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Biden's social welfare bill estimated to raise taxes 30% on middle class, cut them for millionaires

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President Biden's mammoth social welfare and climate change bill is poised to raise taxes on the middle class, while giving lucrative breaks for the superwealthy, according to a new study.

Nearly 30% of lower- and middle-class households would pay more in taxes starting next year if the bill were to become law, according to the study by the liberal-leaning Tax Policy Center, a project of the Brookings Institution and the Urban Institute. The report is an in-depth analysis of the tax increases that House Democrats want to see included in the multitrillion-dollar legislation.

It is one of several new analyses casting doubts on the ability of the planned tax hikes to meet Mr. Biden's goals of sparing the middle class and the superrich from dodging taxes.

Although Mr. Biden's tax increases start small, they grow massively by the end of the decade.

Meanwhile, two-thirds of millionaires would see tax cuts if the cap on the state and local deduction, or SALT, is raised from $10,000 to $80,000, the report found.

"Analyzing the House Democrats' plan is especially complicated because the effective dates of its many tax provisions vary widely," said Howard Gleckman, a senior fellow at the Tax Policy Center.

Mr. Biden and House Democrats have proposed a wide array of new taxes, spanning from Wall Street to Main Street, to pay for the social welfare package. The proposals amount to one of the most extensive tax hikes in recent history.

The White House has sought to characterize the hikes as targeting only the superwealthy and corporations to the benefit of everyone else.

"We need to build America from the bottom up and the middle out, not from the top down with the trickle-down economics that's always failed us," Mr. Biden said. "All I'm asking is, pay your fair share."

The Tax Policy Center's study blows a hole in that narrative, however. It indicates that tax proposals championed by House Democrats break a key pledge Mr. Biden made on the 2020 campaign trail: not to raise taxes on households making below $400,000 annually.

The White House did not immediately respond to requests for comment.

The Tax Policy Center's report comes on the heels of another new analysis by the libertarian Cato Institute that warned the plethora of new taxes would complicate the tax code, making tax avoidance easier for the superwealthy.

"The Democrats want to increase IRS enforcement to reduce the tax gap, but their tax plan would increase tax code complexity resulting in the opposite," said Chris Edwards, director of tax policy studies at Cato. "Tax code complexity increases tax avoidance and evasion by making IRS administration more difficult and by prompting taxpayers to combine disparate provisions in unexpected ways."

Further complicating matters are the hundreds of new tax credits, a variety of things such as health care and green energy, Democrats are planning to include in the bill.

Both reports come as Congress plans to return to Washington on Monday to try to advance the big bill.

House Speaker Nancy Pelosi's previous attempts to push the measure were upended by a cadre of moderates in her Democratic majority. The moderates, led by Rep. Josh Gottheimer of New

Jersey, said they are unable to vote for the more than 2,000-page bill until its cost can be ascertained by the Congressional Budget Office.

The menu of hikes proposed by House Democrats ranges from doubling the federal tobacco tax to more than $2 per pack to a 15% flat tax on corporate profits. The latter applies to companies that publicly report more than $1 billion in profits over three years.

Also tucked into the package is a 15% tax on the foreign earnings of corporations and a 1% surcharge on companies that buy back their own stock. Apart from corporate tax hikes, the White House is proposing a series of taxes on the rich.

Mr. Biden is backing a 5% "wealth tax" on individuals with an adjusted gross income above $10 million. The figure jumps to 8% on adjusted gross incomes over $25 million. It is estimated to raise $230 billion over the next decade.

Despite the proposed increases, the Tax Policy Center found that under the House Democrats' plan, roughly two-thirds of individuals making $1 million annually would get a tax cut. The average cut for millionaires is upward of $16,800.

That feat is accomplished by raising the cap on the state and local (SALT) deduction from $10,000 to $80,000.

SALT allows individuals annually to write off a portion of their state and local taxes. The lucrative tax break is used by residents from predominantly Democratic coastal areas, where the state and local tax burdens are especially high.

Former President Donald Trump's 2017 tax overhaul capped the deduction at $10,000 annually. Moderate House Democrats, mainly from the Northeast and West, have lobbied heavily to raise it to $80,000.

"Raising the cap to $80,000 would not matter at all for the vast majority of households. But it would cut 2021 taxes for the top 1%," Mr. Gleckman said.

“The responsible thing to do when you get a piece of legislation like this is to do a full analysis and to understand the impact on your district and the families in your district and that’s what I’m looking at,” Mr. Gottheimer said.

Republicans agree, with some conservative groups even accusing Mrs. Pelosi, California Democrat, of attempting to push through the measure without proper transparency as to its true cost.

“Nancy Pelosi is backing up a dump truck full of money for handouts to her cronies and is sticking middle-class families with the bill,” said Calvin Moore, a spokesman for the GOP-leaning American Action Network. “The more we learn about this plan the worse it gets. No wonder Washington liberals refuse to tell the truth about it.”