



## **Manchin likely kills proposed tax to fund reconciliation bill**

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A tax unveiled this week on unrealized capital gains of the wealthiest Americans was considered a potential solution to Democrats' difficulty securing a deal on reconciliation.

Now, though, U.S. Sen. Joe Manchin, D-W.V., announced his opposition to the plan, potentially sinking its chances and sending Democrats back to the drawing board on funding trillions of dollars in new spending.

"I don't like it," Manchin told reporters, adding that the wealthiest Americans contribute to jobs, investment and philanthropy. "I don't like the connotation that we're targeting different people."

Democrats are locked in tense negotiations over social program spending, but the new proposal on how to pay for the program promised to help get the bills across the finish line. These negotiations have held up the bipartisan \$1 trillion infrastructure bill as some progressive Democrats have been unwilling to give their votes until the larger reconciliation bill is finalized.

The tax has been referred to as a "wealth tax" or "billionaires tax," though there are disagreements on the terms. The details of the plan have not yet been released. Overall, though, the plan would purportedly tax wealthy individuals on the appreciation of assets like stocks and real estate. Currently, they pay taxes when those assets are sold, or their heirs inherit those assets. Under the new plan, the qualifying Americans would pay taxes on the increase in value of those assets.

Secretary of the Treasury Janet Yellen defended the proposal, which is expected to be released this week.

"It's not a wealth tax, but a tax on unrealized capital gains of exceptionally wealthy individuals, billionaires," Yellen said on CNN's "State of the Union." "I wouldn't call that a wealth tax, but it

would help get at capital gains which are an extraordinarily large part of the incomes of the wealthiest individuals and right now escape taxation until they are realized and often they are unrealized until [death]...”

House Speaker Nancy Pelosi, D-Calif., has suggested the plan would not generate enough revenue.

Manchin has been a deciding voice in negotiations. Democrats need his vote in the split Senate, and so far Manchin has been unwilling to spend several trillion more in taxpayer dollars, citing inflation and economic concerns.

“The left likes to focus on companies with high profits and rising values, but large wealth disappears all the time as companies fail and investors lose money,” wrote Chris Edwards, a tax expert at the Cato Institute.

Critics argue the plan would push wealthier Americans to relocate and would lead to slower economic growth and lower wages.

“France and other European countries have tried different variations on wealth taxes. Most of them have since abandoned the taxes, which ended up not raising very much new revenue because they drove out so many wealthy taxpayers,” said Preston Brashers, a tax expert at the Heritage Foundation. “The top 1% already pay 40% of U.S. federal income taxes. If you tack on another tax that reportedly will target fewer than 1,000 Americans, expect many of them will simply move. To the extent these taxes are collected - as taxes that effectively reduce the rate of return on business investment - the burdens of these taxes will be felt as reduced wages, increased consumer prices, and slower economic growth for all Americans.”

Experts still need more information to fully evaluate the proposal.

“Part of the problem right now is that Democrats haven’t released any actual bill language that tells us exactly what their wealth tax plan is,” Brashers added. “We’re hearing that they want to tax unrealized capital gains, meaning taxing people each year on the increase in their assets’ value. That creates problems, for example, for business owners and CEOs whose wealth is mostly tied up in their own company stock, as it’s a tax on phantom income.”

Other proposed tax hikes in Biden’s plan, such as a 28% corporate tax rate to reversing the 2017 Trump tax cuts, have been a no-go either for U.S. Sen. Kyrsten Sinema, D-Arizona, Manchin or both. Both have also consistently pushed for the bill’s price tag to drop dramatically.

“Senator Sinema said publicly more than two months ago, before Senate passage of the bipartisan infrastructure bill, that she would not support a bill costing \$3.5 trillion,” John LaBombard, communications director for Sinema, said in late September. “In August, she shared detailed concerns and priorities, including dollar figures, directly with Senate Majority Leader Schumer and the White House.”

Meanwhile, Democrats face the looming deadline of Biden's upcoming trip to Europe at the end of the month. If Democrats are unable to get legislation on Biden's desk before then, they face potentially losing momentum and the political blowback of missing another deadline.