

Recovery for the Middle Class

How to Create Jobs and Help the Middle Class Weather a Tough Economy

This memo summarizes a variety of ideas proposed or endorsed by Third Way to create jobs and help the middle class. They are organized into three categories: (1) spurring private-sector job growth; (2) making job-creating investments in a clean energy economy; and (3) relieving middle-class economic anxiety until the recovery takes firmer root. In instances where the idea has already generated legislation, the lead sponsor is noted.

Spurring Private-Sector Job Growth

- 1. Bonus Manufacturing Tax Credit:** Offer a bonus research and development (R&D) credit to companies that also manufacture 50% or more of their products in the U.S. The bonus credit would be on a sliding scale, based on the share of the company's total manufacturing output that is produced domestically. This proposal would reward companies that keep jobs in America while boosting the U.S. manufacturing sector. *(Introduced by Sen. Lincoln as S. 1021 and Rep. Boccieri as H.R. 1545)*
- 2. Commercial Real Estate Loan Guarantees:** Use existing TARP authority to provide loan guarantees to *healthy* commercial real estate projects that are having difficulty finding long-term financing due to the credit crunch. The loan guarantees would be made through banks and would include a fee that would ensure a positive return for taxpayers. The guarantees would prevent a potentially looming foreclosure crisis in the commercial real estate sector triggered by the inability of commercial developers to get credit.
- 3. Federal Direct Loans to Small Businesses:** Create a temporary direct lending program, administered by the Small Business Administration, to offer direct, low-interest loans to healthy small businesses facing difficulties accessing credit. This would help to relieve the ongoing credit crunch for small businesses that otherwise have few options for credit.
- 4. Double the Deduction for Small Business Start-Up Costs:** Increase the current deduction for small business start-up costs from \$5,000 to \$10,000. With small business start-up costs now averaging \$80,000, this can help more small businesses get off the ground and stay viable. *(Introduced by Sen. Merkley as S. 1402 and Rep. Kratovil as H.R. 1552)*
- 5. Small Business Start-up Accounts:** Create a new savings vehicle, modeled after the Roth IRA, in which aspiring entrepreneurs can save and invest up to \$10,000 a year in after-tax income and access the returns tax-free for use as start-up capital. This would help entrepreneurs reduce their dependence on debt and avoid raiding their retirement accounts to start a business.

- 6. Standard Home Office Deduction:** Create a standard home office deduction for home-based small business owners as an alternative to the current home office deduction. This would greatly simplify the tax code for many small business owners who now choose to forego the existing credit due to its complexity. *(Introduced by Sen. Boxer as S. 1754 and Rep. Schrader as H.R. 3615)*
- 7. Waiver of State Match Requirement for the Manufacturing Extension Partnership (MEP) Program:** Temporarily allow states to receive federal funding for the MEP program without meeting the 2:1 match in non-federal funds currently required. This would allow the MEP program, which provides manufacturers with technical assistance and helped to create or retain more than 57,000 jobs in 2007, to provide help where it's needed most. *(Introduced by Sen. Snowe as S. 695)*
- 8. Repatriation Tax Holiday:** Temporarily reduce the tax rate for foreign earnings that are repatriated by American companies. Coupled with measures to ensure that repatriated funds would be reinvested in America, this would help bring home much of the \$1.5 trillion in foreign earnings that are now parked abroad and would otherwise stay overseas.

