

## Biden billionaire tax faces obstacles in Congress ahead of midterm elections

Naomi Lim

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President Joe Biden's insistence that rich people pay their "fair share" is critical to the deficit reduction in his \$5.8 trillion budget request for the fiscal year 2023 and Democrats' messaging before November's midterm elections.

But Biden's so-called "billionaire minimum income tax" faces a slew of obstacles in Congress, including already voiced opposition from West Virginia Democratic Sen. Joe Manchin.

Biden is proposing a 20% minimum tax on households with a net worth of more than \$100 million, including unrealized capital gains. The White House projects the tax would raise roughly \$360 billion over a decade from 20,000-odd people, such as Tesla's Elon Musk and Amazon's Jeff Bezos, addressing complaints some very high-income households pay low effective tax rates through deferral.

Despite warming to the idea of a billionaire's tax, Manchin told reporters Monday he still had reservations about taxing capital gains or "things you don't have."

"You might have it on paper," he said. "There are other ways for people to pay their fair share, and I think everyone should pay."

The retroactive application of Biden's billionaire minimum income tax may also rankle Manchin, according to Kyle Pomerleau, a senior tax policy fellow at the American Enterprise Institute. The senator previously derailed Biden's social welfare and climate negotiations last year, saying the president had deployed "budget gimmicks" to pay for his framework.

"When you think about this tax or you're thinking about the revenue it collects, it's going to raise much more revenue in the first 10 years than it raises in subsequent decades," Pomerleau said. "So if you're thinking about sustainably financing climate proposals or healthcare proposals, you have to think about not just the first 10 years but 20 years out or 30 years out."

Questions regarding Biden's billionaire minimum income tax coincide with White House attempts to resuscitate the president's social welfare and climate spending legislation before

November's midterm election cycle, after which Democrats are anticipated to lose control of Congress.

Another problem for Biden's billionaire minimum income tax, other than the logistical issues it is predicted to create for the IRS, is that it would likely be challenged in the Supreme Court, according to Tax Policy Center senior fellow Steve Rosenthal.

"The constitutionality of taxing wealth is largely untested," Rosenthal said in relation to the federal government. "In my view, they're likely to resist a tax that has the label 'billionaire' included because they'll view that as a tax on property, a direct tax, and not a tax on income."

Cato Institute Tax Policy Studies Director Chris Edwards added expected income does not always materialize and Biden's billionaire minimum income tax would penalize business reinvestment.

"Patience and prudence would be punished," he wrote. "The Biden plan would particularly harm leading edge industries that rely on wealthy investors to take the large risks that drive American innovation."

Republicans have a polling advantage in 2022. But despite Democratic rhetoric, it is not guaranteed "tax the rich" policies will resonate with the electorate and boost the party's chances before November. Gallup trend polling, for example, draws a mixed picture.

Jason Fichtner, the Bipartisan Policy Center's vice president and chief economist, disliked "tax the rich" slogans because of their potential to stoke class warfare. "Fair" is subjective and fails to reflect how "the top 1% of federal tax filers are paying about 25% of all federal income taxes," Fichtner contended.

"They don't have 25% of the income, they have less than 20%," he said. "It's something that, for Democrats, they can rally behind and try to point to an enemy out there that's not really an enemy."

Instead, Fichtner advocated transaction or consumption taxes, arguing they would tinker less with economic incentives than Biden's billionaire minimum income tax.

Biden himself has touted how his 2023 budget distills his values, notably "fiscal responsibility, safety and security at home and around the world, and the investments needed to continue our equitable growth and build a better America."

"One-hundredth of 1% of the Americans will pay this tax," he said Monday. "The billionaire minimum tax is fair, and it raises \$360 billion that can be used to lower costs for families and cut the deficit."

White House Office of Management and Budget Director Shalanda Young amplified Biden during Monday's press briefing, denying the blueprint was drafted with Manchin in mind.

"This is a classic Joe Biden budget," she said. "We're putting forward proposals that do two things: establishes a tax system that's fair, where corporations and the wealthiest pay their fair share, but it has the added benefit of paying for needs of the American people, like reducing childcare."

Biden's average overall job approval is net negative 11 percentage points, according to *RealClearPolitics*. The president's average economic management approval is worse at net negative 19 points. Meanwhile, Republicans lead Democrats on a generic congressional ballot by an average of 3 points.