



BARACK OBAMA'S PLAN TO STRENGTHEN THE ECONOMY FOR WORKING FAMILIES

The American dream is increasingly out of reach for many people. Americans with incomes below \$100,000 have experienced stagnating wages, declining health care coverage, erosion of pension protections, rising personal debt, jobs disappearing as a result of global competition and rising housing costs. Further, the gap between America's richest and poorest is at its widest points in at least 25 years, and a potential recession will only exacerbate the economic insecurity of working Americans.

Barack Obama will provide relief for the middle class and support for working people. Obama has called on the President and Congress to enact a meaningful economic stimulus package that would help jumpstart the economy and ensure working families are protected during this current period of economic turmoil. As president, Obama will enact universal health care reform, provide a new tax credit for working families, make college affordable, reform our bankruptcy and credit card laws, and put a secure and dignified retirement within the reach of all Americans. Obama has been a strong advocate for working people throughout his public life, and he will stand up to special interests and bring America together to reclaim the American dream.

BARACK OBAMA'S PLAN TO IMMEDIATELY JUMPSTART THE ECONOMY

Provide an Immediate Tax Cut for Workers and their Families: Barack Obama believes we must restore fairness to the tax code. Months ago, recognizing the squeeze on working people in this country and the economic difficulties they were confronting, Obama proposed tax relief of up to \$500 for 150 million workers. This refundable income tax credit will provide direct relief to American workers facing the regressive payroll tax system, offsetting the payroll tax on the first \$8,100 of earnings while preserving the important principle of a dedicated revenue source for Social Security. The economy has weakened significantly. Obama believes we cannot wait until he becomes president to give workers the tax relief they need. He believes we should make half of the tax credit, \$250 per worker, available immediately in order to quickly get money into the pockets of Americans. This will help maintain consumer spending, strengthen the economy and ease the squeeze so many Americans are currently experiencing. If there is a three-month cumulative decline in employment, Obama believes we should immediately provide the remaining portion of that tax credit, an additional \$250 per worker. **Stimulus: \$35 billion. Additional Reserve: \$35 billion.**

Provide an Immediate Supplement to Social Security for Low and Middle-Income Seniors: Research suggests that older Americans are particularly likely to spend rather than save additional money they receive. Obama understands that seniors living on fixed incomes are squeezed by higher prices. Obama is calling for providing middle- and low-income seniors – who would not benefit from the workers' tax credit – an immediate, one-time \$250 supplement to their Social Security benefit. And if there is a three-month cumulative decline in employment an additional temporary supplement of \$250 per Social Security beneficiary should be provided. These payments would not alter the Social Security program and would not use revenue from the Social Security trust funds. This would provide immediate consumer spending in a feasible way. By piggy-backing on the Social Security Administration's highly efficient payment system, these supplemental payments will stimulate consumer spending in the most rapid way possible. **Stimulus: \$10 billion. Additional Reserve:**

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Establish a \$10 Billion Fund to Help Families Avoid Foreclosure: In addition to taking important steps to prevent mortgage fraud from occurring in the future and to prevent credit cards from turning into the next subprime housing crisis, Barack Obama has called for establishing short and long-term programs to help responsible homeowners facing foreclosure. Obama's plan will help people stay in their homes and renegotiate with their lenders. It will not help speculators, people buying vacation homes or people that falsely represented their incomes. It is meant to help responsible homeowners through this difficult period. Given the downturn in the economy, Obama is calling for immediate creation of his Foreclosure Prevention Fund that will dramatically increase emergency pre-foreclosure counseling, and will work through the Federal Housing Administration, Fannie Mae and Freddie Mac to allow families facing foreclosure to responsibly refinance their mortgages or sell their homes. By helping families avoid losing their homes and preventing a further decline in property values, this measure will help lessen the impact of a national foreclosure crisis on state, local and family budgets. Obama was one of the first to speak out about the risks of fraudulent and deceptive lending practices. He will build off of that experience and his work with community based organizations to bring American homeowners and housing markets effective relief when he is president. **Stimulus: \$10 billion.**

