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PRESIDENT CLINTON'S NEW TARGETED HOMEOWNERSHIP TAX CUT

Current Law:

- Home sales are subject to the capital gains tax, but the gain can be deferred through the purchase of a new home of equal or greater values.

- Taxpayers over 55 can take a 1-time exclusion of up to $125,000 of gain from the sale of their home.

- Thus, under current law, homeowners must maintain records of the cost of their home and any improvements they make in order to compute their gain when the home is sold. In addition, they generally must buy more expensive homes to avoid incurring income tax liability on the sale.

President's Proposal:

- **Excludes up to $500,000 in gain from the sale of a home from the capital gains tax.** (Single taxpayers could exclude up to $250,000.) The $500,000/$250,000 exclusion would replace both the exclusion for taxpayers over 55 and the deferral for purchasing a more expensive home, and would be available once every two years. The change would be effective January 1, 1997.

- **Exempts over 99% of home sales from the capital gains tax, dramatically simplifying taxes and record keeping for over 60 million homeowners.** Among those who will benefit are:

  - Older couples selling their home for retirement income or to move to a smaller apartment with a gain exceeding the current $125,000 1-time exclusion because they owned their home for years.
  - Middle class families changing jobs and moving to communities with lower housing costs.
  - Inner city and rural communities with low housing costs, which will now be more attractive.

- **Costs $1.4 billion from FY96-2002, and is completely paid for within the President's CBO-certified balanced budget** plan with savings from the specific new offsets proposed on 8/27/96.

Examples of Families Benefiting from the President's Proposal

	Family Moving to Lower Cost Area	**Older Couple Moving to an Apartment**
House Sale Price	$180,000	$220,000
Cost of House & Improvements	$150,000	$45,000
Gain Realized	$30,000	$175,000
Cost of Replacement House	$140,000	NA
1-Time Exclusion for Over Age 55	NA	$125,000
Gain Recognized	$30,000	$50,000
Capital Gains Tax Owed Under Current Law (at 28% rate)	**$8,400**	**$14,000**
President's Proposal: Capital Gains Tax Owed	**$0**	**$0**

PRESIDENT CLINTON IS MAKING THE DREAM OF HOMEOWNERSHIP A REALITY

President Clinton has put forward a comprehensive strategy to expand homeownership and reach the goal of enabling 8 million more families homeowners by the year 2000:

1. **Made Homes More Affordable With Lower Mortgage Rates and a Stronger Economy.** Experts agree that President Clinton's 1993 Deficit Reduction Plan has helped make homeownership more affordable by strengthening the economy and lowering interest and mortgage rates. The homebuilding community looks to the job formation rate in planning housing production levels, and President Clinton has a better job creation record than any Republican President since the 1920s.

   - **Lowest Mortgage Rates in 30 Years.** Mortgage rates have averaged just 7.9% under President Clinton -- lower than Reagan (12.8%), Bush (9.5%), or any Administration since Lyndon Johnson was President. [Source: Department of Treasury, Office of Economic Policy.]

   - **10 Million Homeowners Refinanced Their Mortgages -- Saving As Much As $25 Billion:** "Clinton's biggest gift to consumers was the sharp drop in interest rates in 1993....In all, the rate rollback allowed some 10 million homeowners to save as much as $25 billion by refinancing their loans, according to David Lereah, the chief economist at the Mortgage Bankers Association." [Source: *Money* Magazine, August 1996]

   - **Homes More Affordable.** According to the National Association of Realtors, homes have been more affordable during the Clinton Administration than during any other Administration since Richard Nixon was President, including Ronald Reagan's terms in office. [National Association of Realtors, 8/96]

   - **Homeownership At Its Highest Level in 15 Years.** After homeownership fell during both the Reagan and Bush Administrations, it is up since President Clinton took office. <u>In 1995, the homeownership rate reached its highest level since 1981</u>. Homeownership is up across the country, across age groups, races, and incomes. [Source: Department of Commerce, Bureau of the Census]

     - **A Record 4.4 Million More Homeowners.** Since President Clinton took office, 4.4 million Americans became homeowners -- more than in any comparable time on record. [Census Bureau]

2. **Proposal to Allow Penalty-Free IRA Withdrawals for the Purchase of a First Home.** The President's balanced budget plan contains a proposal to expand IRAs to allow penalty-free withdrawals for first time home purchases, for education, and major medical expenses as well as retirement, and to double the current income limits to make another 20 million Americans eligible for tax-deductible IRAs.

