

Obama Plan Includes \$300 Billion in Tax Cuts

By [PETER BAKER](#) and [CARL HULSE](#)

WASHINGTON — President-elect [Barack Obama](#) plans to include about \$300 billion in tax cuts for workers and businesses in his economic recovery program, advisers said Sunday, as his team seeks to win over Congressional skeptics worried that he was too focused on government spending.

The legislation Mr. Obama is developing with Congressional Democrats will devote about 40 percent of the cost to tax cuts, including his centerpiece campaign promise to provide credits up to \$500 for most workers, costing roughly \$150 billion. The package will also include more than \$100 billion in tax incentives for businesses to create jobs and invest in equipment or factories.

The overall economic package, of \$675 billion to \$775 billion, is taking shape as Mr. Obama arrived in Washington and planned to begin trying to build support in Congress and among the broader public for his approach to stimulating the economy. Mr. Obama, who flew to the capital on Sunday to join his family in a hotel suite while awaiting his inauguration, planned to meet with Congressional leaders on Monday and deliver a speech on Thursday laying the ground for his emerging economic program.

Although some tax cuts were always expected to be included in Mr. Obama's economic package, his team disclosed the scope and some details of the plans on Sunday at a time when Republicans have begun voicing criticism of what they describe as an open-checkbook approach to spending. By focusing more attention on the tax cuts in the plan, Obama aides hope to frame it as a balanced, pragmatic approach.

Mr. Obama will use his public events this week to promise what one adviser called "radical reforms" to impose more control over the regular [federal budget](#) down the road. Among other areas, the president-elect will focus on changing Pentagon contracting and aid to corporate America, advisers said. He will also designate a chief performance officer and a chief technology officer on Wednesday to help make government more efficient, they said.

Still, Democratic leaders in Congress acknowledged that the economic package would not be ready for Mr. Obama's signature immediately after his inauguration on Jan. 20, as they once hoped.

"It's going to be very difficult to get the package put together that early so that it can have sufficient time to be reviewed, and then sufficient time to be debated and passed," Representative [Steny H. Hoyer](#) of Maryland, the House majority leader, said on "Fox News Sunday."

Mr. Hoyer said a more likely goal would be mid-February before Congress leaves on a Presidents' Day recess. "We certainly want to see this package passed through the House of Representatives no later than the end of this month, get it over to the Senate, and have it to the president before we break for the presidential break," Mr. Hoyer said.

Congressional Republicans continued to press for more public hearings and study, and some of their leaders threw out their own ideas for what should be in the plan. Senator [Mitch McConnell](#) of Kentucky, the Republican leader, proposed Sunday that any money distributed to the states be provided as loans rather than outright grants.

"Nobody thinks we ought to be spending this money on things like mob museums and waterslides," Mr. McConnell said on "This Week" on ABC. "And if the money were lent rather than just granted, states would I think spend it wisely, and the states that didn't need it at all wouldn't take any."

Mr. McConnell said Republicans were more likely to favor tax relief and tax credits as part of the economic measure and said Congress should consider reducing the 25 percent income tax rate to 15 percent.

Representative [Nancy Pelosi](#) of California, the House speaker, said Congress would also take on the issue of waste in federal agencies, though she was not ready to disclose details of her approach. "We will have reforms related to waste, fraud and abuse," she said in an interview.

Other Congressional officials said House Democrats would consider a plan this week requiring a new audit of all federal agencies and mandating Congressional hearings whenever inspectors general identify potential waste or fraud.

Mr. Obama's team argued Sunday that the short-term cost of its economic plan was not a priority in the face of the dire problems in the economy. "There is no short run, other than keeping the economy from absolutely tanking. That's the only short run," Vice President-elect [Joseph R. Biden Jr.](#) said on "This Week." He added, "We've got to begin to stem this bleeding here, and begin to stop the loss of jobs and the creation of jobs."

The economic package under consideration by the president-elect and his Congressional allies would commit \$675 billion to \$775 billion over two years. If the tax cuts represent 40 percent of that, as Mr. Obama's advisers said Sunday, that would mean about \$270 billion to \$310 billion.

About half of that would go to workers under what Mr. Obama during his campaign called the Making Work Pay credit, worth up to \$500 for individuals and \$1,000 for families. The Obama campaign estimated that about 150 million Americans making less than \$200,000 would qualify, including those who make too little to pay federal income taxes but would receive a check that would offset Social Security and [Medicare](#) payroll taxes.

Mr. Obama's advisers said Sunday that they were searching for a way to get that credit into Americans' pockets quickly to help stimulate spending, but would not duplicate the rebate checks sent last year as part of an economic package signed by President Bush. Instead, they said, they were discussing making the credit retroactive to the 2008 tax year and adjusting withholding formulas so paychecks would start reflecting that right away.

Mr. Obama's advisers said they were still discussing with Congressional leaders the precise plan for phasing out the credit for wealthier Americans. They said no tax increases were included in the plan because it was focused on measures that create jobs. Obama aides have signaled that they will wait to let Mr. Bush's tax cuts for the wealthiest Americans expire in 2010, rather than try to repeal them sooner.

Likewise, other tax proposals Mr. Obama made in the campaign are not in the economic package because they are not aimed directly at job creation. Aides said the president-elect might return to those later on, possibly as early as the annual budget proposal he is to present in February.

“There are lots of priorities that are not included here, not because they are any less important in the long run but because we really want to stick to the principle that this is an economic recovery plan,” one adviser said.

To encourage businesses to expand their work forces and operations, Mr. Obama wants a tax credit for each job created. During the campaign, he proposed \$3,000 for each job. Advisers said he was now also trying to figure out a way to give incentives to businesses to resist cutting jobs, as so many have been doing.

The economic plan will also include other tax breaks intended to stir capital investment. The [stimulus package](#) Mr. Bush signed last year included a provision generally allowing businesses immediate depreciation of half of their spending in 2008 on new equipment, rather than spreading out that depreciation over years, reducing their immediate tax burdens. Mr. Obama’s advisers said they were planning to build on that, either by extending it to investment in 2009 and 2010 or through some other mechanism.

The Obama plan would also allow businesses to apply net operating losses from last year to offset tax liabilities from prior years, enabling them to claim refunds from the government now in hopes of encouraging capital investment, much as was done in a 2002 economic stimulus plan.