Provide Relief for State and Local Governments Hardest-Hit by Housing Crisis to Prevent Cuts in Critical Services: Because of the housing crisis and the weakening economy, many state and local governments are facing significant revenue shortfalls. Already, 19 states have a projected budget shortfall for their next financial year and balanced budget requirements in most states will force them to cut programs or raise taxes in the face of the downturn. This will worsen America's economic slowdown and leave millions without a safety net. State and local governments provide important services to low and middle-income families, including services like health care, housing, and income assistance that are particularly necessary during a recession. In addition, as the economy slows, it is important that state and local governments not postpone major infrastructure spending since doing so would exacerbate the economic slowdown. Barack Obama believes that in the areas hardest-hit by the housing crisis we should provide immediate, temporary funding to state and local governments so that the decline in property values does not cause them to slash critical public services and cut vital infrastructure spending. Obama's plan will provide \$10 billion in immediate relief to the states and localities hardest hit by the housing crisis. **Stimulus: \$10 billion.**

Extend and Expand Unemployment Insurance: The last time America had a jump in the unemployment rate as large as the most recent one it indicated the start of a recession. But in many ways, our current situation is worse than when the 2001 recession began. The long-term unemployment rate – the share of workers having been unemployed for at least six months – is nearly twice as high now as it was then. Barack Obama believes we must extend and strengthen the Unemployment Insurance (UI) program to address the needs of the long-term unemployed, who currently make up nearly one-fifth of the unemployed and are often older workers who have lost their jobs in manufacturing or other industries and have a difficult time finding new employment. As job growth stagnates, the long-term unemployed face additional difficulties re-entering the job market.

Providing these workers additional assistance in a time of economic distress is necessary to ensure consumer spending remains at an acceptable level and that they have a chance at restarting their careers. Expanding UI is one of the most effective ways to combat economic turmoil; every dollar invested in UI benefits results in \$1.73 in economic output. Obama is calling for a temporary expansion of the UI program for those who have exhausted their current eligibility. Obama also believes that the extension of UI benefits should be coupled with an expansion of UI eligibility to more workers, including many part-time and non-traditional workers who are currently left out of the program. **Stimulus: \$10 billion.**

BARACK OBAMA'S ECONOMIC GROWTH AGENDA

I. PROVIDE MIDDLE CLASS AMERICANS TAX RELIEF

Provide a Tax Cut for Working Families: Barack Obama will restore fairness to the tax code and provide 150 million workers the tax relief they deserve. Obama will create a new “Making Work Pay” tax credit of up to \$500 per person, or \$1,000 per working family. This refundable income tax credit will provide direct relief to American families who face the regressive payroll tax system. It will offset the payroll tax on the first \$8,100 of their earnings while still preserving the important principle of a dedicated revenue source for Social Security. The “Making Work Pay” tax credit will completely eliminate income taxes for 10 million Americans. The tax credit will also provide relief to self-employed small business owners who struggle to pay both the employee and employer portion of the payroll tax. The “Making Work Pay” tax credit offsets some of this self-employment tax as well.

Simplify Tax Filings for Middle Class Americans: The Internal Revenue Service (IRS) estimated in 2004 that it took more than 28 hours for an individual to complete his/her tax filing, and that half of the taxpayers filing the “easy” forms ended up paying a tax preparer to do it for them. Barack Obama will dramatically simplify tax filings so that millions of Americans will be able to do their taxes in less than 5 minutes. Currently, the IRS receives Americans’ financial information directly from employers and banks. Obama will ensure that the IRS uses this information to give taxpayers the option of a pre-filled tax forms to verify, sign and return to the IRS or online. This will eliminate the need for Americans to hire expensive tax preparers and to gather information that the federal government already has on file. Experts estimate that the Obama proposal will save Americans up to 200 million total hours of work and aggravation and up to \$2 billion in tax preparer fees.

