Harris, Trump highlight plans for domestic production tax incentives

In rival campaign events this week, Vice President Kamala Harris and former President Donald Trump touted their respective proposals for tax incentives that are intended to, among other things, spur domestic production and position the US as the global manufacturing leader in the twenty-first century.

Harris announces 'America Forward' credit

In remarks at the Economic Club of Pittsburgh on September 25, Vice President Harris, the Democratic presidential nominee, pledged that her administration would support emerging industries such as biomanufacturing, aerospace, artificial intelligence, quantum computing, Blockchain, and "clean energy innovation and manufacturing" to ensure that "the next-generation of breakthroughs from advanced batteries to geothermal, to advanced nuclear are not just invented but built here in America by American workers." She also pledged to support long-established domestic industries such as iron, steel, and agriculture, including through "tax credits for expanding good union jobs and steel and iron and manufacturing communities like here in the [Monongahela] Valley."

Although Harris did not elaborate on those comments, an 82-page policy framework outlining her economic agenda that her campaign released in conjunction with her speech describes a proposal for an "America Forward" tax credit intended to encourage "investment and job creation in key strategic industries." According to that document, the credit would be available for businesses in "critical industries of the future" as well as for "investments made in longstanding manufacturing, farming, and energy communities, especially to those who commit to retool or rebuild an existing facility." The new tax credits also would "reward companies that engage with industry, workers, unions, and communities to protect jobs, including in light of increasing automation, as well as companies that develop plans to hire existing workers at comparable wages," with "a special focus on rewarding reinvestment, retooling, and rehiring in longstanding steel and iron communities. . ."
URL: https://kamalaharris.com/wp-content/uploads/2024/09/Policy_Book_Economic-Opportunity.pdf

The policy framework does not discuss the amount of the credit, eligibility rules, or other details regarding how the credit would operate.

Incentives for employee ownership: In her remarks, Harris also mentioned—without offering details—that she intended to propose tax code changes that would "make it easier for businesses to let workers share in their company's success." According to a separate fact sheet released by her campaign September 25, these reforms are intended to encourage companies to adopt "broad-based employee stock ownership, profit-sharing plans, and comparable arrangements" and would include "appropriate guardrails to ensure these plans benefit and protect workers."
URL: https://mailchi.mp/kamalaharris.com/a-new-way-forward-to-build-american-industrial-strength-powered-by-american-workers

Cost and offsets: The fact sheet states that the tax and nontax components of Harris's domestic production incentives plan would cost "approximately $100 billion," although it does not identify the source of that estimate or whether it covers a single year or a longer time horizon. The plan would be "paid for by a portion of the proceeds of international tax reform, which seeks to prevent a global race to the bottom and to discourage inversions, outsourcing, or international tax strategies designed by corporations to avoid paying their fair share to the United States." (Although Harris has not mentioned international tax reform in the campaign speeches she has given to date, the 2024 Democratic platform adopted at the party's national convention in August includes a plank that calls for adopting a Pillar Two-compliant global corporate minimum tax regime, as well as "doubl[ing] the tax rate that American multinationals pay on foreign earnings to 21 percent, and end[ing] incentives . . . that encourage companies to shift jobs and operations overseas and book profits in low-tax countries.")
URL: https://democrats.org/wp-content/uploads/2024/08/FINAL-MASTER-PLATFORM.pdf

Middle-class agenda and other familiar proposals: Much of the tax policy discussion in Harris's speech focused on pledges she made earlier in her campaign to create what she has called an "opportunity economy" intended to "grow the middle class."

Harris reiterated her proposals to make housing more affordable by providing up to $25,000 in down payment assistance for first-time home buyers and creating a new tax credit for developers who build new homes priced to attract first-time buyers. These provisions would serve a larger goal of adding 3 million units to the nation's affordable housing stock by the end of her first term, she said.

She renewed her call to reduce the expenses associated with child rearing by restoring the now-expired enhanced child tax credit that was enacted in the American Rescue Plan of 2021 (P.L. 117-2) and providing an additional benefit to parents of newborn children (from birth through age one). The American Rescue Plan increased the child tax credit amount to a maximum of $3,600, among other enhancements. Harris's proposed additional benefit for parents of newborns would push the maximum credit amount for eligible parents to $6,000.
URL: https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf

To make it easier for individuals to access capital to start a small business, Harris reiterated her support for increasing the deduction for business start-up expenses to $50,000 (from $5,000 under current law) as part of a plan to spur 25 million new business applications.

