



## **BIDEN'S AMERICAN FAMILIES PLAN WOULD BOOST SERVICES FOR WORKING FAMILIES BY TAXING THE WEALTHY**

President Biden wants to improve education, healthcare, childcare, income security and more for working families by making the wealthy pay their fair share of taxes, especially Wall Street tycoons. His "[American Families Plan](#)" (AFP) includes \$1.8 trillion in investments and tax credits over 10 years and roughly the same amount of new tax revenue from the wealthy. No one making \$400,000 or less would face higher tax bills. Requiring the wealthy and corporations to pay their fair share of taxes (Biden tackles corporate tax-reform in his earlier-released, [\\$2.5 trillion Made in America Tax Plan](#)) is [supported by 60% to 65% of Americans](#) in numerous polls.

### **AFP INVESTMENTS**

#### **EDUCATION: \$511 Billion**

- \$200 billion for free universal preschool for all three- and four-year-olds.
- \$109 billion for two-years of free community college.
- \$85 billion for increased Pell Grants that help students pay college tuition.
- \$62 billion for strategies to help low-income students stay in community college and other educational institutions.
- \$46 billion for colleges serving students of color (HBCUs, TCUs and MSIs).
- \$9 billion for better training of high school teachers.

#### **CHILDCARE: \$225 Billion**

- Make childcare free for the lowest-income families and limit the amount other low-income parents pay to 7% of household income for all children under five.
- Offer childcare providers funding to improve their curricula and other services.
- Ensure a \$15 an hour minimum wage and enhanced training for childcare workers.

#### **HEALTHCARE: \$200 Billion**

- Permanently offer the more generous Affordable Care Act premium reductions for private insurance set to expire in two years. Four million more people will gain coverage and nine million will save hundreds of dollars a year in reduced premiums.

#### **PAID FAMILY AND MEDICAL LEAVE: \$225 Billion**

- Provide workers with partial wage replacement while caring for a newborn or ill loved one. Guarantee 12 weeks of paid leave by year 10. Workers get up to \$4,000 a month.

#### **NUTRITION: \$43 Billion**

- \$25 billion to ensure 29 million students eligible for free or reduced-price school lunches get similar nutritional aid over the summer.
- \$17 billion to ensure more students eligible for free school meals are automatically enrolled, and \$1 billion to encourage healthier school meals.

## **WORKING FAMILY TAX CREDITS: Roughly \$500 Billion**

- Extend through 2025 the enhanced Child Tax Credit, which is now scheduled to expire later this year and is forecast to [cut child poverty nearly in half](#).
- Permanently increase tax credits to support families with child care needs.
- Make the recently expanded Earned Income Tax Credit for childless workers permanent.

## **FAIR SHARE TAX REFORMS**

President Biden wants to crack down on cheating that lets the rich and corporations dodge paying their fair share of taxes and close some loopholes that benefit the wealthy. These changes would expect more from the [top 1% who saw their wealth grow by \\$4 trillion](#) during the pandemic as millions of other Americans suffered, sickened and died. Among Biden's goals:

- **Stop tax cheating by the wealthy and corporations. Revenue raised: \$700 Billion.**

The IRS estimates that as much as [\\$1 trillion in taxes](#) owed goes unpaid every year. Experts estimate that up to [70% of that lost revenue](#) is due to underpayments by the richest 1%. A [shocking new study by IRS and academic researchers](#) found that the top 1% do not report one-fifth of their income to the IRS largely because the agency lacks the resources to detect offshore evasion and other sophisticated methods used by the wealthy to dodge taxes. [Millionaires now get audited](#) at close to the same level as workers with less than \$20,000 of annual income. The largest corporations, those with assets over \$20 billion, used to be audited every year—but no longer. In 2019, [only about half were audited](#).