Create the American Opportunity Tax Credit: Barack Obama will make college affordable for all Americans by creating a new American Opportunity Tax Credit. This universal and fully refundable credit will ensure that the first \$4,000 of a college education is completely free for most Americans, and will cover two-thirds the cost of tuition at the average public college or university. And by making the tax credit fully refundable, Obama’s credit will help low-income families that need it the most. Obama will also ensure that the tax credit is available to families at the time of enrollment by using prior year’s tax data to deliver the credit at the time that tuition is due, rather than a year or more later when tax returns are filed.

Expand the Child and Dependent Care Tax Credit: The Child and Dependent Care Tax Credit provides too little relief to families that struggle to afford child care expenses. Currently the credit only covers up to 35 percent of the first \$3,000 of child care expenses a family incurs for one child and the first \$6,000 for a family with two or more children. And the credit is not refundable, which means that upper-income families disproportionately benefit while families who make under \$50,000 a year receive less than a third of the tax credit. Barack Obama will reform the Child and Dependent Care Tax Credit by making it refundable and allowing low-income families to receive up to a 50 percent credit for their child care expenses. Coupled with Obama’s “Making Work Pay” tax credit, this proposal will help put more money directly in the pockets of hardworking low and middle-income parents.

II. STRENGTHEN RETIREMENT SECURITY

Eliminate Income Taxes for Seniors Making Less Than \$50,000. Since the New Deal we’ve had a basic understanding in America: If you work hard and pay into the system, you’ve earned the right to a secure retirement. But too many seniors aren’t getting that security, even though they’ve held up their end of the bargain. Lower and middle income seniors are struggling as their expenses on health and energy skyrocket while their incomes do not keep pace. This strain has been greater since 1993, when taxes on social security benefits were raised. Millions of seniors saw their net benefits go down.

Seniors also had to take on the added strain – and sometimes cost – of filing a complicated tax return. And after going through all of these complicated calculations, many seniors find that they owe little or no tax, meaning that all of the hassle was for naught.

Barack Obama will eliminate all income taxation of seniors making less than \$50,000 per year. This will provide an immediate tax cut averaging \$1,400 to 7 million seniors and relieve millions from the burden of filing tax returns. For millions of seniors, this will eliminate the need to hire a tax preparer, resulting in even larger savings.

Create Automatic Workplace Pensions: Currently, 75 million working Americans – roughly half the workforce – lack employer-based retirement plans. Even when workers are given the option of joining employer-based plans, many do not take up the option because it requires considerable work to research plans and investment portfolios, and enroll in the plan. Barack Obama’s retirement security plan will automatically enroll workers in a workplace pension plan. Under his plan, employers who do not currently offer a retirement plan, will be required to enroll their employees in a direct-deposit IRA account that is compatible to existing direct-deposit payroll systems. Employees may opt-out by signing a written waiver. Even after enrollment, employees will retain the right to change their savings levels, reallocate investment portfolios or end contributions to the account. Obama’s plan will give options to the self-employed and new small businesses to access new easy-to-enroll savings plans and direct the IRS to deposit tax refunds into those savings plans for people who choose to save some of their refunds. Under the Obama plan when employees change jobs, their savings will be automatically rolled over into the new employer’s system to ensure continued savings. Experts estimate that this program will increase the savings participation rate for low and middle-income workers from its current 15 percent level to around 80 percent.

Expand Retirement Savings Incentives for Working Families: Barack Obama will ensure savings incentives are fair to all workers by creating a generous savings match for low and middle-income Americans. Obama will expand the existing Savers Credit to match 50 percent of the first \$1,000 of savings for families that earn under \$75,000, and he will make the tax credit refundable. To help ensure that this proposal actually strengthens retirement investments, the savings match will be automatically deposited into designated personal accounts by using the account information listed on IRS tax filings. Coupled with the automatic workplace pension plan, this proposal will stimulate tens of millions of new Americans to invest for retirement. Over 80 percent of the savings incentives will go to new savers, and 75 percent of people eligible for the incentives who are expected to participate in the new program do not currently save.

