

Obama Offers Tax Credits To Hiring Companies

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WASHINGTON (AP) — A key House Republican leader said the GOP expects President Barack Obama to do more listening than talking when he huddles privately with lawmakers Friday at a retreat in Baltimore.

Obama wants to offer tax credits to companies that hire new workers, a plan that drew a cool reception from Congress last month despite the nation's double-digit unemployment rate.

With polls showing that jobs are Americans' top priority, Obama cited the retooled plan in his State of the Union address, and he will add details later Friday when he visits a small business and speaks to House Republicans meeting in Baltimore.

Obama's proposal would give companies a \$5,000 tax credit for each net new worker they hire in 2010. Businesses that increase wages or hours for their existing workers in 2010 would be reimbursed for the extra Social Security payroll taxes they would pay.

No company could reap more than \$500,000 from the combined benefits, one of several features meant to tailor the program more to small businesses than to large corporations. Startup companies could receive half that amount. Existing companies could not close down and then reopen under a new name and receive any benefits, White House officials said.

The program, which needs congressional approval, would end Dec. 31 and would cost an estimated \$33 billion. Administration officials proposed funding it with money repaid to the government from the 2008-09 bank bailout program. The Social Security system would not lose any revenue under the plan, which officials described Thursday ahead of Obama's Baltimore visit.

"We want to have a serious conversation with the president about our proposals," Rep. Mike Pence, chairman of the House Republican Conference, said Friday on ABC's "Good Morning America."

"We're going to hear from the president for a few minutes, but he's going to hear for quite a while about our proposals," the Indiana Republican added.

Asked if the GOP was ready to meet Obama halfway on the economy, health care, energy and other issues, Pence said, "Republicans are going to continue to stand on the principles that we were elected to advance. We're going to articulate this to the president."

Obama first promoted the idea of a tax credit for adding workers late last year. But House Democrats omitted it from a jobs bill they passed in December because of

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doubts about how to make the credit work.

Administration aides say the revised proposal will be less susceptible to abuse from employers trying to game the system. Companies that fire workers and then quickly replace them would not qualify for the tax breaks, officials said.

Wage increases for high-income employees also would not qualify. No one pays Social Security payroll taxes on income above \$106,800, so any pay increases above that level would trigger no reimbursement to the employer.

Despite the House's recent rejection of a similar plan, the idea of tax credits for job creation has caught on among Senate Democrats. They plan to include such a credit in a scaled-down jobs bill to be voted on in February.

The nonpartisan Congressional Budget Office recently analyzed several proposals to create jobs and improve the economy and concluded that a payroll tax credit for companies that increase payroll would be among the most effective. However, the analysis cautioned that it could be difficult to administer.

Some tax experts say it is hard to prevent abuse by companies that artificially increase their payrolls. But White House officials said they believed regulators would detect such attempts in the great majority of cases.

Some analysts, however, said safeguards against abuse could make the credit too cumbersome for small businesses to use. "If it's big enough to be effective, then it's big enough for businesses to try to game it," said Ben Harris, a senior research associate at the Brookings Institution, a Washington think tank.

Congress enacted a similar tax credit in the 1970s and few small businesses took advantage, the CBO report said.

Republicans generally embrace almost any tax cut proposal. But Obama might receive a lukewarm reception for his proposal on Friday.

"From a policy perspective, it's very difficult to make it work," said House Minority Leader John Boehner, R-Ohio.

Pence said he understands why a tax break for adding jobs would be popular. But, he said, businesses won't hire new employees until there is increased demand for their products.

"These targeted tax cuts, while individually appealing, are no substitute for the kind of broad-based tax relief that will release the entrepreneurial energy of the American people," he said.

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