The economic policy framework from Harris's campaign reaffirms her pledge not to increase taxes on individuals with income below $400,000 ($450,000 for joint filers). It also repeats earlier statements that her administration would allow the temporary tax relief provisions in the Tax Cuts and Jobs Act (TCJA, P.L. 115-97) to expire as scheduled after 2025 for more affluent taxpayers and "implement commonsense tax reforms for corporations and the very wealthy," such as increasing the corporate tax rate to 28 percent (from 21 percent), quadrupling the current 1 percent excise tax on corporate stock buybacks, imposing a minimum tax on "billionaires," and increasing the tax rate on long-term capital gain income to 28 percent (from 20 percent under current law) for individuals earning $1 million a year or more. Harris's proposed 28 percent rate top tax rate on long-term capital gain income, in conjunction with a proposal in the fiscal year 2025 Biden-Harris

budget blueprint to increase the current-law net investment income tax rate to 5 percent (from 3.8 percent currently), would, if enacted, push the maximum combined rate on long-term capital gain income to 33 percent (from 23.8 percent).
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf

Trump doubles down on 15 percent 'made in America' corporate rate

Former President Trump, meanwhile, reiterated his support for lowering the corporate tax rate to 15 percent for firms that manufacture their products in the US—a policy he would pair with steep tariffs on imports and fewer regulatory restrictions to create what he called "a manufacturing renaissance."

Trump, the Republican nominee in the 2024 presidential race, made his remarks during a campaign speech on September 24 in Savannah, Ga., that was billed as focusing on his plans to grow the economy and bolster US manufacturing.

"I will give you the lowest taxes, the lowest energy costs, the lowest regulatory burden, and free access to the best and biggest market . . . , but only if you make your product here in America. It all goes away if you don't make your product here," Trump said.

The former president put a finer point on that policy later during his speech. After noting that his first administration reduced the corporate tax rate from 35 percent to 21 percent (under the Tax Cuts and Jobs Act, his signature tax legislation) he stated that his new proposal to cut that rate to 15 percent would make the US " the most competitive [country] . . . anywhere on the planet, but only for those who make their product in the USA."

The former president's carrot of lower corporate taxes on US manufacturers in some ways harkens back to the domestic production activities deduction, which was in US law until 2017, when it was repealed it as part of the TCJA. Under Trump's vision for his second administration, this incentive (or something comparable) would return—albeit with a stick in the form of steep tariffs on imported goods and components.

"If you don't make your product in America, then you will have to pay . . . a very substantial tariff when you send your product into the United States," Trump remarked.

In one particular example, the former president called out automobiles brought into the US from plants situated in Mexico, which he said would be subject to a 100 percent tariff. (In previous remarks, Trump generally has called for tariffs ranging from 10 to 20 percent, with higher levies on imports from China.)

Trump argued that his tariff policy would bring "hundreds of billions of dollars" into the US Treasury—funds that he noted could be used to benefit the US, such as by lowering income taxes. He also denied that tariffs would drive higher inflation.

That last point, however, is not universally accepted, even by some members of Trump's own party.

“[I am] not a fan of tariffs,” Senate Minority Leader Mitch McConnell, R-Ky., told reporters on the same day of Trump’s speech in Georgia. “They raise the prices for American consumers.”

One of many proposed tax cuts: Trump’s pitch to reduce corporate taxes on US manufacturing is just one of several new tax proposals he has announced in recent weeks, including calls to eliminate the $10,000 annual cap on the itemized deduction for state and local tax taxes (SALT) and eliminate federal taxes on Social Security benefits, tips, and overtime pay. None of these has been officially scored by the Joint Committee on Taxation staff or the Congressional Budget Office (CBO)—the two official nonpartisan scorekeepers on Capitol Hill—but various policy-focused organizations outside of the government, such as the Tax Foundation and the Committee for a Responsible Federal Budget, estimate the proposals would significantly add to what the CBO has said will be a $4.6 trillion price tag for extending all of the expired and expiring TCJA provisions. (CBO’s estimate for extending the TCJA includes additional debt service costs and, importantly, also assumes a permanent continuation of the limit on SALT deductions.)

During his address in Savannah, Trump also expressed support for reinstating 100 percent bonus depreciation and expensing of research expenditures, policies which—along with relaxing a stricter limitation on the deduction for business interest expense, expanding the child tax credit, and several others—would be renewed (or in the case of the child credit, enacted) through 2025 under the Tax Relief for American Families and Workers Act (H.R. 7024), a bipartisan measure negotiated by Senate Finance Committee Chairman Ron Wyden, D-Ore., and House Ways and Means Committee Chairman Jason Smith, R-Mo., which passed the House by a wide bipartisan margin earlier this year, but has since been stalled in the Senate primarily due to continued opposition from many Republicans, including Finance Committee ranking member Mike Crapo of Idaho.
URL: https://www.congress.gov/118/bills/hr7024/BILLS-118hr7024eh.pdf

Crapo has been staunchly opposed to the bill’s inclusion of a lookback provision that would allow individuals to claim the expanded portion of the child tax credit (for tax years 2024 and 2025) based on their prior-year income, arguing that the provision would disconnect the incentive from work.

— Alex Brosseau and Michael DeHoff
Tax Policy Group
Deloitte Tax LLP

About Deloitte