III. PROTECT HOMEOWNERSHIP AND CRACK DOWN ON MORTGAGE FRAUD

Ensure More Accountability in the Subprime Mortgage Industry: The implosion of the subprime lending industry threatens to bring foreclosure to over two million households, including many families with children. Barack Obama has been closely monitoring this situation for years, and introduced comprehensive legislation over a year ago to fight mortgage fraud and protect consumers against abusive lending practices. Obama’s STOP FRAUD Act provides the first federal definition of mortgage fraud, increases funding for federal and state law enforcement programs, creates new criminal penalties for mortgage professionals found guilty of fraud, and requires industry insiders to report suspicious activity. This bill also provides counseling to homeowners and tenants to avoid foreclosures. Finally, Obama’s bill requires the Government Accountability Office to evaluate and report to Congress on various state lending practices so that state regulations that undermine consumer’s rights can be identified and hopefully eliminated.

Mandate Accurate Loan Disclosure: Today’s subprime mortgage problem stems in large part from the lack of easy-to-understand information that borrowers receive from mortgage brokers. As president, Barack Obama will enact laws to ensure that all prospective homebuyers have access to accurate and complete information

about their mortgage options. Obama will create a Homeowner Obligation Made Explicit (HOME) score, which will provide potential borrowers with a simplified, standardized borrower metric (similar to APR) for home mortgages. The HOME score will allow individuals to easily compare various mortgage products and understand the full cost of the loan. The HOME score would also help borrowers understand their long-term obligations and would be required to include mandatory taxes and insurance.

Close Bankruptcy Loophole for Mortgage Companies: Barack Obama strongly opposed the 2005 bankruptcy bill, which is expected to have serious effects on low and middle-income borrowers of subprime mortgages. As president, Obama will work to eliminate the federal bankruptcy law's Chapter 13 provision that prevents bankruptcy courts from modifying an individual's mortgage payments. This forces individuals who seek bankruptcy protection to continue paying the full amount of their existing mortgage plans. This provision, which provides unique protection to the mortgage industry, places the interests of big lenders over than of low and middle-income Americans. Obama believes that the subprime mortgage industry, which has engaged in dangerous and sometimes unscrupulous business practices, should not be shielded by outdated federal law.

Create a Universal Mortgage Credit: The tax code is supposed to encourage home ownership with a mortgage interest deduction, but it goes only to people who itemize their tax deductions. Like so much in our tax code, this tilts the scales toward the well-off. The current mortgage interest deduction excludes nearly two-thirds of Americans who do not itemize their taxes. Barack Obama will ensure that anyone with a mortgage, not just the well-off, can take advantage of this tax incentive for homeownership by creating a universal mortgage credit. This 10 percent credit will benefit an additional 10 million homeowners, the majority of whom earn less than \$50,000 per year. Non-itemizers will be eligible for this refundable credit, which will provide the average recipient with approximately \$500 per year in tax savings.

IV. ADDRESS PREDATORY LENDING PRACTICES AND REFORM BANKRUPTCY LAWS

Create a Credit Card Rating System to Improve Disclosure: Barack Obama will create a credit card rating system, modeled on five-star systems used for other consumer products, to provide consumers an easily identifiable ranking of credit cards. Under the Obama plan, the Federal Trade Commission (FTC) will assess the degree to which credit cards meet consumer-friendly standards. The FTC will test for a set of credit card features that are deemed the most dangerous for consumers, including the underwriting standards used to issue the card, the card's interest rate spread between the introductory rate and the maximum rate allowed, and transaction fees. The FTC will assign ratings so that consumers can easily understand if a credit card agreement meets or exceeds standards of safety. Credit card companies will be required to display the rating on all application and contract materials, enabling consumers to quickly understand all of the major provisions of a credit card without having to rely exclusively on fine print in lengthy documents. Credit card companies will also be required to disclose in simplified, clear language all of the major features of the card in addition to their FTC rating to provide consumers with additional information to compare credit card products.

