

## Biden renews calls for corporate, high-wealth tax increases in State of the Union address

In a wide-ranging State of the Union speech whose economic message emphasized bringing “fairness” to the tax code, President Joe Biden on March 7 urged Congress to build on the foundation his administration laid in the Inflation Reduction Act of 2022 (P.L. 117-169) and approve proposals in his forthcoming budget blueprint for fiscal year 2025 aimed at increasing taxes on multinational corporations, large businesses, and ultrawealthy individuals to offset the cost of tax relief for less affluent taxpayers and families with children.

**URL:** <https://www.taxnotes.com/research/federal/legislative-documents/public-laws-and-legislative-history/inflation-reduction-act-of-2022-%28p.l.-117-169%29/7dybc>

“I want to talk about the future of possibilities that we can build together” in which “the days of trickle-down economics are over and the wealthy and biggest corporations no longer get all the breaks,” the president said.

### Tax increases on large corporations

On the corporate side of the tax code, the president noted that in 2020, “55 of the biggest companies in America made \$40 billion in profits and paid zero in federal income taxes”—an issue that prompted inclusion of a provision in the Inflation Reduction Act that imposes a 15 percent book-minimum tax on companies that report at least \$1 billion in profits. But even a 15 percent rate, Biden said, is “still less than working people pay in federal taxes,” which is why he now wants to increase the book-minimum tax rate to “at least 21 percent.”

In a single sweeping comment, Biden also proposed to “end the tax breaks for Big Pharma, Big Oil, private jets, and massive executive pay.”

Although the president provided no additional details on these proposals in his speech, a White House fact sheet released the morning of March 7 filled in some of the blanks, noting that the administration’s budget blueprint will call for:

**URL:** <https://www.whitehouse.gov/briefing-room/statements-releases/2024/03/07/fact-sheet-president-biden-is-fighting-to-reduce-the-deficit-cut-taxes-for-working-families-and-invest-in-america-by-making-big-corporations-and-the-wealthy-pay-their-fair-share/>

- Denying employers a tax deduction for salary over \$1 million paid to any employee. (The current-law restriction on excessive employee remuneration is limited to amounts paid to certain high-level corporate officers.)
- Eliminating certain tax breaks that the administration contends provide favorable tax treatment for corporate jets compared to commercial aircraft and increasing the fuel tax on corporate and private jet travel.

The fact sheet also cites forthcoming budget proposals for corporate tax hikes not explicitly mentioned in the president’s address that would:

- Increase the corporate tax rate to 28 percent (from 21 percent currently);
- Increase the excise tax on corporate stock buybacks to 4 percent (from the current rate of 1 percent as enacted in the Inflation Reduction Act); and
- Impose a minimum tax of 21 percent on large multinational entities to bring the US tax system in line with the Pillar Two corporate minimum tax rules being advanced by the OECD.

Variations on these proposals have been included in the administration’s previous budget submissions to Congress.

The president’s call to increase taxes on “Big Oil” presumably refers to proposals in prior budget packages to repeal various deductions and credits currently available to fossil fuel companies.

### **Tax increases on high-wealth individuals**

Turning to the individual side of the tax code, the president remarked that “the average federal tax rate for . . . billionaires is 8.2 percent,” a level that he said is “far less than the vast majority of Americans pay.”

“No billionaire should pay a lower tax rate than a teacher, a sanitation worker, [or] a nurse,” he said.

To address that perceived imbalance, the president called for a “minimum tax of 25 percent for billionaires,” which he said “would raise \$500 billion over the next 10 years.” Although he did not provide additional details, the White House fact sheet indicates that the levy would apply to “the wealthiest .01 percent, those with wealth of more than \$100 million.”

The White House fact sheet also indicated that we can expect the budget blueprint will renew the administration’s calls from prior years to increase the Medicare tax rate and net investment income tax rate on individuals with income greater than \$400,000 and ensure that passthrough business income of high-income taxpayers is subject to the net investment income tax or self-employment tax.

According to the fact sheet, the president also will renew a proposal from last year to extend the mandatory funding stream allocated to the Internal Revenue Service under the Inflation Reduction Act to beef up the agency’s compliance and enforcement programs, modernize its information technology systems, and overhaul its taxpayer service operations. That funding—which the IRS is using to, among other things, hire highly trained auditors who specialize in unwinding complex tax transactions and tracing opaque sources of income—is scheduled to run out at the end of fiscal year 2031.

### **Tax relief for less affluent individuals**

In addition to reiterating his oft-stated pledge that he will not raise taxes or increase IRS audit rates for taxpayers with income of less than \$400,000, the president announced proposals to reduce tax burdens for less affluent individuals by:

- Restoring the enhancements to the child tax credit that were enacted in the American Rescue Plan Act of 2021 but expired at the end of that year. (Those enhancements increased the maximum credit amount, made the credit fully refundable, and allowed families to receive the benefit in direct monthly payments.) A proposal in last year’s budget blueprint called for extending those provisions through 2026.
- Permanently extending enhancements to Affordable Care Act premium subsidies that were enacted on a temporary basis in the Inflation Reduction Act and are scheduled to expire at the end of 2025.

To address the rising costs of home ownership, the president called on Congress to approve his proposal for a new tax credit that would “give Americans \$400 a month—for the next two years, as mortgage rates come down—to put toward their mortgage when they buy a first home or trade up for a little more space.”

### **More details on March 11**

The Biden administration will unveil its full menu of tax and spending proposals when it sends its fiscal year 2025 budget blueprint to Congress on March 11. The budget release is expected to be accompanied by a “Green Book” from the Treasury Department with detailed explanations of the president’s revenue proposals.

### **A ‘pre-buttal’ from the Ways and Means chairman**

The president’s forthcoming budget proposals, like his prior budget blueprints, are not expected to be well received among congressional Republicans. Indeed, House Ways and Means Committee Chairman Jason Smith, R-Mo., flatly rejected the administration’s tax agenda in a statement released moments before the president delivered his address.

**URL:** <https://waysandmeans.house.gov/chairman-smith-americans-cant-afford-the-tax-hikes-planned-for-tonights-state-of-the-union-speech/>

“President Biden tonight plans to make clear he’s on the side of higher taxes and more corporate giveaways. These proposals will kill jobs, hurt families and small businesses, and put America at a disadvantage to Communist China. As we have said every time he has proposed these tax increases before, they are dead on arrival. President Biden’s State of the Union address is a giant tax bill no American can afford,” the statement said.

Ahead of the State of the Union address, the Ways and Means Committee approved a budget views and estimates letter for the coming fiscal year indicating that its focus will be on moving legislation that builds on Trump-era tax cuts and the Republican-led House Budget Committee approved a budget resolution that appears to support extending those tax cuts while also dismantling certain key provisions in the Inflation Reduction Act. (See separate coverage in this issue for additional details.)

**URL:** [https://gop-waysandmeans.house.gov/wp-content/uploads/2024/03/FY-25-VE-Letter\\_3.4.pdf](https://gop-waysandmeans.house.gov/wp-content/uploads/2024/03/FY-25-VE-Letter_3.4.pdf)

**URL:** <https://docs.house.gov/meetings/BU/BU00/20240307/116938/BILLS-118NAih.pdf>

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