3. **National Homeownership Strategy.** In 1995, at the request of President Clinton, Secretary Cisneros formed the National Partners in Homeownership, an unprecedented public-private partnership among 58 major private and non-profit housing sector leaders. The partners have taken dozens of steps to lower financing and production costs, educate potential homebuyers, and make homeownership possible for more Americans.

Selected Clinton Administration Actions to Make Homeownership Easier and More Affordable

- **National Homeownership Strategy.** A 58-partner coalition of the major private and non-profit housing sector leaders. The partners have taken dozens of steps to lower financing and production costs, educate potential homebuyers, and make homeownership possible for more Americans.

- **Lowering Closing Costs for Qualified First-Time Homebuyers.** The Federal Housing Administration is offering any first-time homebuyer who successfully completes an accredited homebuyer education course an 11% (or 25 basis point) reduction in the upfront mortgage insurance premium -- on top of the reduction offered in 1994. This new reduction is expected to help 100,000 new homebuyers, and is worth $200 for the typical FHA first-time homebuyer financing an $80,000 mortgage.

- **Making It Easier to Qualify for Mortgage Loans.** FHA has eliminated unnecessary and overly strict requirements under its loan program that made it difficult for many families to qualify for mortgage loans. It has also given lenders greater flexibility to make homeownership possible for more nontraditional borrowers, and has clarified certain underwriting requirements so they are not applied in a discriminatory manner. With these improvements, thousands more families are eligible for FHA-insured home loans.

- **Streamlined HOME Program to Help Homebuyers.** HUD has streamlined the HOME program, helping an additional 23,000 families become homeowners in the last 12 months. The HOME program allocates funds to local jurisdictions and is an importance resource for potential first-time homebuyers who may need down payment assistance or help carrying the full cost of a mortgage.

- **Helping Localities Convert Abandoned Properties into Homes for Low-income Families.** HUD redesigned its Single Family Home Sales program to allow pre-approved nonprofit organizations and government entities to purchase abandoned HUD-owned properties at discounted prices. Since the program was created in 1993, more than 6,200 properties have been sold to non-profits and localities.

- **Reinventing HUD and the FHA.** The FHA has automated its functions, using new technology and streamlining to serve lenders and homeowners more efficiently. Staff savings from this process have already exceeded $2.4 million, allowing HUD to function more efficiently with lower costs. The FHA has also cut the length of time it takes to issue mortgage insurance from 6-8 weeks to a matter of hours, and increased by more than 50% the number of home repair and improvement loans to low- and moderate-income homeowners.

So I would hope that all Americans would be continually coming to grips with this, because we want to have total first amendment freedom of speech, but we also want to have a society in which the culture supports families in raising their children. There is no more important job; there is no more important agenda. So I think anyone who speaks out in an affirmative way can make a positive contribution.

And again, I want to say that, Dr. Cole, it's rather remarkable to me that this unusual partnership with all of the networks and Senator Simon and UCLA has worked out well, because you can tell by what he said today that nobody's attempted to censor him. He's been given full freedom to evaluate these programs, to report on them, and to say what he thinks.

Do you want to say anything about that?

Dr. Cole. No, I appreciate that, and it has been an absolutely independent project. We also extended an invitation to Senator Dole to be fully briefed on this if he would like, and we're waiting to hear if he's interested. But he has every opportunity to be briefed in the same way the President has been.

The President. Thank you very much.

NOTE: The President spoke at 1:55 p.m. at the Holiday Inn Pyramid Hotel.