Creating Clean Energy Jobs

- 1. Clean Energy Business Zones (CBiZ):** Create community-based investment zones (based on the Empowerment Zone concept) dedicated to clean energy research and manufacturing. These zones, which would use \$1.2 billion in tax incentives, could both help to jumpstart the nation's transition to clean energy while creating new clean-tech centers of innovation and business across the country. *(Introduced by Rep. Maffei as H.R. 3919)*
- 2. Jumpstart Demand for Home and Business Weatherization:** Create new mechanisms to help homeowners and businesses with the upfront costs of weatherization and create local jobs. Mechanisms could include: (a) a new loan program administered through rural cooperatives, municipal owned utilities, and investor-owned utilities that would allow homeowners to borrow the costs of weatherization improvements and pay back the loans on their utility bills; (b) make the energy-efficient home improvement tax credit advanceable; (c) create an independently-managed government fund to provide zero or low interest loans to small business for weatherization and other energy efficiency upgrades.
- 3. Cash for Commercial Clunkers:** Create a program that pays the difference in price, up to \$65,000 per vehicle, to replace conventional diesel with natural gas, alternative fuel, or hybrid fleet vehicles. In the same way that "Cash for Clunkers" increased demand for new passenger vehicles, a commercial cash for clunkers program would help increase demand for new commercial trucks, remove many inefficient older vehicles from the road, increase demand for advanced vehicles, and spur creation of new fueling stations for natural gas and other alternatives.

- 4. Property Assessed Clean Energy (PACE) Bonds:** Create a loan guarantee program that backs municipalities or other entities that provide financing for residential and commercial energy efficiency improvements, with the loan paid back through a surcharge on the building's property taxes. This stimulates homeowner investment in clean energy labor and technology by offering affordable financing and pegging loan repayment obligations to whoever owns the property at the time.
- 5. Energy Efficient Federal Housing:** Create a dividend program to incentivize owners of Department of Housing and Urban Development (HUD)-assisted multi-family housing projects to pay for energy efficiency improvements. These investments would create new clean energy jobs, reduce energy use, and save taxpayer dollars. More broadly, this program would encourage private sector investments by making federally-assisted housing projects a model of how clean energy improvements can save building owners money.
- 6. Create a Renewable Integration Tax Credit:** Provide a tax credit for utilities to defray the cost of constructing new energy facilities that include both renewable and natural gas power. Most wind and solar plants require natural gas power to serve as backup energy when the wind does not blow or sun does not shine. This adds as much as \$240 million to construction costs, often discouraging projects from being built, particularly in recessionary times when capital is constrained.
- 7. Nuclear Energy Workforce Training:** Create an education, workforce development and training program to prepare the next generation of nuclear energy workers. With an aging nuclear workforce and dozens of jobs-intensive new nuclear power plants predicted to come on line under Waxman-Markey, a robust training program will provide both college and non-college educated workers with the skills needed to fill thousands of existing nuclear jobs, as well as expected new jobs.
- 8. Clean Energy Export Promotion:** Create a \$15 million clean energy export promotion fund aimed at helping small and medium-sized businesses find new markets abroad for innovative energy technologies. This would help leaders in clean energy, such as in solar and battery businesses, better navigate the bureaucracies and barriers erected by foreign governments to keep American competitors out.

Relieving Middle-Class Economic Anxiety

- 1. Low-Interest Emergency Mortgage Bridge Loans:** Use TARP funding to offer short-term, emergency bridge loans to help Americans avoid losing their homes if they lose a job. This would help to stabilize the housing market by stemming the growing number of foreclosures that are tied to unemployment, rather than exotic mortgage products. *(Introduced by Rep. Cummings as H.R. 3066, consistent with Rep. Frank's H.R. 3766)*

- 2. Extend COBRA Continuation Assistance:** Extend for at least another six months (through June 2010) provisions in the American Recovery and Reinvestment Act to provide a tax credit for COBRA coverage for Americans who have lost a job. Extending this benefit, which currently funds 65% of COBRA premiums for workers who lost their jobs between September 1, 2008 and December 31, 2009, would prevent millions of Americans from losing their health insurance.
- 3. Subsidized Hardship Deferment for Student Loans:** Expand the ability of unemployed recent college graduates to temporarily defer their loan payments by creating a six-month, interest-free deferment for all types of student loans. This would help reduce the debt burden on recent college graduates, many of whom have had difficulty finding work and already face high student loans.
- 4. Community College Capacity Emergency Fund:** Create a \$500 million emergency fund to help community colleges cope with the crush of recent enrollments due to high unemployment rates. This would relieve the burden on community colleges that have been forced to turn away students due to lack of capacity and enable more students to retool their skills while they are searching for work.
- 5. Federal Student Loan Eligibility for Less Than Part-time Students:** Expand access to federal student loan funding for mid-career students who are currently ineligible for aid because they are enrolled less than half-time. This would make returning to school more manageable and affordable for mid-career students who have limited time and resources to further their education. *(Introduced by Rep. Baird as H.R. 3378 in the 110th Congress)*

