

century—and we have seized it. Now our Nation can move forward stronger, more vibrant, and more united than ever. For that, I am profoundly grateful.

**William J. Clinton**

The White House,  
August 5, 1997.

NOTE: H.R. 2015, approved August 5, was assigned Public Law No. 105–33.

### **Statement on Signing the Taxpayer Relief Act of 1997**

*August 5, 1997*

I have today approved H.R. 2014, the “Taxpayer Relief Act of 1997.” Together with the Balanced Budget Act of 1997, this legislation implements the bipartisan budget agreement.

I have long considered tax cuts for middle-income Americans and small businesses a top priority. In 1993, I worked with the Congress to cut taxes for 15 million working families by expanding the Earned Income Tax Credit, and by providing investment incentives for small businesses. A year later, I proposed my Middle Class Bill of Rights, including child tax credits, deductions for higher education, and expanded Individual Retirement Accounts. Then, in 1996, I signed into law a number of other tax benefits for small businesses and their employees—including greater expensing for small-business investments, greater deductibility of health insurance premiums for small businesses and their employees, and expanded and simplified opportunities for retirement savings. Also in 1996, I signed into law a \$5,000 tax credit for adoption expenses (\$6,000 for adopting children with special needs) and higher limits for tax-deductible contributions by spouses to Individual Retirement Accounts.

This year, I once again proposed my Middle Class Bill of Rights. On May 2, 1997, the congressional leadership and I reached a historic bipartisan budget agreement that included the broad outlines of key elements of my tax-cut plan.

As my Administration has worked with the Congress over the last few months to develop the details of the balanced budget agree-

ment, I have insisted that the tax-cut package meet four basic tests. First, the tax cuts must be fiscally responsible by avoiding an explosion in revenue costs in years outside the budget windows. Second, the tax cuts must provide a fair balance of benefits for working Americans. Third, the tax cuts must encourage economic growth. Fourth, the tax package must reflect the terms of the bipartisan budget agreement, including a significant expansion of opportunities for higher education for Americans of all ages.

I believe that H.R. 2014 meets these tests. It will provide an estimated \$95 billion in net tax cuts over the next 5 years. It is a fair plan that places a priority on education tax cuts and provides a child tax credit to families who work hard and pay taxes. It also incorporates Republican priorities in a good-faith effort to honor the budget accord and to reach final agreement on a tax cut the American people deserve. This legislation will not only provide needed tax relief for middle-class Americans, but will also encourage economic growth. It is also fiscally responsible: the costs of these tax cuts are fully offset in accordance with the balanced budget agreement.

I am especially pleased that the legislation includes, with certain modifications, the key features of my Middle Class Bill of Rights designed to give middle-income families the tax relief they need to help them raise their children, save for the future, and pay for postsecondary education.

#### **Education**

I have long believed that the tax system should better encourage investment in college education and job training. This legislation incorporates the key aspects of my proposals for a \$1,500 HOPE Scholarship to make 2 years of college universally available and a 20 percent tuition credit to make the third and fourth years of college more affordable and to promote lifelong learning.

The legislation also contains a number of other education initiatives that my Administration has strongly supported. These include tax incentives for public school repair, renovation, and educational enhancement in poor neighborhoods through Education Zone Academy Bonds; student-loan forgiveness ex-

emptions similar to those that I have previously proposed; tax incentives to help public elementary and secondary schools obtain up-to-date computer technology; increased availability of tax-exempt financing for new capital expenditures by private colleges and universities; and a special tax-favored savings vehicle to help families save for higher education.

The bill also includes a 3-year extension of the exclusion of employer-provided educational assistance from taxable income. While I am disappointed that the Congress did not adopt my proposal to extend this exclusion permanently or to include graduate education, I intend to continue to work with the Congress to achieve these important goals.

#### ***Child Credit***

I have long advocated a child tax credit for tax-paying working families. Consistent with my proposal, H.R. 2014 will provide \$500 per child tax credits (\$400 in 1998) for families with children under 17. In working with the Congress to develop this legislation, I have insisted that the group that can benefit from the child credit include working families with incomes between \$15,000 and \$30,000. I am pleased that the child credit as contained in H.R. 2014 meets this requirement so that these families receive relief from both income and payroll taxes.

