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PRESIDENT CLINTON SIGNS THE MINIMUM WAGE LEGISLATION

August 20, 1996

The President today will sign legislation to increase the minimum wage to help ten million Americans who work hard and play by the rules. The bill, formally titled H.R. 3448 -- "Small Business Job Protection Act", also provides for pension reform, tax breaks for small businesses, and a newly created adoption tax credit.

The President has supported increasing the minimum wage, which is now approaching its lowest real value in 40 years, since he was Governor of Arkansas. In his remarks, the President will highlight the importance of providing hard working Americans with a living wage. He will also emphasize the benefits of the new pension reforms and the newly created tax credit to make adoption easier and more affordable for working families.

Participants in today's event include minimum wage workers and their families, representatives from supportive organizations, members of congress, adoption advocates and their families, and administration officials.

The following is the program for the event:

- The Vice President makes remarks
- Kathy Wilkinson, lab assistant and minimum wage employee from Wheeling, West Virginia makes remarks.
- The President makes remarks.

-30-30-30-

MAKING WORK PAY BY INCREASING THE MINIMUM WAGE

In Putting People First, Bill Clinton and Al Gore promised to "increase the minimum wage to keep pace with inflation." In February 1995 -- 18 months ago -- President Clinton specifically proposed increasing the minimum wage from $4.25 to $5.15 over two years. For a full-time minimum wage worker, a 90-cent increase would raise their yearly income by $1,800 -- as much as the average family spends on groceries in over 7 months.

YOU CAN'T RAISE A FAMILY ON $4.25 AN HOUR. The minimum wage is approaching its lowest real value in 40 years. The minimum wage has lost nearly all of its real value since its last increase in April 1991. This minimum wage increase will help restore the real value of the minimum wage back to its level when it was last raised.

- **Ensuring No Parent Has To Bring Up Their Kids In Poverty.** The dramatic extension of the Earned Income Tax Credit (EITC) helped lift hundreds of thousands of working families out of poverty. A 90-cent minimum wage increase and the expanded EITC will ensure that no parent who works full-time would have to bring up their children in poverty.

- **Helping Adult Workers Trying To Support Their Families.** According to the Bureau of Labor Statistics:

  - 69% of those workers who would benefit from an increase are adults, age 20 or over;
  - Three-fifths (59%) are women, many of whom are trying to raise the family on $4.25;
  - Nearly two-fifths (38%) are the sole wage earner in their household; and
  - The average minimum wage worker brings home half of their family's earnings.

- **Giving A Pay Raise To 10 Million Workers At or Near The Minimum Wage.** An estimated 10 million hourly workers earn between $4.25 and $5.14 and would directly benefit from this pay raise. An increase in the minimum wage could also have a "ripple" effect on the over 3 million workers who earn within 60 cents of the new minimum wage.

EMPIRICAL EVIDENCE SHOWS THAT RAISING THE MINIMUM WAGE WILL NOT COST JOBS. Nearly two dozen empirical studies have found that moderate increases in the minimum wage do not have a significant impact on employment. These studies include state-specific research in California, Texas, and New Jersey that shows that state minimum wage increases did not result in any job loss.

- **101 Economists Including 3 Nobel Prize Winners Agree That A Minimum Wage Increase Won't Cost Jobs.** In the fall of 1995, 101 economists -- including 3 Nobel Prize-winners Kenneth Arrow, Lawrence Klein, and James Tobin -- signed a letter supporting the President's proposal to raise the minimum wage, affirming that it would not have a significant effect on employment, and concluding that *"overall effects [of an increase] on the labor market, affected workers, and the economy would be positive."*

THE LAST MINIMUM WAGE INCREASE -- ALSO 90 CENTS -- GARNERED STRONG BIPARTISAN SUPPORT. In 1989, the minimum wage was passed by votes of 382 to 37 (135 Republicans) in the House, and 89 to 8 in the Senate (36 Republicans) and was supported by Senator Dole, Senator Lott, and Rep. Gingrich.