Appendix – Proposal Background

Spurring Private-Sector Job Growth

- **Bonus Manufacturing Tax Credit:**
[http://www.thirdway.org/data/product/file/256/Third Way Idea Brief - A Bonus Manufacturing Tax Credit.pdf](http://www.thirdway.org/data/product/file/256/Third_Way_Idea_Brief_-_A_Bonus_Manufacturing_Tax_Credit.pdf).
- **Preventing Commercial Real Estate Foreclosure:**
[http://www.thirdway.org/data/product/file/228/Third Way Memo - Forestalling the Next Real Estate Crisis.pdf](http://www.thirdway.org/data/product/file/228/Third_Way_Memo_-_Forestalling_the_Next_Real_Estate_Crisis.pdf).
- **Federal Direct Loans to Small Businesses:**
[http://www.thirdway.org/data/product/file/204/Third Way Idea Brief - Direct Loans to Small Businesses.pdf](http://www.thirdway.org/data/product/file/204/Third_Way_Idea_Brief_-_Direct_Loans_to_Small_Businesses.pdf).
- **Double the Deduction for Small Business Start-Up Costs:**
[http://www.thirdway.org/data/product/file/212/Third Way Idea Brief - Double Deduction for Small Business Start-Ups.pdf](http://www.thirdway.org/data/product/file/212/Third_Way_Idea_Brief_-_Double_Deduction_for_Small_Business_Start-Ups.pdf).
- **Standard Home Office Deduction:**
[http://www.thirdway.org/data/product/file/211/Third Way Idea Brief - Home Office Deduction.pdf](http://www.thirdway.org/data/product/file/211/Third_Way_Idea_Brief_-_Home_Office_Deduction.pdf).

Creating Clean Energy Jobs

- **Clean Energy Business Zones (CBiZ):**
[http://www.thirdway.org/data/product/file/255/Third Way Idea Brief - Clean Energy Business Zones.pdf](http://www.thirdway.org/data/product/file/255/Third_Way_Idea_Brief_-_Clean_Energy_Business_Zones.pdf).
- **Advance Energy Rebates:**
[http://www.thirdway.org/data/product/file/217/Third Way Idea Brief - Home Energy Improvements.pdf](http://www.thirdway.org/data/product/file/217/Third_Way_Idea_Brief_-_Home_Energy_Improvements.pdf).

Relieving Middle-Class Economic Anxiety

- **Low-Interest Emergency Mortgage Bridge Loans:**
[http://www.thirdway.org/data/product/file/215/Third Way Idea Brief - Emergency Mortgage Bridge Loans.pdf](http://www.thirdway.org/data/product/file/215/Third_Way_Idea_Brief_-_Emergency_Mortgage_Bridge_Loans.pdf).
- **Unemployment Deferment for Student Loans:**
[http://www.thirdway.org/data/product/file/248/Third Way Idea Brief - Student Loan Relief for New Graduates.pdf](http://www.thirdway.org/data/product/file/248/Third_Way_Idea_Brief_-_Student_Loan_Relief_for_New_Graduates.pdf).
- **Build Community College Capacity:**
[http://www.thirdway.org/data/product/file/245/Third Way Idea Brief - Build Community College Capacity.pdf](http://www.thirdway.org/data/product/file/245/Third_Way_Idea_Brief_-_Build_Community_College_Capacity.pdf).