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SEN. MANCHIN'S OPPOSITION TO BUILD BACK BETTER ACT IS NOT BASED ON THE FACTS

ATF Analysis Shows that the Legislation Will Not Increase Inflation and the 10-Year Cost Can be Fully Paid for with Fairer Taxes on Rich & Corporations

WASHINGTON, D.C. – Because the two principal reasons cited by Sen. Joe Manchin in a [Fox News Sunday interview](#) for his opposition to the [Build Back Better Act](#) (BBBA), are not based on the facts, he should reconsider his position and support the bill, Americans for Tax Fairness asserted today.

Sen. Manchin's stated fear that the House-passed version of President Biden's BBBA of vital social and environmental investments will exacerbate inflation is unwarranted: in fact, the legislation will directly *reduce* big family expenses like healthcare, childcare and housing, while having little or no impact on the price of gas or groceries—except perhaps to bring them down in the long term.

The bill is fully paid for, largely with fairer taxes on the rich and corporations and, contrary to Sen. Manchin's expressed concern, it can still be paid for that way even if all of the programs are “permanently” extended for 10 years, according to an ATF analysis detailed below.

Following are excerpts from the [Manchin interview](#):

“Where I’m at right now, the inflation that I was concerned about, it’s not transitory; it’s real, it’s harming every West Virginian. It’s making it almost difficult for them to continue, to go to their jobs — the cost of gasoline, the cost of groceries, the cost of utility bills, all of these things are hitting in every aspect of their life.

“And ... then you have the debt that we’re carrying, \$29 trillion. You have, also, the geopolitical unrest that we have. You have the Covid — the [Omicron] variant — and that is wreaking havoc again, people are concerned. I’ve been with my family, I know everyone is concerned.”

“Senator Manchin has raised strawman objections to a bill that’s more necessary now than ever,” said ATF executive director Frank Clemente. “If he really wants to lower the cost of living for the working families of West Virginia and the nation, he should enthusiastically endorse the Build Back Better Act for reducing big-ticket expenses like health-insurance premiums, childcare bills and rent. If he’s really intent on taming federal debt, he should be cheering on the first major legislation in years to be paid for, mostly with fairer taxes on the rich and corporations.”

BBBA Lowers Costs and Increases Incomes for Working Families

The BBBA will directly and substantially [reduce costs for working families](#) by:

- Capping Medicare prescription drug costs at \$2,000 a year and expanding Medicare to cover hearing benefits
- Lowering healthcare premiums an average of \$600 per year for 9 million people
- Extending free healthcare coverage through Medicaid to 4 million more
- Cutting the cost and improving the quality of home care for seniors and people with disabilities
- Providing free preschool to every 3- and 4-year-old
- Cutting childcare costs in half for most families by capping them at 7% of income
- Holding down rents and mortgages by adding over 1 million homes to the housing supply
- Making college more affordable by increasing federal tuition grants
- Offering free meals to millions of students during the school year and summer

The bill will also help workers better support their families by raising the Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC) next year and guaranteeing workers four weeks of paid family and medical leave. It will also make historic investments in shifting to a clean energy economy, which will reduce emissions causing climate change and also [reduce many future energy costs](#).

An [analysis by Third Way](#) found that just four BBBA provisions described above would save an average family of four \$7,400 in taxes and lower costs and save \$15,000 for the average single mother with two kids.

Countering Sen. Manchin's general inflation fears, respected economists have stated emphatically that Build Back Better will not force up retail prices in any significant way in the near term and may in fact over the long term *bring them down*.

The [Penn Wharton Budget Model](#) (PWBM) found on December 17: "PWBM projects that the spending and taxes in the Build Back Better Act (H.R. 5376), as written, would add up to 0.2 percentage points to inflation over the next two years and *reduce inflation* by similar amounts later in the decade." [emphasis added]

An ideologically diverse group of [17 Nobel Prize economists recently](#) stated: "Because [the Build Back Better Act] invests in long-term economic capacity and will enhance the ability of more Americans to participate productively in the economy, *it will ease longer-term inflationary pressures*." [emphasis added]

Top Wall Street economic forecaster Mark Zandi says the BBBA and the recently enacted bipartisan infrastructure law "help to lift long-term economic growth via stronger productivity and labor force growth, and thus [take the edge off of inflation](#)."

Sen. Manchin’s announcement opposing the BBBA quickly prompted Goldman Sachs to [downgrade their forecast](#) for the U.S. economy over the weekend, stating that “a failure to pass BBB has negative growth implications.” The updated forecast drops expected GDP for the first quarter in 2022 by a full percentage point.

Wall Street credit-rating agencies—which watch for the impact of inflation on interest rates—agree that the BBBA will [not have much effect on prices](#), either up or down.