Establish a Credit Card Bill of Rights to Protect Consumers: Credit cards could turn into the next subprime market crisis, and New Hampshire families have among the highest personal debt levels in the country. In addition to being able to easily understand how risky a given credit card is, every American should have a uniform set of rights while dealing with credit card companies, no matter their financial status or credit history. To protect those rights, Barack Obama will require the Federal Trade Commission to analyze credit card company compliance with these basic rights, and provide the Department of Justice with the full authority to investigate and penalize non-compliant companies. The Obama credit card bill of rights will:

- **Ban Unilateral Changes:** Currently, credit card companies can unilaterally change the terms of a credit card agreement at any time for any reason with only a 15-day notice to the consumer. Barack Obama will ban these unilateral changes in credit card agreements unless companies have obtained written consent from consumers and have followed the rules and terms of the agreement.

- **Apply Interest Rate Increases Only to Future Debt:** Credit card companies often apply increased interest rates to both new debt incurred by the cardholder, as well as previously incurred debt. Barack Obama will require increased interest rates to apply only to future credit card debt, and not to debt incurred prior to the increase.
- **Prohibit Interest on Fees:** Credit card companies often charge interest on transaction fees, such as late fees or paying a bill by telephone. Barack Obama will prohibit credit card issuers from charging interest on transaction fees.
- **Prohibit “Universal Defaults”:** “Universal defaults” are a practice in which a credit card company raises an individual’s interest rate based on failure to pay a different creditor on time. Barack Obama will prohibit this practice.
- **Require Prompt and Fair Crediting of Cardholder Payments:** Barack Obama will require credit card issuers to apply payments first to the credit card balance with the highest rate of interest and to minimize finance charges.

Cap Outlandish Interest Rates on Payday Loans and Improve Disclosure: In the wake of reports that some service members were paying 800 percent interest on payday loans, the U.S. Congress took bipartisan action to limit interest rates charged to service members to 36 percent. Barack Obama believes that we must extend this protection to all Americans, because predatory lending continues to be a major problem for low and middle income families alike. Obama also believes that we need to ensure that all Americans have access to clear and simplified information about loan fees, payments and penalties, which is why he’ll require lenders to provide this information during the loan application process. Furthermore, Obama will work to empower more Americans in the fight against predatory lending by supporting initiatives to improve financial literacy and financial planning.

Encourage Responsible Lending Institutions to Make Small Consumer Loans: Some mainstream, responsible lending institutions are beginning to enter the short-term lending market to provide many Americans with fair alternatives to predatory lending institutions. These loans provide a reasonable period of time to be repaid, charge fair interest rates, and often ensure that the borrower has the ability to repay the loan on time. Some of these lending efforts are coupled with enhanced financial literacy training, which can ensure that Americans do not become caught in a never-ending cycle of debt. Barack Obama will work with his Secretary of Treasury and the Federal Deposit Insurance Corporation to encourage banks, credit unions and Community Development Financial Institutions to provide affordable short-term and small dollar loans – and to drive the sharks out of business.

Reform Bankruptcy Laws to Protect Families Facing a Medical Crisis: More than half of all personal bankruptcies today are caused by medical bills. Barack Obama will protect workers who fall into personal bankruptcy as a result of a medical crisis. Current law, which Obama opposed in the 2005 bankruptcy bill, provides too many families with inadequate relief when faced by an unforeseen medical crisis. Obama will create an exemption from the new law's requirement that middle class families extend their debts rather than have them forgiven. If a person can demonstrate to the satisfaction of the bankruptcy court that the reason they filed for bankruptcy was a result of debts incurred through medical expenses, then Obama believes they should be relieved of that debt through a process that lets them get back on their feet.

V. STIMULATE ECONOMIC GROWTH

Fix Our Health Care Crisis: Nearly 47 million Americans lack health coverage today. In addition to the social costs of worse health, the health care crisis makes many American firms less competitive in global markets, and exacerbates our nation's long-term fiscal imbalances. Barack Obama is committed to signing universal health legislation by the end of his first term in office that ensures all Americans have high-quality, affordable health care. His plan will save a typical American family up to \$2,500 a year by providing

affordable, comprehensive, and portable health coverage for every American and modernizing the U.S. health care system to contain spiraling health care costs and improve the quality of patient care.