Remarks on Receiving the Endorsement of Native American Tribal Leaders and an Exchange With Reporters in Albuquerque
October 15, 1996

The President. Thank you very, very much. Thank you, Congressman Richardson, for what you've said about the record that we have worked hard to make in partnership with the Native Americans. Thank you, Mayor Chavez, for being here. I want to thank the Native American leaders who have come here today to offer their support. And I thank President Hale and Governor Garcia for the words that they have given.

Let me say that there are many wonderful things about having the great honor of being President of the United States. But being able to be President of a country that includes the Native American tribes, to have the opportunity to work with them in a spirit of genuine respect, to work to improve the recognition of the integrity of their religious practices, to work to try to increase the level of independence and reduce the level of patronizing practices in the relationship of the Native American tribes to the Bureau of Indian Affairs, all these things are very, very important to me.

As the 42d President, I was honored to be the first President since our fifth President, James Monroe, in the 1820's, to invite the leaders of every tribe in the United States to meet with me at the White House. We have worked hard to expand tribal sovereignty and self-determination. We have worked hard to make sure every Federal agency knows that it should consult with tribal governments at any time we're making decisions that affect American Indians and Alaskan natives.

By working together, we have moved forward. We have kept some bad things from happening, but we have also made some good things happen. We have a lot more to do. But we can be proud of what has been done in protecting self-determination, in preserving natural resources, in providing educational and economic opportunity, in defending tribal rights to protect children, families, and culture.

America is going in the right direction in no small measure because every American and every American family and every American ethnic, racial, and religious group knows that in our America, they are all entitled to be treated with dignity and equality. But I am especially grateful for the Indian nations for standing with us as we have fought to preserve our common values, as we have worked to balance the budget without crippling our investments in people and our obligations to one another.

Now we have to continue the progress and build upon it. The endorsement of the leaders here and the work we will do together will be critical to keep our country moving into the right direction as we move into the 21st century. I value their friendship. I value their partnership, and I look forward to working with them.

Thank you all very, very much.

Gambling on Indian Reservations

Q. Mr. President—[*inaudible*]—meeting, and can your administration do anything, any more to resolve the current logjam?

The President. No. There are some Indian gaming issues around the country that we still have the capacity to resolve. But the ones here are in the courts. And there's really nothing more for us to do except to let them work their way through the courts.

Q. Mr. President, the so-called dean of Native American leaders is not here today, Mescalero Apache President Wendell Chino. And he wants you to fire U.S. Attorney John Kelly, the man who shut down his casino and so do, frankly, some people on the stage with you today. Is that going to happen, sir?

The President. This issue is in the courts now, and I have no further comment.

Campaign Contributions

Q. Mr. President, do you seek, in fact, the disputed $450,000? Everyone in the administration said there's nothing illegal—but there's some ethical issues been raised. We haven't heard you say much about it.

The President. Well I—first of all, I expect to have the opportunity to discuss that tomorrow night. But I believe that the political parties should not give back contributions that were legally made and legally received. And if they made a mistake and took any money that shouldn't have been taken, then they ought to give that back. I think that there are clear FEC rules on this. There's a law on this. That's what we've got a Federal Election Commission for. And we know they're capable of doing their job because they've taken action this year already.

NOTE: The President spoke at 2:40 p.m. at the Holiday Inn Pyramid Hotel. In his remarks, he referred to Albert Hale, President, Navajo Nation, and Leonard D. Garcia, Governor, Pueblo of Santa Ana, Southern Pueblos.

Exchange With Reporters in San Diego, California
October 16, 1996

Presidential Debate

Q. Can you tell us what you're thinking about—[*inaudible*]—today?

The President. It's been a long time since I've done one of these town halls, so I'm looking forward to that. I'm interested to see what the people have on their mind, and I'm looking forward to it. I've done my best to prepare. I've still got some reading to do. I'm going to go back and do a little work now.

