



White House proposes minimum tax on billionaires for 'fairer tax system'

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On Monday, the White House formally proposed a new “Minimum Tax on Billionaires.”

The proposal is sure to generate fierce opposition from Republicans and others and would include a minimum rate for all Americans with a wealth of more than \$100 million. If enacted, the minimum rate would be 20% of this group’s total annual income. Unrealized gains — such as unsold stocks and bonds — would be included in the total.

In a statement announcing the provision that comes as part of its budget proposal, the White House called it a “glaring problem” that the ultra-rich “often pay indefensibly low tax rates.”

“In putting this in place, we really will make sure that it’s a fairer tax system, a more progressive system, and that those at the top are doing their part to ensure the solvency of the American budget,” Heather Boushey, a member of President Biden’s Council of Economic Advisers, told Yahoo Finance Live on Monday.

The White House says the tax is a key way to bring down the sky-high federal budget deficit, as officials look to normalize the economy after the shocks from two years of pandemic waves. White House economists project the deficit in 2022 would be more than \$1.3 trillion less than last year’s deficit, if this budget is enacted. It would mark the largest ever one-year decline in U.S. history and, officials hope, continue the economic growth of the last year.

“My budget will continue that progress, further reducing the deficit by continuing to support the economic growth that has increased revenues and ensuring that billionaires and large corporations pay their fair share,” President Joe Biden said in a statement.

‘Rowing in the same direction’

This is the closest the president has come to advocating for a wealth tax, a favorite of more progressive figures like Elizabeth Warren (D-MA) and Bernie Sanders (I-VT).

Senate Finance Committee Chair Ron Wyden (D-OR) released a supportive statement on the bill calling it “a solid proposal that would ensure billionaires pay taxes every year.”

“There’s no way to fix our broken tax code without getting at the problem of billionaires avoiding taxes for decades, if not indefinitely,” he added.

Wyden has similar solution he calls the Billionaires Income Tax. There are difference but, he noted, “We’re rowing in the same direction.”

The reaction from some corners was shift and negative. “The Biden tax plan is crackers,” Chris Edwards, the Cato Institute’s Director of Tax Policy Studies, wrote Monday adding that unrealized gains represent “the expectation of future income, which should be taxed in the future under a well-designed tax system.” Edwards also noted that the IRS would almost surely have a difficult time enforcing the proposed rules and it would be very complicated in the years ahead as sometimes expected future income never actually materializes when asset values go up and down.

The budget also includes other tax increases, such as raising the corporate tax rate from 21% to 28%.

New rules around stock buybacks

The budget also calls for new rules around executive compensation and stock buybacks. The concern is that those in the C-suite have financial incentives to buy back stocks — and boost the price — because of their compensation usually lies in stock options.

The budget proposes that Congress enact new rules to limit executives from selling their personal stock in the immediate aftermath of a stock buyback.

“We’re not seeing the kind of investment that we need to see,” Boushey says of the focus on buybacks. The new rules, she said, will help ensure “this isn’t just a way for those at the very top of a corporation to get rich quick.”

Warren and three other Democratic Senators quickly released a statement praising the buyback provisions, promising that legislation is in the works to address “the misaligned incentives that encourage excessive stock buybacks, often at the expense of investments in workers, innovation, and communities.”

The budget ‘makes our values clear’

Despite the praise, Monday’s proposal won’t likely become law in this form. Ultimately, it will be reconciled with a budget proposal from lawmakers.

In a statement, Senator Bernie Sanders (I-VT), the Senate Budget Committee Chairman, reacted positively to the budget. “Now that the president has done his job, it is up to Congress to review it, pass the proposals that make sense and improve upon it,” they said.

But White House officials stress during this midterm election year that they want voters to know where they stand on issues like the ultra-rich.

“His budget for fiscal year 2023 makes our values clear,” Budget Director Shalanda Young told reporters Monday morning. She added that this budget shows “we can grow the economy from the bottom up and middle out and invest in the American people and that we can do it in a smart and fiscally responsible way.”