Invest in U.S. Manufacturing: The Obama comprehensive energy independence and climate change plan not only help strengthen America's energy security and tackle global climate change, but it will also make strategic investments in American workers and American businesses to create millions of new jobs. The Obama plan will invest in America's highly-skilled manufacturing workforce and manufacturing centers to ensure that American workers have the skills and tools they need to pioneer the first wave of green technologies that will be in high demand throughout the world. Obama will also provide specific tax assistance and loan guarantees to the domestic auto industry to ensure that new fuel-efficient cars and trucks are built in the U.S. with American workers.

Create New Job Training Programs for Clean Technologies: The Obama plan will increase funding for federal workforce training programs and direct these programs to incorporate green technologies training, such as advanced manufacturing and weatherization training, into their efforts to help Americans find and retain stable, high-paying jobs. Obama will also create an energy-focused youth jobs program to invest in disconnected and disadvantaged youth. This program will provide youth participants with energy efficiency and environmental service opportunities to improve the energy efficiency of homes and buildings in their communities, while also providing them with practical skills and experience in important career fields of expected high-growth employment. Participants will not only be able to use their training to find new jobs, but also build skills that will help them move up the career ladder over time.

Boost the Renewable Energy Sector and Create New Jobs: The Obama plan will create new federal policies, and expand existing ones, that have been proven to create new American jobs. Obama will create a federal Renewable Portfolio Standard (RPS) that will require 25% of American electricity be derived from renewable sources by 2025. This measure, which builds off what many states across the nation have enacted, has the potential to create hundreds of thousands of new jobs on its own. Barack Obama will also extend the federal Production Tax Credit (PTC), a measure which has been used successfully for years by American farmers and investors to increase renewable energy production and create new local jobs.

The Obama plan will also enact bold new energy efficiency goals for buildings and appliances, which will both reduce middle class American's monthly electricity bills and help jumpstart the construction and manufacturing industries. Additionally, the Obama plan will provide tax credits for locally-owned biofuel refineries – which have already started to strengthen the economic vitality of rural America.

Fight for Fair Trade: At 7 percent of Gross Domestic Product, our trade deficit has never been higher. Barack Obama will fight for a trade policy that opens up foreign markets to support good American jobs. He will use trade agreements to spread good labor and environmental standards around the world and stand firm against agreements like the Central American Free Trade Agreement (CAFTA) that fail to live up to those important benchmarks. Obama will also pressure the World Trade Organization to enforce trade agreements and stop countries from continuing unfair government subsidies to foreign exporters and nontariff barriers on U.S. exports. Obama will fight for stronger protections for U.S. intellectual property, and – in the case of China in particular – an end to an artificially devalued currency that puts U.S. companies at a perpetual disadvantage.

Invest in the Sciences: Barack Obama supports doubling federal funding for basic research, changing the posture of our federal government from being one of the most anti-science administrations in American history to one that embraces science and technology. This will foster home-grown innovation, help ensure the competitiveness of US technology-based businesses, and ensure that 21st century jobs can and will grow in America. As a share of the Gross Domestic Product, American federal investment in the physical sciences and engineering research has dropped by half since 1970. Yet, it often has been federally-supported basic research that has generated the innovation to create markets and drive economic growth. For example, one recent report

demonstrated how federally supported research in fiber optics and lasers helped spur the telecommunications revolution.

Make the R&D Tax Credit Permanent: Barack Obama wants investments in a skilled research and development workforce and technology infrastructure to be supported here in America so that American workers and communities will benefit. Obama wants to make the Research and Development tax credit permanent so that firms can rely on it when making decisions to invest in domestic R&D over multi-year timeframes.

Deploy Next-Generation Broadband: Barack Obama believes that America should lead the world in broadband penetration and Internet access. As a country, we have ensured that every American has access to telephone service and electricity, regardless of economic status, and Obama will do likewise for broadband Internet access. Full broadband penetration can enrich democratic discourse, enhance competition, provide economic growth, and bring significant consumer benefits. Moreover, improving our infrastructure will foster competitive markets for Internet access and services that ride on that infrastructure. Obama believes we can get true broadband to every community in America through a combination of reform of the Universal Service Fund, better use of the nation's wireless spectrum, promotion of next-generation facilities, technologies and applications, and new tax and loan incentives.