

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