



For Immediate Release
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**Floor Statement of Senator Max Baucus (D-Mont.)
Regarding Tax Cuts for Job Creation**

Mr. President. Jobs. We're here today to help create jobs.

Everyone is thinking about jobs, and ways to create more of them.

Business owners, workers, and community leaders in Montana are asking what Congress is doing to create jobs. In his State of the Union address, President Obama said, "Jobs must be our number-one focus in 2010." And here in the Senate, a group of us have been working on finding the best way to create new jobs.

I am pleased to have worked together across the aisle with a thoughtful, bipartisan group of Senators to craft legislation to create tax incentives for job creation.

I applaud my Colleagues, Senator Schumer and Senator Hatch, for working together to bring good ideas to the table. I thank my good friend Senator Grassley for working with us once again. And I appreciate the tremendous help from Senators Dorgan, Casey, and Durbin, who have been spearheading the broader jobs effort.

Some of the provisions on which these Senators have worked are before us here today.

The provisions before us today would address the immediate needs of businesses on many different levels. For example, they would allow smaller businesses faster depreciation of equipment purchases.

This provision helps create jobs. As the demand for services and products increase, so does the demand for workers.

But the amendment before us would do more. The amendment would go to the heart of the matter. The amendment would provide a simple and immediate tax incentive for businesses to employ new workers. The amendment answers the challenge of doing something that would make a difference for the unemployed right now.

Let me explain the tax incentive for hiring in the amendment. Any business that hires someone this year who has been out of work for 60 days or more would qualify for the credit. The business would not have to pay its share of Social Security payroll taxes on that employee for the remainder of the year. It's that simple.

This tax incentive would be available for every new worker hired, no matter the size of the business.

Moreover, if that business retains the new employee for a full year, then the business would be able to take an additional \$1,000 income tax credit against next year's taxes.

So, for example, the mom-and-pop grocery store owner in Billings, Montana, who employs a previously-unemployed store clerk and pays him \$25,000 for the rest of the year would save \$1,550 on payroll taxes.

The medium-sized trucking company that can employ 10 new workers at \$35,000 each for the rest of the year would save \$21,700 on payroll taxes.

And the large manufacturer that employs 100 new assembly-line workers at \$45,000 each for the rest of the year would save almost \$300,000 in payroll taxes.

And all of these businesses would get another \$1,000 for each new employee whom they retain for a full year.

Let me explain why this is a good package:

1. The incentive is simple. We want all businesses to be able to take the incentive, not just those that can afford an attorney to explain it or an accountant to prepare the necessary paperwork. All private businesses that create jobs and employ the currently unemployed would be entitled to the payroll tax holiday.

And because it is simple to understand, we hope that the program would enjoy broad news coverage. That way, more employers would hear about the incentive and opt in.

2. The amendment would provide an immediate benefit. Employers need help now. And we want to create jobs now.

As soon as a business hires a new employee, the business would receive the benefit as a payroll tax holiday on that new employee. The business would get the benefit with every payroll tax deposit that it made. The business would not have to wait until it filed its tax return next year.

And the cash that the business would save from the payroll tax cut could be used to help pay the wages of the new employee. Or the cash could be invested in the business. That's right now.

And the amendment would not hurt the Social Security trust fund. The government would make the trust fund whole in the full amount of the payroll tax holiday.

3. The amendment would encourage faster hiring. An employee with a salary of \$50,000 hired on July 1 would save the business about \$1,500 in taxes. But the same worker hired earlier, say on March 1, would save the business about \$2,600 in taxes. The faster that a business hires, the more benefit that the business would receive.

The incentive would boost the economy today. And it would create an additional demand for workers sooner.

4. The amendment would encourage jobs that pay good wages. The higher the wage, the higher the credit. That's because the incentive is directly tied to the wages subject to the Social Security payroll tax.

5. The amendment targets the unemployed. The incentive would reward businesses that hire those who are currently out of work. It would reward those businesses that create employment, not those who shift workers from another job.

Yet it would not require that the employee had to be collecting unemployment insurance benefits. For all sorts of reasons, not everyone takes unemployment benefits.

This incentive would be as broad as possible. It would help all those currently not working who want to be.

6. The amendment is fair. The incentive sets no limits on the size of the business that can utilize it. Job creation happens at all sizes and types of businesses — from the sole proprietor seeking to expand to the largest manufacturer recovering from downsizing.

And because the credit would be on payroll taxes rather than income taxes, the incentive would also help tax-exempt organizations and businesses currently operating at a loss. Those businesses have no income tax to offset with an income tax credit.

7. The amendment would provide ease of hiring. The employer would only have to get a signed affidavit from the new employee that the employee had been out of work for the previous 60 days. There is no lengthy certification process through state agencies, as some current wage credits require.

8. The amendment would encourage employee retention. Employers that retain their new employees for a year would get an added bonus.

9. Most importantly, the amendment would increase employment.

The nonpartisan Congressional Budget Office studied a number of options for job creation in 2010. After reviewing many ideas, CBO stated that a payroll tax reduction for firms that increase their payroll is the most cost-effective policy for creating jobs.

Economists suggest the same thing. While all thoughtful observers are careful to point out that no company would hire unneeded workers just for a tax credit, many economists believe that a hiring incentive may be the push that many companies waiting on the sidelines need to hire those extra people.

Business owners have flexibility in hiring. They can work longer hours themselves, substitute machines for labor, or pay overtime to current employees.

But those employers on the fence may feel that this package of tax cuts and hiring incentives are enough of a boost for them to hire new employees now.

The National Federation of Independent Businesses indicated in December that there are many companies starting and growing businesses during this recession. In the past, the NFIB has supported a fixed-length payroll tax holiday.

The economist Mark Zandi reported that, “various business surveys suggest firms are more open to expanding their payrolls.” He added: “a tax break for hiring could be particularly effective this summer. By then, businesses will have had more time to come to terms with the Great Recession, and banks should be extending credit somewhat more freely by then.”

Former Labor Secretary Robert Reich has suggested a new jobs tax credit for every new job created by small businesses this year. Although he thinks that a job credit does not do much under normal circumstances, he says that these are not normal circumstances, and businesses need a boost.

David Greenlaw and Ted Wieseman of Morgan Stanley Research have said that a new job credit, designed correctly, could represent an important source of effective stimulus.

And Ted Gayer of the nonpartisan Brookings Institution said that timing of an employment tax credit matters. He warned: “The more you dither, then people will wait on the sidelines and not hire now. You want it to be immediate and you want it to go a set length.”

Let us not delay. Let us answer the call from Americans to help. And let us enact this package to get more people to work.

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