President Biden would [invest \\$80 billion](#) to significantly strengthen IRS enforcement, which has been decimated over the last decade by Republican budget cuts, and improve reporting on the income of the wealthy. His reforms would result in thousands of new auditors and improve the agency's computer systems. Financial institutions would be required to provide information to the IRS on taxpayers' cash flow from investments and other business activities, similar to the way wages are reported by employers now. The Treasury estimates these enforcement improvements could raise \$700 billion over 10 years.

- **Tax income from wealth like income from work. Revenue raised: roughly \$300 billion.**

The American Families Plan would close two major loopholes that let the rich pay a lower tax rate on the income they receive from wealth than many middle-class workers pay on their wages.

- **For people making more than \$1 million a year, or the richest [0.3% of taxpayers](#), AFP would eliminate the nearly half-off tax discount they currently get when they sell assets at a profit.** Instead of paying today's top tax rate of 20% on the profits from the sale of investments like corporate stock, the rich would pay the same nearly 40% rate they already pay on their salaries and other income. The current capital-gains loophole is what allows a billionaire to pay a lower tax rate than a teacher or truck driver.

- **AFP would also tax the wealthy on the accumulated gains of assets they inherit—gains that now go completely untaxed—unless the assets are donated to charity.** The plan would only apply to gains over \$1 million per individual, \$2 million per couple (\$2.5 million per couple when combined with existing real estate exemptions). This reform will narrow the wealth gap, limit the creation of economic dynasties, and raise revenue for public services vital to those who do not inherit a fortune.

The [Tax Policy Center estimated](#) a similar plan proposed by the Biden presidential campaign would raise \$327 billion. The difference between that plan and the AFP are the criteria used for determining which families are taxed on inherited gains. For more information on Biden’s capital gains tax reforms see this Americans for Tax Fairness [fact sheet](#).

- **Close a loophole that lets owners of certain businesses avoid self-employment taxes that pay for health care. Revenue raised: \$360 Billion (Congressional Budget Office estimate)** Under current rules some high-income business owners can avoid two taxes of 3.8% by claiming their income as profits rather than compensation for their work. They are the Net Investment Income Tax (or NIIT, which helps fund the Affordable Care Act) and the Medicare tax (known as the Self-Employment Contributions Act—SECA—tax for pass-through business owners). Those with interests in S corporations and limited partnerships and considered “active” owners of those businesses are not subject to either tax on their business profits (though they pay payroll taxes on “reasonable compensation” they receive working for the business). These loopholes create a disparity with regular workers and other business owners—for example, those who run sole proprietorships—who are subject to either the Medicare tax or NIIT on all their business income.

The Congressional Budget Office has offered two similar solutions to the problem of wealthy business owners avoiding healthcare-related taxes through manipulative classification of their income. It estimated in 2018 that closing the NIIT loophole would raise [\\$199 billion](#), and closing the SECA loophole would raise [\\$163 billion](#).

- **Increase the top income tax rate on the very wealthy. Revenue raised: \$112 Billion (Tax Policy Center).** Biden would return the top ordinary income tax rate on the richest one percent from the current 37% to 39.6%, where it was before the Trump-GOP tax cuts. This affects individual single taxpayers with [incomes greater than \\$523,600](#) (\$628,300 for married couples filing jointly). A 39.6% rate would better ensure CEOs and other wealthy individuals pay something closer to their fair share of taxes.
- **Close other egregious tax loopholes.**
  - **Prohibit Excess Business Losses. Revenue raised: [Roughly \\$100 Billion](#) (Joint Committee on Taxation).** The 2017 tax law temporarily limited the amount of losses wealthy business owners could subtract from their nonbusiness income to lower their overall tax bill. This reform, which overwhelmingly benefits millionaires, is set to expire after 2025, but Biden would make the limitation permanent.
  - **Close the [Like-Kind Exchange real estate loophole](#):** This tax break allows real-estate investors to indefinitely defer capital-gains taxes by rolling over gains into the purchase of new properties. Biden would close this loophole for any gains above \$500,000.