

NELSON PRINCIPLES FOR IMMEDIATE ECONOMIC STIMULUS

Congress should act immediately to stimulate the economy in response to negative economic news, a troubled housing market, and the high price of oil. The stimulus package should contain tax rebates, federal spending, targeted tax relief for businesses, and state fiscal relief as well as innovative proposals targeted to address the specific challenges we face as a nation.

- An economic stimulus package should be responsive to the needs of states by including transportation and infrastructure grants as a portion of state fiscal relief, in doing so we make a long-term and lasting investment in our nation's infrastructure which will stimulate the economy in the short term and spur economic development in the long term.
- We should address the causes of the downturn, particularly the challenges facing the housing market.

Proven stimulus policies should be enacted. Widely regarded as effective, timely, targeted and temporary, any stimulus package should have the following components:

- **Tax rebates.** Congress should put a tax rebate into the pockets of those who need it most and are most likely to go out and spend, rather than save, a tax rebate. Rebates should be targeted to lower-income working families and the middle class.
- **Stimulate business investment:** Temporary tax policies designed to stimulate investment by business, particularly small business, will help create jobs and grow our economy.
- **Investment:** Several federal programs have proven to be highly effective in stimulating consumer spending and economic growth. Temporary increases in unemployment insurance (UI) benefits are particularly effective as stimulus.
- **State fiscal relief:** The states' two top budget concerns are health care/Medicaid and transportation/infrastructure capital investment. Targeted relief in these areas, especially transportation and infrastructure investments, can create jobs and spur long term economic development.

Get the most bang for our buck. Investments to stimulate the economy in the short run should include investment in long-term capital improvements to our national infrastructure. Use federal resources to stimulate the housing economy to begin to counter the effects of the subprime crisis.

- **Transportation and Infrastructure Grants:** A portion of the state fiscal relief should be targeted to state infrastructure projects that can be moved up from upcoming years. Congress should consider boosting funding to states for infrastructure construction to spur economic activity.
- **Targeted Relief for Housing Crisis:** Indicators point to the sub-prime lending crisis and compounded credit crunch as leading indicators of recession. Targeted programs could be designed to offset the effects, including:
 - **Middle class property tax relief:** Add a standard deduction for property taxes for non-itemizing taxpayers so middle- and lower-class homeowners can benefit from the deduction.
 - **Temporary increase in cap on state housing finance agency mortgage bonds:** State housing finance agencies make safe loans to qualifying first-time homebuyers. We should increase the resources of this established program to give a timely boost to home sales.