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STATEMENT ON THE WAYS & MEANS COMMITTEE TAX PLAN

Tax plan is an important step forward and provides a down payment; full House and Senate are urged to create an even fairer tax system to build back better.

Washington, D.C.—The following is a statement from Frank Clemente, executive director of Americans for Tax Fairness, about a four-page fact sheet from the House Ways and Means Committee explaining how it will raise $3.5 trillion to pay for the President Biden's Build Back Better plan:

"Chairman Neal's tax plan is an important step forward to creating a fairer tax system, where corporations and the wealthy contribute more to better serve the common good. The $2.2 trillion this plan will raise from corporations and the wealthy provides a down payment on what they should contribute if we had a truly fair tax system.

"President Biden proposed raising more than $3.5 trillion over 10 years from the rich and corporations, and the Ways and Means Committee plan gets us about two-thirds of the way there. The $2.2 trillion represents significant momentum in the right direction, and we hope before the bill is taken up by the full House and when the Senate acts, much more can be done to create a fairer tax system and build back better.

"To put that $2.2 trillion in perspective, it is a little more than the $1.9 trillion lost from the Trump-GOP tax cuts, which is mostly benefiting the rich and corporations. Moreover, the country's 700-plus billionaires saw their total wealth increase by $1.8 trillion, or 62%, since the beginning of the Covid-19 pandemic. Their skyrocketing wealth increase over 17 months could finance one-half of the proposed $3.5 trillion ten-year investment plan, and they would still be as rich as they were before the pandemic.

"At a moment in history when national needs, a sense of justice and widespread public opinion combine to demand corporations and the wealthy start paying their fair share of taxes, Congress must do even better and propose even bolder reforms than the Ways and Means Committee. Americans for Tax Fairness recently outlined four requirements that should be met for the tax plan to fulfill its purpose: it must raise at least $3.5 trillion from the rich and corporations to fully fund all the public investments expected in the budget; it must hike taxes on billionaires and the other ultrawealthy, not let them off the hook; it must close loopholes that let corporations dodge taxes by shifting profits and jobs offshore; and it must crack down on rich tax cheats who illegally evade $160 billion in taxes each year. We would add a fifth: the tax plan should end tax breaks that subsidize the fossil fuel industry and exacerbate the climate change crisis.

1. **"It's only guaranteed that billionaires and other ultra-wealthy Americans will pay more taxes under a final tax plan if Congress closes the Billionaires Loophole—known as the**

stepped-up basis loophole—that allows a lifetime of capital gains to go forever untaxed. President Biden proposed closing this loophole, which combined with his higher capital gains tax rate would raise about $325 billion. The Ways and Means Committee plan does not close the loophole. Without doing that, billionaires like Jeff Bezos and Elon Musk could wind up not paying a nickel more in taxes. That's because the ultra-wealthy make most of their income from investments, not wages, and they don't need to sell their investments to live off them because they can get low-interest loans backed by their wealth. Under the Billionaires Loophole, when people like Bezos and Musk die their hundreds of billions of dollars in increased income from their investments will go untaxed and be passed onto their heirs forever untaxed. Additional ways to tax billionaires should also be considered such as a tax on billionaires wealth gains, which Sen. Ron Wyden, Chairman of the Senate Finance Committee is exploring.

2. **"Loopholes must be closed that allow profitable multinational corporations to dodge tens of billions of dollars a year in U.S. taxes by shifting profits to offshore tax havens.** We await further details on the Ways and Means Committee plan but based on the four-page summary it appears the top tax rate on offshore profits will be just 16.5%, as opposed to the 21% rate proposed by President Biden. It is estimated to only raise $300 billion over 10 years from the most profitable corporations on earth, which are heavily concentrated among prescription drug corporations and high-tech corporations. Biden's plan was estimated to raise $1 trillion. The draft plan proposed by Senators Wyden, Brown and Warner, may come close to splitting the difference. Multinationals should not be able to continue stashing profits in tax havens and pay a fraction of what they should owe, while Main Street businesses pick up the tab.

3. **"Rich tax cheats and corporations must no longer be able to get off scot-free as they illegally evade hundreds of billions of dollars in taxes every year.** Thankfully, the Ways and Means Committee plan gives the IRS a lot more money for audits and other enforcement activities targeting the wealthy and corporations, which will net about $200 billion. But the plan does not include increased reporting by financial institutions on the money flows of wealthy business owners and investors, which will allow them to continue hiding their income from taxation. By contrast, President Biden proposed a robust financial industry reporting regime that would raise an additional $460 billion. Wall Street banks and other opponents of this reform claim their opposition centers on privacy and practicality, but the practical effect will be to keep illegal tax evasion by their wealthy clients an easy-to-commit crime.

4. **"Tax breaks for the fossil fuel industry must be abolished to raise revenue and shift the country to a clean energy economy that meets the existential crisis of climate change.** President Biden has proposed raising about $120 billion by ending fossil fuel tax subsidies and reforming the taxation of fossil fuel income. The Ways and Means Committee draft appears to be silent on these reforms. We believe the president takes the right approach—we should not be giving tax breaks to an industry that is destroying the planet. Our cities are drowning, our forests are burning and our polar ice caps are melting—taxpayers must not provide subsidies that make this crisis worse."