#### ***IRAs and Other Savings Incentives***

Since 1994, my budget has contained proposals to provide greater tax incentives for long-term savings for retirement and other important purposes. I am pleased that, consistent with my budget proposals, H.R. 2014 permits penalty-free withdrawals from existing IRAs to finance higher education expenses and for first-time home purchases, makes deductible IRAs more widely available, and gives taxpayers the choice of a new backloaded IRA. I am pleased that the Congress moved from its original position so that the IRAs contained in H.R. 2014 are more targeted to lower- and middle-income families. I am concerned, however, that the Congress did not move far enough, and that the bill contains other features that will provide a windfall to high-income individuals who

will merely shift savings from taxable vehicles into IRAs, rather than create new savings.

#### ***Distressed Areas and Urban Tax Initiatives***

Revitalizing distressed urban and rural areas throughout the country is a high priority of my Administration. I have proposed a number of initiatives to increase investment in disadvantaged areas. I am pleased that H.R. 2014 includes versions of most of these initiatives. As I have earlier proposed, the bill would encourage the cleanup of polluted urban and rural areas, known as brownfields, by allowing a current deduction for certain costs incurred by businesses to remediate environmentally contaminated land in certain areas. I am disappointed, however, that this provision is scheduled to sunset after 3 years.

My 1993 tax plan included certain tax incentives for nine empowerment zones and 95 enterprise communities. Over 500 communities submitted applications for these 104 designations. The final designations were announced in December 1994. To build upon the success of this program, and to mobilize more communities to promote business development and to create jobs, I proposed two additional urban empowerment zones as defined by the 1993 legislation, and proposed a second round of competition to designate 20 additional empowerment zones, with a different mix of tax incentives, and 80 additional enterprise communities. I am pleased that H.R. 2014 provides for the designation of the additional empowerment zones, but disappointed that it does not make provision for the new enterprise communities.

It has been an important goal of my Administration to encourage employment of disadvantaged residents of the District of Columbia and to revitalize those areas of the District where development has lagged. I am pleased that H.R. 2014 includes tax incentives for the District of Columbia. I am disappointed, however, that it does not include my proposals to create an Economic Development Corporation for the District, stimulate investments in Community Development Financial Institutions, or facilitate the restructuring of our Nation's affordable housing portfolio.

### **Welfare-to-Work**

I am pleased that H.R. 2014 includes a modified version of my welfare-to-work tax credit proposal, which is designed to generate new job opportunities for long-term welfare recipients. I am also pleased that the bill extends the Work Opportunity Tax Credit (WOTC), but I am disappointed that it modifies the structure to allow employers to claim the WOTC for hiring workers for a very short period of time and does not expand the program to cover childless, able-bodied adults ages 18–50 who are subject to the Food Stamp time limit and work requirements.

### **Small Business Tax Cuts**

I am pleased that H.R. 2014 enacts many of the recommendations of the 1995 White House Conference on Small Business. For example, it includes my proposal to exempt from the alternative minimum tax (AMT) corporations with gross receipts of less than \$5 million. Under this proposal, roughly 95 percent of all corporations (more than two million) would be spared the complication of calculating the AMT.

Earlier this year, my Administration announced its support for expansion of the home office deduction and the small business capital gains incentive. These proposals were intended to help high-tech and bio-tech entrepreneurs, start-up companies, parents who work out of their homes, and other Americans who are seizing the opportunities of the new economy. I am pleased that H.R. 2014 expands the home office deduction, but disappointed that it contains only limited modification of the small business capital gains incentive.

### **Capital Gains Relief**

I am pleased that H.R. 2014 includes my proposal to exempt up to \$500,000 in capital gains on the sale of a home from all capital gains taxes. This encompasses over 99 percent of homes sold in the U.S. and will dramatically simplify taxes and record keeping for over 60 million homeowners.

I had also proposed a 30 percent exclusion for capital gains. I continue to have concerns that the across-the-board capital gains relief in H.R. 2014 is too complex and will dis-

proportionately benefit the wealthy over lower- and middle-income wage earners. I am pleased, however, that H.R. 2014 does not contain the House provision to index capital gains, which would have caused even greater complexity and would have contributed to an explosive revenue cost after 2007.

### **Estate Tax Relief**

I am pleased that, consistent with my proposal, H.R. 2014 contains a special exemption for interests in qualified farms or small businesses that, when combined with the unified credit, will exempt up to \$1.3 million in value. I am also pleased that the bill includes a version of my proposal to provide liquidity relief for estates containing small businesses and farms. The bill also increases the unified estate and gift tax credit on a phased-in basis to reach \$1 million in 2006. I continue to have concerns that this provision is too expensive and will be of no benefit to the vast majority of American families.