Former [U.S. Treasury Secretary Lawrence Summers](#) has written: “First, let’s not compound errors that have already been made ... by rejecting Build Back Better. The legislation would spend less over 10 years than was spent on stimulus in 2021. Because that spending is offset by revenue increases and because it includes measures such as child care that will increase the economy’s capacity, Build Back Better will have only a negligible impact on inflation.”

BBBA Is Fully Paid for Now and Can Use Fairer Taxes on Rich to Stay Fully Funded for 10 Years

Sen. Manchin accuses the BBBA of budget gimmickry because its spending and revenue are balanced by funding certain investments for shorter periods than the bill’s full 10-year budget window. He implies any future extensions of those investments would not be paid for but instead added to the national debt.

He’s echoing a recent disingenuous attack by Sen. Lindsey Graham (R-S.C.) against [an imaginary bill](#) that Graham asked the Congressional Budget Office (CBO) to score, and which found the BBBA would [hike the deficit by \\$3 trillion](#) if it were changed to make all of its investments permanent (meaning over 10 years). PolitiFact [declared Graham’s claim flat out “false”](#), noting that Graham, like Manchin, is pricing a non-existent bill. Depending on [how much revenue will be raised by cracking down on wealthy tax cheats](#), the real BBBA would increase the deficit by little or nothing.

Though it should be ignored as political rhetoric, this bogus claim of budget trickery does inadvertently raise a significant point: **all of the investments now set to expire in several years—ranging from an expanded Child Tax Credit to free preschool to more affordable healthcare—could in fact be fully funded over 10 years with revenue raised from sensible, popular tax reforms not currently in the bill but largely supported by Sen. Manchin.**

A number of broadly popular tax increases on the rich and corporations (see table below) were excluded from the House-passed BBBA, in part because the additional revenue wasn’t needed to match the lower spending target imposed by Sen. Manchin. Looking at only those tax increases proposed this year by the White House, included in the tax plan approved by the House Ways and Means Committee in September, or announced recently by Senate Finance Committee Chairman Ron Wyden, Congress could easily cover that bigger price tag or come close to it, depending on which tax reform options are chosen.

The “lower level” options in the table below, which would together raise \$2.6 trillion, conforms closely to preferences expressed by Sen. Manchin. The \$3.4 trillion option exceeds his preferences in a few areas.

MENU OF REVENUE OPTIONS TO FUND PROGRAM EXTENSIONS IN BUILD BACK BETTER ACT

Tax Provision	10-Year Revenue (\$ Billions)	Source	10 Year Revenue at Lower Level (\$ Billions)	Source
Higher corporate tax rate: \$858 billion raised by 28% rate (amount would be reduced by 15% CPMT); \$400 billion raised by 25% rate (based on W&M bill score of \$540 billion at 26.5% rate)	\$858	Treasury	\$400	W&M/JCT
Minimum tax rate of 21% on corporate offshore profits and other international reforms; estimates from Treasury of Biden plan (\$818B) less BBBA plan score by JCT (\$307B)	\$511	Treasury	\$511	BBBA/JCT
End domestic fossil-fuel tax subsidies	\$35	Treasury	\$0	
Reinstate environmental-protection excise taxes	\$25	Treasury	\$25	Treasury
TOTAL CORPORATE TAX REVENUE	\$1,429		\$936	
Billionaires income tax	\$557	JCT	\$557	JCT
Raise capital gains rate on wealthy to 39.6% and close the stepped-up basis loophole	\$322	Treasury	(See lower option below)	
Raise capital gains rate on wealthy to 25% and lower the income thresholds to which it applies	(See higher option above)		\$123	W&M/JCT
Close loopholes used by wealthy pass-through partnerships	\$172	Wyden/JCT	\$172	Wyden/JCT
Increase top marginal rate from 37% to 39.6% on income above \$400,000 (individual taxpayer) & \$450,000 (joint taxpayers)	\$170	W&M/JCT	\$170	W&M/JCT
Accelerate elimination of 20% deduction on passthrough business income above \$400,000	\$78	W&M/JCT	\$78	W&M/JCT
Close or limit the carried interest loophole	\$63	Wyden/JCT	\$14	W&M/JCT
Reduce estate tax exemption to 2017 levels of \$6.2 million (per individual) and \$12.4 million (per couple)	\$54	W&M/JCT	\$54	W&M/JCT
Reforms to trust and estate tax rules (GRATS and valuation discounts)	\$28	W&M/JCT	\$28	W&M/JCT
End tax deferral for like-kind exchanges for gains greater than \$500,000	\$20	Treasury	\$20	Treasury
TOTAL INDIVIDUAL TAX REVENUE	\$1,464		\$1,216	
Improve compliance with comprehensive financial account reporting	\$463	Treasury	\$463	Treasury
TOTAL INCREASED COMPLIANCE REVENUE	\$463		\$463	
GRAND TOTAL	\$3,356		\$2,615	