



Jim Himes: Tax Relief for the American Dream

Jim Himes will work to make the American Dream available to all of us, starting by giving tax relief to middle class families.

For decades, our prosperity has rested on a simple promise: if you work hard and play by the rules, you'll have a real shot at the American Dream. In recent years, that promise has been broken. More of the tax burden has been shifted onto families earning less than \$250,000, even as prices for everything we consume—from food to healthcare to gas—have skyrocketed. At the same time, our nation has not invested nearly enough in the cornerstones of the American Dream: education, homeownership, and savings. As a result, middle class families are finding it harder than ever to send their kids to college, buy a first home, or save for retirement. Jim believes we can and must do more to make opportunity available to middle class families.

We can begin to restore economic opportunity and security by giving middle class families tax relief. Tax relief for the middle class will enable more Americans to invest in their future, and by extension, the future of our country. At the same time, middle class tax relief will stimulate our struggling economy by restoring consumer confidence and bolstering the purchasing power of American families. For too long, Chris Shays and other leaders in Washington have supported special tax breaks for the very wealthy, while opposing tax relief for the middle class families that are this country's backbone. Jim is proposing a tax cut package that will help people achieve three pillars of the American Dream: owning a home, sending children to college, and saving responsibly to build wealth over time.

These responsible, fair tax cuts will ensure that when families pursue the American Dream, our government meets them halfway. In Congress, Jim will:

1. Make college affordable again

By expanding college tuition tax credits, we can significantly reduce the financial burden of sending a child to college.

2. Help families buy their first homes

By creating a new tax credit for first-time homebuyers, we can make it easier for middle-class families to buy their first homes—and jumpstart the housing market.

3. Amplify savings by middle-class families

By expanding the saver's credit, we can help middle-class families save responsibly and build wealth for the future.

1. The Higher Education Tax Credit

Over the past several years, college tuition costs have shot through the roof. Sending a son or daughter to UConn now costs nearly \$17,500 per year – 52% more than it did in 2002. Costs at our area’s private universities have exploded as well. Meanwhile, George Bush and Chris Shays have cut federal need-based aid for college tuition by hundreds of millions of dollars.

A college diploma is a necessary first step to achieving the American Dream. Over the course of a career, a college graduate will earn on average \$1 million more than a high school graduate without a college degree. But with tuition costs spiraling out of control, hard-working kids from middle-class families are being priced out of a college education – and the economic opportunity that comes with it. At the same time, many parents who can still afford to send their kids to college are cutting back on other important expenditures to do so. Access to higher education is a pillar of the American Dream that we cannot allow to crumble.

Jim Himes is proposing a generous, refundable Higher Education Tax Credit equal to 50% of the first \$10,000 in college costs per student – effectively \$5,000 per student for most eligible families. This benefit will be available for all four years of college, or for other eligible post-secondary educational costs, and it will be open to joint-filing families with combined incomes up to \$250,000 per year. And by offering a 50% match, this program will literally make good on the promise that if you work hard, our government will reward your effort. The Higher Education Tax Credit will offer substantially more assistance than is available under current law, simplify the tax code, and ensure that America continues to produce the most educated and most prosperous workforce in the world.

2. The First Home Tax Credit

A second cornerstone of the American Dream is homeownership. Historically home equity has been the largest source of middle class wealth. Unfortunately, the recent crisis in the housing market has eroded the value of our homes and the economic security that comes with it. At the same time, a fearful credit market has made it more difficult for young families to get a foothold in the middle class by purchasing a home. In Fairfield County, home sales are down 32% from just one year ago. We need to help Connecticut families finding it harder than ever to become first-time homebuyers, and we need to help restore lost home equity for families who already own their homes.

In Congress, Jim Himes will propose a \$1,500 first-time homebuyer tax credit, available to joint-filing families with combined incomes up to \$250,000 per year. This will significantly defray Connecticut’s unusually high closing costs, making it possible for credit-worthy families to buy into the American Dream. A similar program implemented in the District of Columbia has enabled tens of thousands of families to become homeowners for the first time – while significantly increasing home values throughout the District by stimulating demand. By jumpstarting the housing market and reducing

the transaction cost of buying a first home, the First Home Tax Credit will help more families achieve and sustain the American Dream.

3. The Expanded Saver's Credit

A third pillar of the American Dream has always been building wealth over time. In recent years, however, families have faced mounting expenses, with less and less left over for saving. From 1980 to 1994, for every \$100 Americans made in income, we put about \$8 on average into savings. By contrast, in 2006, the savings rate was negative 1% – meaning that we spent everything we made, and then some. That is the lowest savings rate since the Great Depression. If the American Dream is to remain a reality, we need to promote savings again.

In Congress, Jim Himes will significantly expand the Saver's Credit – a tax credit that rewards responsible retirement savings by middle-class and low-income families. It does this by effectively matching a portion of families' voluntary contributions to a 401(k), IRA, or other employer-sponsored plan. First, Jim will make the Saver's Credit refundable, dramatically increasing its value to families with low or moderate incomes. These families have the most to gain by saving responsibly, but the Saver's Credit currently does not reach them at all. Second, Jim will substantially increase the range of families eligible for a full 50% credit on their first \$2,000 in voluntary contributions – meaning that for every \$2 you save, you get \$1 back on your tax return. This expanded Saver's Credit will help to increase our national savings rate, putting our economy on a surer foundation while building wealth for middle class families.

Returning to Fiscal Responsibility

Jim Himes believes that as we work to restore middle class opportunity, we must act responsibly. In Congress, Jim will fight to restore fiscal priorities that reflect our values. That means offsetting new spending for genuine priorities like middle class tax relief by shifting away from the misguided priorities of the past several years – including special tax breaks for oil companies and the War in Iraq, which alone costs us \$13 billion a month. Middle class tax relief will not be free, but it will be affordable – keeping the American Dream alive for millions of families is worth every penny.