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Obama Backs Companies' Expensing of Capital Purchases

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by Tom Ichniowski***

President Obama, continuing to stump for a follow-up round of economic-recovery actions, has proposed letting companies write off the costs of their 2011 capital expenditures in that year, instead of spreading the deductions over a longer period of time.

In announcing the "expensing" plan in a speech in Parma, Ohio, on Sept. 9, Obama said that "this will help small businesses upgrade their plants and equipment and will encourage large corporations to get off the sidelines and start putting their profits to work in places like Cleveland and Toledo and Dayton."

He also repeated the call he had made two days earlier for a six-year transportation infrastructure plan. It would include an initial infusion of \$50 billion. A third element of Obama's plan is increasing and making permanent a research-and-experimentation tax credit.

In addition, Obama said he supports making current tax cuts permanent for those earning up to \$250,000. He rejected Republicans' proposal also to make permanent the cuts for those whose income exceeds that level.

In a briefing for reporters after the speech, Jason Furman, deputy assistant to the President for economic policy, estimated the cost of the expensing proposal at

\$30 billion over 10 years and said the price tag for the R&E credit plan would be about \$100 billion.

Furman also said that to offset some or all of the revenue losses from those two plans, Congress could approve some tax-break "loophole-closers."

Some of the President's most pointed comments were directed at congressional Republicans, including House Minority Leader John Boehner, of Ohio. Obama said that in a recent speech, Boehner provided "no new policies" and "no new ideas...There was just the same philosophy that we had already tried during the decade that [Republicans] were in power--the same philosophy that got us into this mess in the first place...."

In response, Boehner said in a statement: "If the President is serious about finally focusing on jobs, a good start would be...freezing all tax rates, coupled with cutting federal spending to where it was before all the bailouts, government takeovers and 'stimulus' spending sprees."

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