes Agenda Legislation:**

### **Fiscal Year 2007 Budget Resolution**

*As House Budget Committee chairman, Rep. Nussle successfully secured passage of the fiscal year 2006 budget resolution, to provide for Iowa's priorities. Approved by the House of Representatives on May 18, 2006.*

#### ***Continued Strength***

Provides significant increases for homeland security and defense funding.

#### ***Continued Growth***

Prevents any tax increases.

Continues current tax relief policies to create jobs and continue to grow the economy.

#### ***Fiscal Restraint***

Takes the necessary steps to slow the growth of the currently unsustainable rate of federal spending and continues to reduce the deficit.

### **Deficit Reduction Act (S. 1932)**

- Takes necessary steps to slow the growth of the currently unsustainable rate of federal spending while continuing to reduce the deficit.
- Provides savings of \$39.7 billion over the next five years.
- Reforms and brings accountability our nation's largest mandatory programs.
- ***Rep. Nussle chaired the House-Senate joint conference committee to write this legislation.***
- ***Conference agreement was agreed to on December 19, 2005. The President signed this bill into law on February 8, 2006.***

### **Tax Increase Prevention and Reconciliation Act (H.R. 4297)**

Prevents the Jobs and Growth Reconciliation Tax Act's tax fairness and economic growth initiatives from expiring. Provisions included:

- Extends relief from the Alternative Minimum Tax through 2006.
- Extend the reduction of the tax rate on dividends and capital gains to 5 percent for taxpayers in the lowest tax brackets and to 15 percent for all other taxpayers.
- ***The conference report was approved by the Congress on May 11, 2006. Signed into law by the President on May 18, 2006.***

**Jobs and Growth Reconciliation Tax Act (H.R. 2)**

Provides important tax relief to Iowa's individuals and businesses to create jobs and generate economic growth. Specific provisions include:

- Business and investment incentives including increases in the amount small businesses can expense, extended net operating loss carry back and a bonus depreciation increase.
- Acceleration of several tax relief initiatives first approved in 2001 for individuals, including an increase of the child credit to \$1000, expansion of the 10 percent bracket, marriage penalty relief and individual rate cuts.
- A reduction of the tax rate on dividends and capital gains to 5 percent for taxpayers in the lowest tax brackets and to 15 percent for all other taxpayers.
- *Approved by Congress and signed into law on May 28, 2003.*

**Job Creation and Worker Assistance Act**

- Provides incentives for corporations to create jobs and spur innovation.
- Provides an immediate boost to our economy with recognition of the long-term repercussions on the federal budget.

***Temporary Assistance to Needy Families (TANF)***

Reauthorizes grants under the TANF program for an additional year and provides a contingency fund for grant funding.

***Education Tax Credit***

Provides an annual tax credit of up to \$250 for classroom supplies for all eligible teachers.

***Depreciation***

Provides 30 percent expensing of investment in most forms of depreciable property over a three year period.

***Alternative Fuels Tax Credits***

Extends the current tax credits for electricity production from closed loop biomass and wind energy.

*Approved by Congress and signed into law on March 9, 2002.*

**Permanent Death Tax Elimination Act (H.R. 8)**

- Permanently repeals the death tax.
- *Co-sponsored by Rep. Nussle. Approved by the House of Representatives on April 13, 2005.*

**Marriage Tax Penalty Act (H.R. 4181)**

- Permanently eliminates the marriage tax penalty.
- *Co-sponsored by Rep. Nussle.*
- *Approved by the House of Representatives on April 28, 2004.*

**Economic Growth and Tax Relief Reconciliation Act**

- *Approved by Congress and signed into law on June 7, 2001.*

**Marginal Rate Reductions**

- Creates new rate structure: 10 percent, 15 percent, 25 percent, 28 percent, 33 percent, and 35 percent.
- Gives lump-sum refund of \$300 for single taxpayers, \$500 for single parents, and \$600 for married taxpayers.
- New 10 percent rate effective January 1, 2001, on first \$6,000 (singles) and \$12,000 (couples).
- Repeals personal exemption (PEP) and itemized deductions phase-outs beginning in 2006.

**Death Tax Repeal**

- Repeals the death tax in 2010 and phases in increase in the unified credit to \$4 million in 2009.

**Marriage Penalty Repeal**

- 15 percent bracket widened to twice that of singles.
- Eliminates marriage penalty in the standard deduction for non-itemizers.

**Child Tax Credit Expansion**

- Doubles the child credit from \$500 to \$1,000 (\$600 in 2001-'07, \$700 in '08, \$800 in '09, \$1,000 in '10).

**Retirement Savings**

- Increases IRA contributions from \$2,000 to \$5,000.
- Increases 401(k) and other tax-deferred contribution limits from \$10,500 to \$15,000.
- Allows IRA catch-up contributions.
- Modifies Section 415 aggregation rules for multi-employer plans.

**Education Incentives**

- Increases Education Savings Accounts (ESAs) from \$500 to \$2,000 and expands to K-12 public and private education.
- Allows above-the-line deduction for higher education expenses.
- Allows private institutions to offer pre-paid tuition plans.
- Makes permanent employer-provided educational assistance exclusion.

**Alternative Minimum Tax**

- Adjusts the Alternative Minimum Tax (AMT) to prevent taxpayers from losing benefits of tax reductions in the bill.