



OVERVIEW OF BIDEN'S FAIR-SHARE TAX REFORMS & SUMMARY OF PROPOSED MODIFICATIONS

- 1. Corporate and Business Taxes:** Repeals the most egregious tax breaks in the 2017 Trump-GOP tax law (the Tax Cuts & Jobs Act, or TCJA). Increases the corporate tax rate from 21% to 28%, aims to reduce outsourcing and create jobs here at home, and reduces tax dodging from profit shifting to tax havens.
- 2. Individual Taxes:** Repeals excessive giveaways to the rich in the TCJA (such as a lower top tax rate and a weakened estate tax), caps the value of itemized deductions at 28%, and closes other loopholes that shield the wealthy from paying their fair share.
- 3. Taxing Wealth Income More Like Work Income:** Reforms how wealth and income from wealth is taxed by changing taxation of capital gains derived from the sale of assets (such as stocks, businesses, and real estate):
 - For those making more than \$1 million, it raises the top tax rate on capital gains from 20% to 39.6% to match the top rate on wages and salaries.
 - Closes the loophole that lets the wealthy pass valuable assets, such as stock, to their heirs without paying taxes on the increased value of those assets.
- 4. Strengthening Social Security:** Requires the highest-income earners to contribute more to the system by levying Social Security payroll taxes on wages above \$400,000. Currently, only wages below about \$138,000 are taxed.
- 5. Expanding Tax Credits:** Substantially expands existing tax credits for working families and caregivers and offers low- and moderate-income families new tax credits for first-time home purchases, retirement benefits and green energy. Provides meaningful and effective business tax credits for domestic manufacturing, green energy and investments in low-income communities.

As strong as it is, the President-elect's tax plan could be bolstered further with modifications that more completely fulfill the principles of his agenda. We recommend that the plan:

- Better discourage corporate outsourcing by **taxing the foreign income of corporations at the same rate as domestic income**, not just narrowing the gap between the two rates.
- **Close loopholes that let multinational corporations avoid paying their fair share of taxes** by shifting profits offshore and that also promote the outsourcing of jobs; require public country-by-country disclosures of key financial data to determine profit shifting.
- Clarify that everyone making over \$400,000 will pay the higher tax rates in effect before the 2017 tax law.
- **Repeal the high-income "excess business losses" tax cut in the CARES Act**, which was meant to provide pandemic relief not a windfall to millionaires.

- **Apply the principle of “taxing wealth like work” to those households making over \$400,000**, not just those making over \$1 million to promote fairness and raise revenue.
- **Further strengthen the estate tax** on wealthy families by taxing the largest fortunes at higher rates and end the generation skipping tax exemption for existing dynasty trusts after 20 years.
- **Specify real estate tax loopholes to close** to curb sizable industry tax breaks.
- **Apply Social Security payroll taxes on earnings above \$250,000**, rather than \$400,000.
- **Significantly reduce the annual \$600-billion plus tax gap** through a comprehensive approach, including restoring funding levels to historic levels as a share of collections, and a multi-year investment to modernize the IRS’s technology.
- **Make the fully refundable Child Tax Credit (CTC) permanent; extend the Earned Income Tax Credit (EITC) to all childless workers, not just those over 65.**

Beyond modifying the current tax plan, the Biden administration could more fully achieve tax fairness by expanding its agenda to include:

Additional Moderate Reforms

- **Restore much higher tax brackets and tax rates on the biggest incomes**, so that millionaires and other super-wealthy pay higher rates than upper-middle-class families.
- **Establish a Millionaires Surtax:** a simple and effective method of more fairly taxing the highest incomes that would impose a 10% surtax on couples making over \$2 million and individuals making over \$1 million.
- **Close or narrow costly business tax loopholes:** end the ability of some wealthy business owners to avoid taxes funding healthcare programs; limit the deductibility of interest on business debt to 20%; reform how businesses account for advertising expenses; end manipulation of inventory accounting; and fully close the bonus-pay loophole.
- **Tax stock buybacks as income the way stock dividends are taxed.**
- **Repeal or phase out the “Opportunity Zones” tax shelter.**
- **Require that multinational corporations disclose key financial information publicly on a country-by-country basis to the Securities and Exchange Commission.**

Structural Reforms

- **Annually tax great wealth or at least the increase in that wealth**—both of which currently go untaxed for years and sometimes forever—through a wealth tax or mark-to-market taxation of capital gains.
- **Adopt a Financial Transaction Tax**, a small sales tax on every trade, to raise significant revenue while curbing dangerous speculation.
- **Restructure and expand refundable family tax credits**—EITC and CTC—to better support struggling families.
- **Replace current depreciation rules with economic depreciation.**