PENSION PROVISIONS IN THE MINIMUM WAGE BILL TO EXPAND COVERAGE, INCREASE PORTABILITY, AND ENHANCE SECURITY

The minimum wage bill includes many of the President's pension proposals, contained in his Retirement Savings and Security Act, which will empower more Americans to save for their retirement by expanding pension coverage, portability, and protections and significantly simplifying pension rules.

- **Expands Pensions** to help millions of working Americans not currently covered by an employer-provided plan save for their retirement.
- **Increases Portability** by reducing the obstacles facing many workers when they change or lose their job and want to keep their retirement savings and continue saving.
- **Enhances Protections** so hard-working Americans do not have to worry whether their retirement savings will be there when they need them.
- **Simplifies Pensions** to encourage and make it easier for employers to offer pensions.

THE MINIMUM WAGE BILL'S PENSION PROVISIONS MEET THESE CHALLENGES:

1. **NEW SMALL BUSINESS 401(k) PLAN -- To Expand Pension Coverage:** While 76% of workers in large businesses have employer-provided pensions, only 24% of workers in small businesses do. In June 1995, the President first proposed a simple small business "401(k) plan" to expand pension coverage to up to *10 million workers* in small businesses not currently covered by a plan. Republicans followed with their own proposal. The minimum wage bill's small business plan, while providing a smaller share of benefits to lower and middle wage workers, includes many elements of the President's plan and provides for:

   - **$6,000 Tax-Free Contributions.** Workers could save up to $6,000 a year tax-free through automatic payroll deductions.

   - **Employers Contribute 2% of Salary or Match Contributions Up To 3% of Salary.**

   - **One-Page Form.** Cuts through the red tape with a simple, one-page form without complicated employer filing, calculations, or testing.

   - **100% Portable.** All contributions would be immediately vested and fully portable.

   The bill also expands coverage by:

   - Simplifying 401(k) plans for *all* businesses;
   - Making the 9 million employees of non-profit organizations, as well as employees of Indian tribes, eligible for 401(k) plans;
   - Enabling relatives who work in a family business to earn their own retirement benefits;
   - Repealing unreasonable limits on benefits for certain disabled and low- and middle-income state and local government employees; and
   - Enabling millions of spouses who do not work outside the home to contribute up to $2,000 to an individual retirement account.

2. **<u>INCREASES PENSION PORTABILITY</u>:** Workers who change jobs and want to take their retirement savings with them and keep saving currently face a multi-faceted obstacle course. The President's portability proposals in the minimum wage bill could help *over 5 million workers each year* who have an employer-sponsored pension plan and who change jobs:

- **Takes Away 1-Year Wait To Save At a New Job:** Millions of workers are forced to wait 1 year before they can enter their new employer's pension plan. The minimum wage bill changes a law to encourage private employers to stop imposing this 1-year wait.

- **Guarantees Benefits for Workers on the Move:** Reduces the vesting period from 10 to 5 years for multiemployer plans -- which cover union workers such as construction workers who frequently change jobs -- to ensure they don't lose their benefits if they've worked for 5 years.

- **Secures Portability for Veterans:** Changes tax rules to ensure that veterans who serve their nation are not penalized and can continue their pension coverage when they return from service.

3. **<u>ENHANCES PENSION PROTECTION AND SECURITY</u>:** The Retirement Protection Act, enacted in 1994 at the President's request, has reduced pension underfunding for the first time in a decade, protecting the benefits of 40 million workers and retirees in traditional pension plans. In 1995, the Labor Department launched an initiative to protect savings in 401(k) plans from misuse, recovering to date nearly $10 million for thousands of workers. Recently the Labor Department issued new rules to ensure that worker contributions to 401(k) plans start earning money for workers sooner. Now the minimum wage bill:

- **Protects Government Employees' Savings from Orange County-Style Fiascos:** Requires state and local government retirement savings plans to be held in trust so that employees do not lose their savings if the government declares bankruptcy, as Orange County recently did.

