



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

October 01, 2008
(Senate)

STATEMENT OF ADMINISTRATION POLICY

Senate Amendments to H.R. 1424—
Emergency Economic Stabilization Act of 2008,
Energy Improvement and Extension Act of 2008, and
Tax Extenders and Alternative Minimum Tax Relief Act of 2008

The Administration strongly supports and urges swift Senate passage of the Senate amendments to H.R. 1424. This legislation is the product of extensive bipartisan work within the Senate to craft an expeditious response to a developing crisis in the Nation's financial markets. Along with a greatly needed tax package, expansion of deposit insurance, and important mental health parity legislation, the bill would, among other accomplishments, spare approximately 26 million Americans from a tax increase in the form of the Alternative Minimum Tax (AMT).

Passage of the Senate amendments to H.R. 1424 is of tremendous importance to all Americans. If the financial markets fail to function, American families will face great difficulty in getting loans to purchase a home, buy a family car, or finance a child's education. Businesses, too, will be unable to attract the credit they need to retain and create jobs. These concerns are not hypothetical. Even during the period that Congress has considered such legislation, there have been rapidly accumulating examples of businesses, State and local governments, and families all across America forced to constrain their planned activities because of a lack of access to the capital that they require to meet obligations, grow their businesses, and satisfy family priorities.

The Senate amendments to H.R. 1424 would enable the Department of the Treasury, operating under appropriate oversight established in the legislation, to remove troubled assets that are currently clogging our financial system and inhibiting the flow of capital. Because the vast majority of Americans responsibly pay their mortgages, the Administration expects that much, if not all, of the amounts provided for in this legislation to buy or insure these assets will ultimately be recouped. For this reason, the true "cost" of this legislation should be far less than \$700 billion. Even so, a commitment of taxpayer resources of such a magnitude requires many safeguards. The legislation thus contains several provisions, agreed to jointly by Congressional leaders and the Administration, to ensure appropriate oversight over this process and to ensure that taxpayer resources are not used to finance windfalls for irresponsible corporate executives. The negotiations conducted to improve this package also resulted in the addition of several further provisions to protect taxpayers, including provisions to provide them an equity interest in institutions receiving assistance and the creation of a program to guarantee troubled mortgage assets at no cost to taxpayers as an alternative to direct purchases.

The Senate amendments to H.R. 1424 also include a provision to temporarily increase to \$250,000 the amount of deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration. No American has ever lost

deposits that are insured by these organizations, and this will not change. The provisions in this legislation permit the deposit insurance agencies to deliver increased protection and confidence during a time of financial market turbulence. The Administration supports this extension of FDIC insurance and believes it will further Americans' long-standing and justified confidence in the security of their bank deposits.

The Senate amendments to H.R. 1424 also contain provisions to protect millions of taxpayers from a tax increase in the form of the Alternative Minimum Tax, extend tax relief for individuals and tax incentives for businesses that the Administration has strongly supported, and create and extend a number of incentives for renewable energy. Extending current law by enacting this legislation is vital for businesses and individuals who expect consistency and predictability in the tax code. Further delay in implementation of these measures risks serious disruption of the upcoming individual tax filing season and invites the very real possibility that these important provisions are allowed to expire, which could potentially delay tax refunds for American families, and have a substantial negative effect on corporate financial statements.

The Administration believes this legislation should be passed as quickly as possible to permit subsequent action by the House and to facilitate prompt signing into law. A strong bipartisan showing in support of the legislation will send an important, helpful signal to markets here and abroad that the Federal government will take the actions necessary to get our financial system back on track. These measures will better enable our Nation's economy to mitigate a substantial near-term risk, to smooth and accelerate its recovery from a financial market shock, and to demonstrate once again its resilience and underlying strength.

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