Q. If Bob Dole goes real negative how are you going to respond to that today, Mr. President?

The President. Well, we're going to respond to the people who are in the audience. That's the way this was designed, and we'll just see what happens. I'm going to do my best to respond to their questions and to talk about what I'm going to do for the next 4 years.

NOTE: The exchange began at 12:30 p.m. en route to the debate site. A tape was not available for verification of the content of this exchange.

Presidential Debate in San Diego
October 16, 1996

Jim Lehrer. Good evening from the Shiley Theatre at the University of San Diego, San Diego, California. I'm Jim Lehrer of the "NewsHour" on PBS. Welcome to this second 1996 Presidential debate between Senator Bob Dole, the Republican nominee, and President Bill Clinton, the Democratic nominee. It is sponsored by the Commission on Presidential Debates.

We will follow a townhall-type format tonight. The questions over the next 90 minutes will come from 113 citizens of the greater San Diego area. They were chosen in the past week by the Gallup organization to represent a rough cross-section of voters as to political views, age, gender, and other factors. Each said he or she is undecided about this Presidential race.

They were told to come tonight with questions. Nobody from the Debate Commission or the two campaigns has any idea what those questions are; neither do I. We will all be hearing them for the first time at the same time. I met with this group 3 hours ago, and we spoke only about how it was going to work tonight. They are sitting in five sections. I will call on individuals at random, moving from one section to another with each new gains rate; create more jobs and opportunities for people on and off welfare.

And we have other provisions: less litigation. The trial lawyers—big supporters of the President—the trial lawyers, of course they like lawsuits, so every time they have a bill that they want vetoed, the President vetoes it for them.

We've got to understand in America that we've got to have growth, create more jobs and more opportunities in the private sector. The President takes credit for all of these people off welfare—the Governors did that. Federal Government doesn't do that. And the Government doesn't create jobs, they're created in the private sector.

Mr. Lehrer. This section, question? Yes, ma'am, on the back row. This is for the President.

Capital Gains Tax

Q. Mr. President, my name is Pamela Johnson, and I'm a landlord. My question is, does your party have any future plans to reduce the capital gains tax, especially for retired Americans?

The President. First of all, we have a big plan to reduce the capital gains tax when people sell their homes. Part of my tax package, which is paid for in my balanced budget plan, would exempt up to half a million dollars in gains for people when they sell their home, which I think is the biggest capital gains benefit we could give to most ordinary Americans.

We also have a capital gains now for people that invest in new small businesses and hold the investment for 5 years. It was part of our other economic plan. And these are things I think that will go a long way toward helping America build a stronger economy and a better tax system.

I think the most important thing to emphasize, though, is that we also have to help people in other ways to build a stronger economy. And we can't have any tax cut that's not paid for. One of the big differences between Senator Dole and myself is that I told you how I'm going to pay for every penny of the tax cuts I recommend. We've worked hard to bring this deficit down, and that's helped people in the real estate business, because the interest rates are lower. We've got home ownership at a 15-year high. We've got this country going in the right direction.

So we can have a tax cut, but my priority would be to help the families who need it with childrearing and education and buying a first-time home and helping for health care costs. So from your business, helping in buying the first-time home, exempting the capital gains on the sale of the home would be the most important things that you asked about. Thank you, Pamela.

Mr. Lehrer. Senator Dole.

Senator Dole. Well, Pamela, what the President didn't tell you is that all his tax cuts expire at the year 2000, but all his increases go on forever. That's the liberal approach. You know, give you a little tax cut, give you a couple of years, then make the tax increases go on forever. So the net tax increase in his plan is somewhere between $60 billion and $80 billion.

We have in the Dole-Kemp economic plan, unless your home is worth over $500,000—and if it is, I appreciate it, congratulate you—but in any event, no tax. And it's a good idea. They saw it, and they picked it up and put in theirs, but it's only temporary. Ours is permanent.

Ours is a good plan: create jobs and opportunities; capital gains rate, cut it in half, cut it from 28 percent to 14 percent. There are $7 trillion in assets locked up in America. If we cut the capital gains rate—I'm told every day, I got a letter from a former constituent in Kansas saying, "I want to sell property in California, put it in my business in Kansas. I can't because the capital gains rate is too high."