- **Increases Penalties for Self-Dealing:** Penalties for self-dealing pension funds (such as loans to the company owner) are generally doubled, from 5 percent to 10 percent.

- **Improves Spousal Protections:** Helps protect spousal benefits in the choice of an annuity and during divorce proceedings.

4. **<u>EASES PENSION ADMINISTRATION</u>:** Many employers are discouraged from establishing or maintaining plans because rules governing their administration are complicated and expensive. The minimum wage bill:

- **Eliminates Complex Limitations:** As proposed by President Clinton, the bill eliminates the complex limitations on contributions and benefits for workers in a defined benefit and defined contribution plan with the same employer.

- **Simplifies Corrective Action Rules:** The bill makes it easier for employers to take corrective action if they make excess tax-free contributions, and makes the corrective action rules fairer.

- **Simplifies Computations:** The bill simplifies rules for computing pay for pension purposes, allowing lower-paid workers to receive more benefits.

ADOPTION PROVISIONS IN THE SMALL BUSINESS JOB PROTECTION ACT
August 20, 1996

The Clinton Administration is committed to breaking down barriers to adoption. The Small Business Job Protection Act includes two adoption provisions that President Clinton has strongly supported. It provides an adoption tax credit and prohibits adoption agencies that receive Federal funds from denying or delaying placement of a child based on race, color or national origin. These provisions will help give more children what every child in America deserves -- loving parents and a healthy, stable home.

America's Waiting Children. More than 450,000 children in this country live in foster care. Eight out of ten of these children have special needs -- they are disabled, older, have siblings who also need to be adopted, or are minorities. The average child may wait as long as two years to be placed in an adoptive home even after they are legally free to be adopted. Minority children may wait twice as long.

Clinton Administration's Commitment to Encouraging and Easing Adoption. The President and the First Lady have worked hard to promote adoption, especially for children with special needs. The Administration's efforts include:

- Increased by 60% the number of children with special needs who have been adopted with Federal adoption assistance.
- Strongly supported the Multi-Ethnic Placement Act that sought to end discrimination and delays in adoption because of race or ethnicity.
- Championed the Family and Medical Leave Act -- which enables parents to take time off to adopt a child without losing their jobs or their health insurance.
- Created an honor roll of private companies who have pledged to make adoption easier for workers and their families by paying adoption benefits, offering leave time after adoption or other programs.
- Launched a public education campaign to highlight waiting children and the importance of adoption.

Helping Families Afford Adoption. This legislation will allow families, many of whom find adoption too expensive, to adopt children to love and nurture. It provides:

- A $5,000 tax credit for costs related to adopting a child. If an employer agrees to pay for adoption expenses, their employee can claim an income deduction of up to $5,000.
- A $6,000 tax credit or income deduction for costs related to adopting a child with special needs.

The full credit and income deductions are available to adoptive parents with annual incomes of up to $75,000 and gradually phase out as income reaches $115,000.

Breaking Down Racial Barriers to Adoption. The legislation builds on the Multi-Ethnic Placement Act, signed by the President in 1994, by strengthening the prohibition against denying or delaying placement on the basis of race, color or national origin. The bill also provides for stronger enforcement against states that fail to comply within 6 months.

ADDITIONAL TAX PROVISIONS IN H.R. 3448 THAT THE ADMINISTRATION SUPPORTS

In addition to the provisions that simplify pensions and expand coverage, H.R. 3448 contains a number of tax provisions that the Administration has long supported, including:

- **Small-business Expensing** -- The bill increases the amount of tangible depreciable property that small businesses can expense from $17,500 to $25,000 by the year 2003. In 1993, the President pushed for such an increase to $25,000. His 1993 Economic Plan successfully increased the limit from $10,000 to $17,500, and his FY 1997 budget contained this proposal to increase it to $25,000, except that the tax relief would have been phased in more quickly. The bill provides an important incentive for small businesses to increase their capital investment, and will simplify reporting for small businesses.

