

ATTACHMENTS

- Additional Information on the President's Tax Proposals
- Talking Points
 - Middle Class Economics
 - Broadband That Works: Promoting Competition & Local Choice In Next-Generation Connectivity
 - New Cybersecurity Legislative Proposal and Other Cybersecurity Efforts
 - Safeguarding American Consumers & Families
 - America's College Promise Proposal: Tuition-Free Community College for Responsible Students

Additional Information on the President's Tax Proposals

Examples of Republican support for some of the ideas in the President's new tax proposals:

The President's new tax proposals include several elements that build on bipartisan ideas:

- Chairman Camp's tax reform plan also included a financial fee on the largest financial firms.
- The Republican-led House passed a bill last year that included the same reforms simplifying education tax credits and making them more generous.
- Cathy McMorris Rodgers has proposed a second earner deduction.
- Chairman Ryan has also endorsed an expansion of the EITC for childless adults
- The President's retirement proposals are based on an idea co-authored by a scholar then at the Heritage Foundation.

Protect the middle-class and small businesses

To ensure that it would impose neither tax nor compliance burdens on middle-class families, the President's proposal includes the following protections:

- For couples, no tax would be due until the death of the second spouse.
- Capital gains of up to \$200,000 per couple (\$100,000 per individual) could still be bequeathed free of tax. Note that, since capital gains generally represent only a fraction of an asset's value, this exemption would allow couples to bequeath more than \$200,000 without owing taxes. The exemption would be automatically portable between spouses.
- In addition to the basic exemption, couples would have an additional \$500,000 exemption for personal residences (\$250,000 per individual). This exemption would also be automatically portable between spouses.
- Tangible personal property other than expensive art and similar collectibles (e.g. bequests or gifts of clothing, furniture, and small family heirlooms) would be tax-exempt. In addition to avoiding any tax burden on these transfers, this exclusion would prevent families from having to value and report them.

The President's proposal also includes extra protections that ensure no small family-owned business would ever have to be sold for tax reasons:

- No tax would be due on inherited small, family-owned and operated businesses - unless and until the business was sold.
- Any closely-held business would have the option to pay tax on gains over 15 years.

Middle Class Economics

The theme for this year's State of the Union Address is middle class economics.

It's what has fueled our comeback and it's what will help ensure that all Americans – not just a fortunate few – benefit from our American resurgence. Middle class economics is what's driven the President for the last six years and it's what he will focus on every day of the last two.

Thanks to the hard work and determination of the American people as well as the policies the President has pursued, we've rescued and rebuilt our economy on a new foundation.

On Tuesday, the President will lay out his vision for how to build on this progress – to raise wages and incomes, to strengthen the standing of working families in a new economy, to bolster and expand the middle class.

His goals are as straightforward as they are crucial:

- Making paychecks go farther right now
- Setting the stage for more high-paying jobs in America
- Preparing Americans for these good, high-skilled jobs of the future

With these priorities in mind and in the lead-in to his address on Tuesday, the President has traveled the country, putting forward proposals to build on the progress we have made to create good jobs and grow our economy:

- Proposing to make community college free for every responsible student
- Extending sick leave to working families
- Acting on his own to cut mortgage premiums by \$900 for families looking to buy a home
- And, most recently, the Administration announced a new strategy to simplify our complex tax code, make it fairer by eliminating some of the biggest loopholes, and use the savings to responsibly pay for the investments we need to help middle class families get ahead and grow the economy.

Announcing policies ahead of Tuesday:

- By announcing these policies ahead of Tuesday's address, the President's provided the American people concrete examples of his vision and allowed for each proposal to receive the deep attention it warrants. On Tuesday, he'll lift up his broader theme – and announce additional proposals.

The Posture of the Next Two Years:

- The President's bold lead-in to the State of the Union, coupled with his accomplishments since the election in November, has made clear he's not slowing down, going small, or kowtowing to politics.
- Instead, he's taking full advantage of the next two years because he views every day as an opportunity to make progress for folks across the country.
- The change in leadership in Congress won't shake the principles that have guided the President for six years. He'll continue to do everything he can – on his own or with the help of Republicans – to strengthen and expand the middle class.

- The President's broadening the debate, ensuring that Washington's priorities are in line with the rest of the country's, and lifting up the voices of the middle class so that their interests always have a place at the table.