### **Tobacco Taxes**

Earlier this year I proposed an increase in tobacco taxes that would be separated into a trust fund and dedicated entirely to expanding health coverage for children, addressing other children's development issues, and improving the overall public health. I am pleased that such a provision has been included in H.R. 2015. I am seriously concerned, however, that H.R. 2014 provides that the increase in tobacco taxes collected is to be credited against the total payments made by parties pursuant to the tobacco industry settlement agreement of June 20, 1997.

### **Simplification**

I am pleased that H.R. 2014 includes many of the items previously contained in my April package of some 60 measures designed to simplify the tax laws and enhance taxpayers' rights. I am concerned, however, that the sheer multitude of miscellaneous tax code amendments contained in H.R. 2014, will contribute significantly to complexity for taxpayers and tax planners. I am also concerned that some of the provisions that will affect many taxpayers, such as the capital gains provision, are unduly complex. I continue to sup-

port revenue-neutral initiatives to simplify the tax laws and to promote sensible and equitable administration of the tax laws. I urge the Congress to continue to work with me to achieve these goals. In addition to supporting legislative initiatives, my Administration is committed to taking appropriate administrative action to implement this tax legislation in a manner that minimizes taxpayer burdens, and further, that simplifies the tax laws and enhances procedural safeguards for taxpayers.

#### **Other Presidential Initiatives**

My tax plan included extensions of the research tax credit, the orphan drug credit, and the tax incentive for contributions of appreciated stock to private foundations. I am pleased that H.R. 2014 includes such extensions. I am also pleased that H.R. 2014 includes my proposal to extend the foreign sales corporation benefit, which exempts a portion of income for tax purposes, to include computer software licensed for reproduction abroad.

I am disappointed, however, that H.R. 2014 omits a number of my important initiatives, including my proposal to protect the rights of disabled persons by extending the time such people are allowed to claim a tax refund to include the period during which they are mentally or physically impaired.

The bill also omits my proposal to restore the wage-based tax incentive for new investments in Puerto Rico. While I agreed last year to ending the credit not directly based on economic activity, I opposed phasing out the wage-based incentive. It is a mistake not to continue this credit and open it to new investments in Puerto Rico, which has a jobless rate three times the national rate.

I am also very disappointed that the tax incentives for renewable fuels were not extended in this budget. Earlier this year, I proposed extension of the excise tax exemption for ethanol in our surface transportation reauthorization proposal. I urge the Congress to extend the ethanol subsidy when it considers the reauthorization bill later this year.

#### **Other Issues of Concern**

The bill extends the Airport and Airways Trust Fund taxes and sets new fee structures

without the benefit of the pending study by the National Civil Aviation Review Commission. The Administration may propose changes to these provisions after it reviews the Commission's recommendations.

The bill also transfers the 4.3 cents per gallon in fuel taxes currently dedicated to deficit reduction from the General Fund to transportation trust funds. While the transfer provision itself has no revenue or spending effect, I am concerned that transferring the revenue may spur efforts to move the trust funds off-budget and create pressure to increase ground transportation spending to levels significantly higher than contemplated by the bipartisan budget agreement.

Finally, H.R. 2014 contains a provision that is intended to address the capital needs of Amtrak. The provision is contingent on the enactment of subsequent Amtrak reform legislation. Although the provision is highly problematic in terms of tax policy, my Administration looks forward to working with the Congress to secure the enactment of Amtrak reform legislation that is fair to all parties.

#### **Conclusion**

Despite my reservations, H.R. 2014 meets the basic tests established by my Administration and provides needed tax relief for working Americans. I am grateful for the bipartisan support that this measure received in the Congress, and I am pleased to have signed it into law.

**William J. Clinton**

The White House,  
August 5, 1997.

NOTE: H.R. 2014, approved August 5, was assigned Public Law No. 105-34.

#### **Statement on Signing the Taxpayer Browsing Protection Act**

*August 5, 1997*

Today I have signed into law H.R. 1226, the "Taxpayer Browsing Protection Act," to provide additional criminal penalties and civil remedies to help ensure that taxpayers' returns and return information remain confidential.