- **Adoption Credit** -- The bill provides a nonrefundable $5000 adoption credit (increased to $6000 for domestic adoptions of children with special needs), phased out for AGI between $75,000 and $115,000. In addition, the bill provides a maximum $5,000 exclusion for amounts paid by the employer in connection with an adoption. The Administration believes that helping families adopt is one of the most important things we can do to strengthen families and give children a healthy home. The Administration has strongly supported such measures as a means to help alleviate economic barriers to adoption and enable many middle-class families, for whom adoption might otherwise be too expensive, to adopt children who need homes.

- **Temporary Extension of Employer-Provided Educational Assistance** -- The $5,250 exclusion for employer-provided educational assistance, which expired after December 31, 1994, is reinstated retroactively and extended until May 31, 1997. It would apply to post-graduate education, but only for courses that began before July 1, 1996. The Administration strongly supports this incentive for employer-provided educational assistance, which is important for U.S. competitiveness because it encourages better-educated employees and boosts the productivity of the American workforce. The Administration is disappointed, however, that Congress has eliminated the incentive for post-graduate education. The Administration will continue to work to improve this provision, as well as to provide small businesses with a ten percent tax credit for educational assistance.

- **Work Opportunity Tax Credit** -- The bill replaces the targeted jobs tax credit (TJTC) with a new Work Opportunity Tax Credit. The new credit will provide incentives to employers to hire individuals from targeted groups most in need of jobs and with the least skills, and it will promote longer, more meaningful work experiences for individuals hired under the credit. Targeted groups include welfare recipients, food stamp recipients, former felons and young adults in empowerment zones and enterprise communities.

- **State Prepaid Tuition Plans** -- The Administration worked with Congress to develop and strongly supports these provisions, which clarify the tax treatment of investments in State prepaid tuition plans, including a provision that investors in such programs generally will not be taxed on the increase in value of their investment until the time of withdrawal. These changes will help parents save for their children's education.

- **Temporary Extension of R&E Credit** -- The credit, which expired June 30, 1995, is reinstated prospectively only, for the period July 1, 1996, through May 31, 1997, and is modified in certain respects. The Administration strongly supports the research tax credit and is disappointed that the research tax credit was not fully reinstated back to July 1, 1995, and made permanent.

- **Temporary Extension of "Orphan Drug" Credit** -- The credit, which expired December 31, 1994, is reinstated prospectively, for the period July 1, 1996, through May 31, 1997. The Administration strongly supports this credit, which provides an incentive for the testing of drugs for rare diseases and conditions.

- **Subchapter "S" Simplification Proposals** -- The Administration has supported Subchapter S simplification, which is important to helping small businesses. The provisions include increasing the number of eligible shareholders from 35 to 75, and allowing S corporations to hold subsidiaries.

- **Reform Foreign Trust Rules** -- The bill contains a series of provisions designed to prevent sophisticated tax avoidance techniques using foreign trusts. The provision is similar to one contained in the Administration's budget.

- **Contributions of Appreciated Stock to Private Foundations** -- This provision, which expired December 31, 1994, would be reinstated for the period July 1, 1996, through May 31, 1997.

From: Kenneth S. Apfel on 02/18/97 05:48:27 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Call to Andy King on minimum wage

I called her and asked about Gephardt and the minimum wage issue. She knew absolutly nothing about a Gephardt role in the issue; she asked around in her office and came up dry. Gephardt is in California with the AFL today, so my guess (and Andy's) is that he heard about the issue and said something to the effect that everyone should be paid at least the minimum wage. She said she would try to call if she hears anything to the contrary.

Message Sent To:

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