Additional Details: A Simpler, Fairer Tax Code That Responsibly Invests in Middle Class Families

The President's plan will eliminate the biggest loopholes that let the wealthiest and big corporations avoid paying their fair share of taxes:

- **Closing One of the Biggest Tax Loopholes – the Trust Fund Loophole:** The President will propose to close the single largest capital gains loophole, which lets hundreds of billions of dollars escape taxation each year, to ensure the wealthiest Americans pay their fair share on inherited assets.
- **Raising the Total Top Capital Gains and Dividends Rate Back to the Level Under President Reagan:** The President will propose to raise the top capital gains rate to 28 percent – the rate under President Reagan.
- **Making the Biggest Financial Firms Pay Their Fair Share:** The President will continue to reform the way the largest financial firms do business by proposing a fee on the biggest financial firms, making it more costly for them to borrow heavily.

The President proposes to use the savings produced by these measures to reinvest in the middle class, helping millions of families each year and strengthening their standing in the 21st century economy:

- **Helping Working Families:** The President will lay out a new \$500 second earner credit to help cover the additional costs faced by families where both spouses work – benefiting 24 million couples.
- **Tripling the Child Care Tax Credit:** The President's proposal would streamline and dramatically expand child care tax benefits, providing up to \$3,000 per child under 5, and helping 5.1 million families cover child care costs for 6.7 million children.
- **Making College Accessible and Affordable:** The President's plan reforms the education tax system by consolidating six overlapping education provisions into just two and providing students up to \$2,500 a year toward completing a college degree. His plan cuts taxes for 8.5 million families and students and simplifies taxes for the more than 25 million families and students that claim education tax benefits. The President has also proposed to make the first two years of community college free to any hardworking student.
- **Saving for Retirement.** The President's plan makes it easy and automatic for workers to save for retirement – giving 30 million more workers the opportunity to easily save for retirement through their employer.

The President's proposals to take these and other steps to make the tax system more fair will also finance his plan to make community college free for responsible students and additional investments in improving child care quality, access, and affordability for working families.

Broadband That Works: Promoting Competition & Local Choice In Next-Generation Connectivity

- Last year, the President outlined his plan to keep the internet open to new competition and innovation.
- Last week, the President will build on his [net neutrality plan](#) by announcing new steps he will discuss in the State of the Union to help more Americans get access to fast and affordable broadband – regardless of the community in which you live and do business.
- Too few Americans have affordable and competitive broadband choices. But we know there are solutions that work. Communities across the country have proven that – cities like Lafayette, Chattanooga, and Kansas City have broadband that is nearly one hundred times faster than the national average, yet still available at a competitive price.
- Because it's clear that high-speed, low-cost broadband is paving the way for economic revitalization, the President is committed to giving more communities across the country this same leg up.
- That's what this announcement was all about and it's why the Administration is:
 - Calling to End Laws that Harm Broadband Service Competition
 - Expanding the National Movement of Local Leaders for Better Broadband
 - Announcing a New Initiative to Support Community Broadband Projects
 - Unveiling Grant and Loan Opportunities for Rural Providers
 - Removing Regulatory Barriers and Improving Investment Incentives

New Cybersecurity Legislative Proposal and Other Cybersecurity Efforts

- Since the start of his Administration, when he issued the Cyberspace Policy Review — the first top-to-bottom, Administration-wide review of cybersecurity — President Obama has led efforts to better prepare our government, our economy, and our nation for the growing cyber threats we face.
- Last week, the President built on the actions he’s already taken, unveiling the next steps in his plan to defend the nation’s systems – including a new legislative proposal, revisions to provisions of our 2011 legislative proposal on which Congress has yet to take action, and a call to work in a bipartisan, bicameral manner to advance this urgent priority for the American people.
- The President also announced that the White House will host a Summit on Cybersecurity and Consumer Protection at Stanford University to help shape public and private sector efforts to protect American consumers and companies from growing threats to consumers and commercial networks.
- Specifically:
 - The President is putting forward a legislative proposal that would enable cybersecurity information sharing in the private sector and between the private sector and government. And the proposal would also safeguard Americans’ personal privacy by requiring private entities to comply with certain privacy restrictions such as removing unnecessary personal information and taking measures to protect any personal information that must be shared in order to qualify for liability protection.
 - The proposal modernizes law enforcement authorities to combat cyber crime and ensure they have appropriate tools to investigate, disrupt and prosecute cyber crime.
 - The Administration has also updated its proposal on security breach reporting, helping business and consumers by simplifying and standardizing the existing patchwork of 46 state laws (plus the District of Columbia and several territories) that contain these requirements into one federal statute, and putting in place a single clear and timely notice requirement to ensure that companies notify their employees and customers about security breaches.
 - The Department of Energy will provide \$25 million in grants over the next five years to support a cybersecurity education consortium consisting of 13 HBCUs and two national labs – part of the President’s jobs-driven training initiative, will help to fill the growing demand for skilled cybersecurity professionals in the U.S. job market.

