

TALKING POINTS FOR USE WITH THE GOP LEADERS AT 5:30 P.M.  
AND THE CABINET AT 6:15 P.M.

1. As you know, we have been working for several weeks now on questions relating to Federal taxes and Federal spending. Tonight I have asked for television time to announce my decisions to the American people:

-- First, I will propose a substantial and permanent reduction in Federal taxes, going far beyond the temporary tax cut in effect this year.

-- Second, I will propose a substantial reduction in Federal spending below the levels now projected for FY 1977.

2. The theme I will stress tonight is that this package represents our first major effort to reverse the trend toward big government. We are saying, in effect, that we want the American people to stop giving more and more of their money and their freedom to the government. We want to give the country back to the people. There is, I am convinced, a fundamental philosophical difference between us and our political opponents and I want to make sure that people understand what that choice is.



3. I also want to emphasize how important it is that these two proposals be regarded as one package. I am asking the Congress to act on them both now and I am insisting that only if the Congress is willing to adopt a spending ceiling for FY 1977 will I sign a major tax cut. It would be dangerous and irresponsible to cut taxes and not cut the growth in spending. That would only leave us with huge deficits and more inflation -- and eventually more unemployment. So the two proposals are tied together, and I think all of us must always join them together when we talk about our economic program.



4. Specific Information

A. Tax Cut -- As you know, the temporary 1975 tax cut will expire at the end of this year, and in January, unless we act, taxes will go up again. I am proposing that we replace the temporary cut with a permanent cut that is much larger and fairer, especially for working people. Specifically, I am asking for a reduction of \$27.7 billion -- the biggest single tax cut in our history.

About three quarters of this permanent reduction will be for individual taxpayers. And the chief beneficiaries will be working men and women, taxpayers in the middle income range. I am asking that we lighten the tax load for them and for everybody else in three ways:

- By raising everyone's personal tax exemption from \$750 to \$1000;
- By making the standard deduction for single people \$1800 and for married couples \$2500; and
- By lowering our basic personal income tax rates.



These measures will not only decrease everyone's taxes but they will also help to make up for the ravages of inflation and they will simplify our tax returns. The reductions below the rates that would otherwise take effect this January are very substantial. As I will say tonight, a typical family of four earning a total of \$14,000 a year would be entitled to a permanent tax reduction of \$412 a year -- a 27 percent reduction.

The other quarter of the tax reduction will be for business, and we are stressing that these reductions will help to create jobs, as they will. Included in this business package is a permanent increase in the investment tax credit and a two percent reduction in the corporate tax rate.

B. Cuts in Spending Growth -- Our best calculation of the spending that will be required in FY 1977 because of existing programs and where Congress has been heading is that, unless we act,

the budget will reach an estimated \$423 billion. That represents an increase of over \$50 billion above FY 1976 figures. What I am proposing tonight is that we cut that huge increase by \$28 billion. That means that we must hold FY 1977 spending to a limit of \$395 billion.

Let me talk about a few of the specifics:

(1) In the next few weeks, we will have to decide how the spending increases that will take place even with the \$395 billion ceiling -- some \$25 billion worth over FY 1976 -- can be fairly apportioned. We will be working with each of you in determining that.

(2) The spending discipline that we apply must be across the board: no department or program is exempt.

(3) At the same time, we will continue to give the help our elderly, the poor, our veterans and others really need. In addition, while discipline must be applied to the defense budget, we will not make any defense cuts that will jeopardize national security.



5. Request for Help from the GOP Leaders: I need your help in the following ways:

(1) If you can support my recommendations, and I earnestly hope you can because I believe strongly in the merits of the program, I hope you can help me advance these proposals in the Congress.

(2) Also, inform your constituents about the details of my recommendations. I believe we need to achieve wide support and this can be accomplished through your educational and informational opportunities as you travel your Districts, States and other sections of the Nation.

(3) Help me take this program to the American people. With you as key spokesmen, joining me in a team effort, we can be successful.



6. Request for Help from the Cabinet: I need your help in three ways:

(1) I want you to work closely with me, with OMB, the Domestic Council and others in determining how this policy decision should best be applied to your department. That is essential.

(2) I want your help in persuading the Congress of the wisdom and urgency of this program. This will be a very tough fight, but I think we're on the right side of the issue and I think we can win.

(3) It is also essential that you help me in taking this program to the American people. A majority of them will support it but we have to be effective in presenting it to them and you are our key spokesmen. I am counting on you to make this a team effort, just as it must be a national effort.