We need to get the economy going. That will help Social Security. That will create more jobs. That will help people who want to get off welfare. It's the American way.

The President. Before Senator Dole left the Senate, he and Mr. Gingrich also were recommending that we pass these tax cuts only insofar as we could pay for them. And we all assume that the tax cuts will be permanent, but we have to prove we can pay for them.

After he left the Senate, we abandoned that. That's why most experts say that this tax scheme will blow a huge hole in the deficit, raise interest rates, and weaken the economy. And that will take away all the benefits of the tax cut with a weaker economy. That's why we have to balance the budget. And I'll tell you how I'm going to pay for anything I promise you line-by-line. You should expect that from both of us.

Mr. Lehrer. All right. The next question is for Senator Dole. Yes, ma'am, right there.

Responding to American Youth

Q. My name is Melissa Lydeana, and I'm a third-year student out at UC-San Diego. And I just want to say that it's a great honor representing the voices of America. My question is concerning you, Mr. Dole, all the controversy regarding your age. How do you feel you can respond to young voices of America today and tomorrow?

Senator Dole. Well, I think age is very—you know, wisdom comes from age, experience, and intelligence. And if you have some of each—and I have some age, some experience, some intelligence—[*laughter*]—that adds up to wisdom.

I think it also is a strength; it's an advantage. And I have a lot of young people work in my office, work in my campaign. This is about America. This is about—somebody said earlier, one of the first questions, we're together. It's one America, one nation.

I'm looking at our economic plan because I'm concerned about the future for young people. I'm looking about drugs. The President's been AWOL for 4 years. I'm looking about crime. He'll claim credit now for crime going down, but it happened because mayors and Governors and others have brought crime down. Rudy Giuliani, the mayor of New York, brought crime down 25 percent just in New York City, but of course the President will take credit for that.

My view is we want to find jobs and opportunities and education. This year the Republican Congress, as far as student loans, went from 24 billion to 36 billion over the next 6 years—a 50 percent increase; the highest appropriation ever, $6 billion for Pell grants. Very, very important. And we also raised the amount of each Pell grant.

In our economic plan, the $500 child credit can be used for young people. Rolled over and over and over—of course, not this age, but if you have a child 2 years old, 7 percent interest, it would be worth about $18,000 by the time that child was ready for college.

The President. I can only tell you that I don't think Senator Dole is too old to be President. It's the age of his ideas that I question.

You're almost not old enough to remember this, but we've tried this before, promising people an election-year tax cut that's not paid for——

Senator Dole. We tried it last time you ran.

The President. ——telling you you can have everything you got—and let me just say this. Did you hear him say the Congress just voted to increase student loans and scholarships? They did, after he left. The last budget he led cut Pell grants, cut student loans. I vetoed it when they shut the Government down.

My plan would give students a dollar-for-dollar reduction for the cost of the typical community college tuition, a $10,000 deduction a year for the cost of college tuition, would let families save in an IRA and withdraw tax-free to pay for the cost of education. And it's all paid for.

My whole administration is about your future, it's about what the 21st century is going to be like for you. And I hope you'll look at the ideas in it.

Thank you.

Senator Dole. Well, when you don't have any ideas, I guess you say the other person's ideas are old. As I said earlier, they don't have any ideas. Their idea is to raise taxes and spend more money. That's the liberal philosophy. If that's what you like, you've got a perfect candidate.

President Clinton came to California in 1992 and said, "The centerpiece in my first 4 years is going to be a middle class tax cut." Now, to all you who got that tax cut, congratulations, because you got a big tax increase. You got a $265 billion tax increase. And he stands here and says politicians who make promises like that ought to be ignored. Well, he made the promise.

I keep my word, and you'll have a tax cut. It will help you in whatever you're going to do in the next few years. Thank you.

Mr. Lehrer. Next question is for President Clinton, and it's from—yes, ma'am? Yes?

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