Safeguarding American Consumers & Families

- Last week, building on the action he's already taken, the President highlighted measures he will discuss in the State of the Union and unveiling the next steps in his comprehensive approach to improve consumers' security, tackle identity theft, and improve privacy online and in the classroom.
- First, he will focus on combatting identity theft, releasing a new legislative proposal to help bring peace of mind to the tens of millions of Americans whose personal and financial information has been compromised.
 - That proposal will make clear the exact obligations companies are under to notify their customers when they suspect their sensitive information has been stolen – providing businesses and consumers more certainty.
 - He will also announce new companies that have taken the important step of making credit scores available to their customers, to help catch one of the early signs of identity theft.
- Second, he will release new steps to provide teachers and parents with the confidence they need to bring more technology into the classroom, with new steps to protect student privacy.
 - He will release a second legislative proposal aimed at ensuring data collected in the classroom – which can be vital to delivering better instruction and tracking progress – is not used outside the educational context.
 - He will highlight a number of companies, from large companies like Apple and Microsoft to startups like BrainPop and DreamBox, who are signing on to a pledge committing them not to engage in practices like behavioral advertising based on student data.
 - And he will announce new steps by the Department of Education to help schools feel more empowered, including with model contracts to guide them in contracting with digital services.
- Finally, he will look ahead to two areas where the Administration can move the ball forward in safeguarding consumer privacy: both with the release of a new voluntary code of conduct for companies dealing with energy usage data, and calling on Congress to move forward with his Consumer Privacy Bill of Rights.
- These actions build on the President's 2012 comprehensive blueprint for consumer privacy, the BuySecure initiative—launched last year—to safeguard Americans' financial security, and steps the President took earlier this year by creating a working group of senior administration officials to examine issues related to big data and privacy in public services and the commercial sector.

America's College Promise Proposal: Tuition-Free Community College for Responsible Students

- Continuing his lead-up to the State of the Union Address, the President was in Tennessee over a week ago to unveil America's College Promise Proposal to make two years of community college free for responsible students.
- The President knows that to continue our resurgence, Americans need more knowledge and skills to meet the demands of a growing global economy without having to take on decades of debt before even embarking on a career.
- Nearly a century ago, a movement to make high school free drove decades of economic growth and prosperity in the 20th century. Now it's time to make two years of college the norm. This proposal is part of the President's vision for how we can continue to lead the world economically in the 21st century and help grow the middle class.
- His proposal, which would be undertaken in partnership with states, would do just that -- letting students earn the first half of a bachelor's degree or earn skills needed in the workforce at no cost.
- The initiative calls on:
 - Community colleges to strengthen their programs and increase the number of students who graduate;
 - States to invest more in higher education and training, and;
 - Students to take responsibility for their education, earn good grades, and stay on track to graduate.
- If all states participate, an estimated 9 million students could benefit and a full-time community college student could save an average of \$3,800 in tuition per year.
- Additionally, President proposed a new American Technical Training fund to expand innovative, high-quality technical training programs that meet employer needs and help prepare more Americans for better paying jobs.
- These proposals build on a number of historic investments the President has made in college affordability since taking office, including:
 - An increase in the maximum Pell Grant award to help working and middle class families by \$1,000;
 - The creation of the \$2,500 American Opportunity Tax Credit, and;
 - Reforming student loans to eliminate subsidies to banks to invest in making college more affordable and keeping student debt manageable.
- The American economy has made real progress since the President took office – and 2014 was a breakthrough year – but the President knows that there's more work to do to ensure all Americans share in the benefits of our recovery. That's what these events leading into the State of the Union are all about.
- The President will continue to lift up these themes in the run up to his State of the Union Address as he announces policies he will highlight in his address to push us forward – specifically in the areas of helping more responsible Americans own a home, getting kids a college education, and creating new, good paying jobs.