Deloitte.

Tax News & Views
Capitol Hill briefing.
June 28, 2024

No new tax policy insights from first presidential debate

Although the first general election debate between President Joe Biden and former President Donald Trump, which was hosted by CNN in Atlanta on June 27, included a segment on the economic issues, there was little sustained discussion of tax policy and neither of the candidates shed any new light on their respective tax platforms.

President Biden responded to a question about the current state of the US economy by arguing that his administration had to dig the nation out of a hole created by his predecessor—a situation he attributed in part to the enactment of the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97), which he contended was skewed largely to corporations and upper-income taxpayers. An across-the-board extension of the TCJA tax cuts that are scheduled to expire at the end of 2025—something the former president has proposed—would "fundamentally bankrupt the country," Biden said.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf

Reiterating his now-familiar call to restore "fairness" to the tax code, Biden touted his own proposal to impose higher taxes on "billionaires"—an allusion to the 25 percent minimum tax on certain ultrawealthy taxpayers that has appeared in several of his budget blueprints—arguing that it would raise enough revenue to shore up the Medicare program, and he stated that his proposal to impose employment taxes on income over $400,000 would ensure the solvency of Social Security. He also cited his proposals to create a new tax credit for first-time home buyers, increase the child tax credit, and increase premium credits for individuals purchasing health insurance on Affordable Care Act exchanges as examples of how his administration would reduce economic anxiety for less affluent individuals.

Former President Trump, when asked about the merits of extending the expiring TCJA provisions in the face of rising federal deficits, repeated the GOP mantra that his temporary tax cuts for individuals and his permanent cut in the corporate income tax rate (from 35 percent to 21 percent) spurred the economy and prompted US-based multinationals to repatriate significant profits that had been held offshore. He also highlighted the effectiveness TCJA's Opportunity Zone provisions in promoting economic development in distressed communities.

Trump contended that Biden's tax plans would lead to a four-fold tax increase on all taxpayers, although it's worth noting that the former president mischaracterized Biden's approach to the TCJA, stating that Biden would allow all the tax cuts to expire rather than just those benefiting wealthier individuals.

Not many specifics on the campaign trail, either

What transpired on the debate stage was emblematic of what has played out on the campaign trail, where the tax policy discussions to date have been conducted largely in broad strokes and have focused chiefly on the pending sunset of TCJA provisions such as reduced income tax rates for individuals, increased estate and gift tax exemption amounts, and the 20 percent deduction for certain passthrough business income.

Biden's platform: President Biden thus far has argued for allowing the TCJA tax breaks to expire for taxpayers with income greater than $400,000, retaining them for less affluent taxpayers, and offsetting the cost with additional taxes on large corporations and ultrawealthy individuals. Among the revenue-raising proposals in Biden's fiscal year 2025 budget blueprint, for example, are calls to increase the corporate income tax rate to 28 percent, increase the excise tax on stock buybacks, impose additional limits on deductions for "excessive" employee remuneration, repeal stepped-up basis, tax capital gain and dividend income at ordinary rates for high-income individuals, and impose a 25 percent minimum tax on the income—including unrealized gains—of taxpayers with wealth over $100 million. (For details on all the tax proposals in the administration's FY 2025 budget blueprint, see *Tax News & Views*, Vol. 25, No. 11, Mar. 12, 2025.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240312_1.html

Trump's platform: Former President Trump has spoken about fully extending the TCJA (his administration's signature legislative accomplishment) and perhaps further reducing the corporate rate from its current level of 21 percent. During a meeting with congressional Republicans in Washington earlier this month, Trump floated the possibility of scrapping income taxes altogether and replacing them with a more stringent tariff regime—something that campaign staff and GOP lawmakers later told reporters was simply one of a range of proposals he was considering.

Repeating an idea he had raised at a rally in Las Vegas, the former president also told GOP lawmakers that he would consider exempting tip income from federal taxes, although he did not elaborate on how such a proposal would work—for example, whether the exemption would apply only to income taxes or if it also would apply to employment taxes. In comments to reporters this week, House Speaker Mike Johnson, R-La., called the proposal "a great idea," but acknowledged that it could become law next year only if Republicans win the presidency and both chambers of Congress in November. House Ways and Means Committee Chairman Jason Smith, R-Mo., in an op-ed piece published June 27, called the proposal "a straightforward way to deliver immediate relief to working people and let them keep more of their hard-earned money."
URL: https://waysandmeans.house.gov/2024/06/27/chairman-smith-op-ed-all-options-must-be-on-the-table-to-deliver-tax-relief-for-working-people/

Pressure for offsets in 2025: Trump has not thus far discussed how—or even whether—to pay for renewing the expiring TCJA provisions. But if he wins a second term in the White House, he is likely to face pressure from Congress—including from some Republican lawmakers—to include revenue offsets as part of a larger tax plan. This is particularly true in light of a recent estimate from the nonpartisan Congressional Budget Office (CBO) that pegged the 10-year cost of permanently extending all of the lapsed and lapsing provisions at $4.6 trillion—a $1.1 trillion increase from similar projections the agency issued in 2023.
URL: https://www.cbo.gov/publication/60114

That estimate, combined with the CBO's increasingly dire long-term projections of federal debt-and-deficit levels, has even prompted some congressional Republicans to contemplate bucking what has been regarded as GOP orthodoxy and consider an increase in the corporate tax rate as a viable revenue-raising option for a future tax bill, according to Jason Smith, the House's top taxwriter. On that point, however, it's also worth remembering that some Republicans, particularly in the Senate, continue to believe as a matter of principle that extensions of current law should not require revenue offsets of any kind. (For prior coverage of the CBO's

estimate for extending the TCJA and Smith's remarks about corporate tax rates, see *Tax News & Views*, Vol. 25, No. 17, May 10, 2024; for coverage of the CBO's latest debt-and-deficit projections, see *Tax News & Views*, Vol. 25, No. 22, June 21, 2024.)
URL: https://www.cbo.gov/publication/60039
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240510_2.html
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240621_1.html

Next debate set for September 10

Biden and Trump are next scheduled to face-off on September 10 in a debate hosted by ABC News. The location of that event has not yet been announced.

— Michael DeHoff
Tax Policy Group
Deloitte Tax LLP