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## ‘Build Back Better’ Plan Full of Middle-Class Tax Hikes

The nation’s lowest wage earners can expect to pay 4% higher taxes.

Catherine Mortensen

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President Joe Biden’s massive social welfare and climate change bill — his Build Back America plan — would raise taxes on the lower and middle classes while giving lucrative breaks for the super wealthy. That’s according to a new study by the left-leaning Tax Policy Center (TPC), a project of the Brookings Institution and the Urban Institute. The report offers an in-depth analysis of the tax increases that House Democrats want to see included in the multitrillion-dollar legislation.

In addition, the Cato Institute’s director of tax policy studies warned The Washington Times that the plethora of new taxes would complicate the tax code, making tax avoidance easier for the super wealthy.

The conservative Republican Study Committee in the House has also identified six provisions in the Democrats’ spending bill that either benefit the super wealthy or increase taxes on the middle class:

- **Gives wealthy Americans tax credits:** \$222 billion in “green energy” tax credits will be given to those who can afford expensive electric vehicles and other “green” innovative products (page 1832).
- **Tax benefits for the top 1%:** The bill will *possibly* lift the SALT [State and Local Tax] deduction cap meaning many of the top 1% wealthiest Americans would pay less in taxes.
- **Tax credit for wealthy donors who give to woke universities:** The bill creates a new tax credit program that gives tax credits worth 40% of cash contribution that are made to university research programs (page 2094).
- **Increases taxes on Americans at every income level:** \$2 trillion in tax hikes will fall on those making under \$400,000 per year, contrary to what the White House says. Individuals at all income levels will be affected.
- **Lowers wages for working families:** The corporate tax rate will increase by 5.5%, meaning American companies will face one of the highest tax burdens in the world.

According to analysis, two-thirds of this tax hike will fall on lower- and middle-income taxpayers (page 2110).

- **Imposes crushing taxes on small business:** Guts the Tax Cuts and Jobs Act small business deductions that reduced pass-through entity taxes to keep them comparable to taxes imposed on corporations (page 2235) as well as hammer small businesses that file as individual tax earners with the 39.6% rate (page 2221) and Obamacare's 3.8% tax on net investment income.

Chris Edwards, director of tax policy studies at the Cato Institute, said the plan includes spending increases of \$1.85 trillion over 10 years, but that figure relies on "gimmicky accounting" and the actual cost would be higher.

The plan includes new and expanded subsidies for housing, preschool, renewable energy, healthcare, elderly care, electric cars, child care, school meals, higher education, farming, refundable tax credits, and other activities.

"The spending would be funded by a \$2 trillion tax increase, thus likely damaging investment, hiring, and growth," Edwards wrote in the Cato Institute's blog. "A rule of thumb is that each dollar of an income tax increase causes about 50 cents of deadweight losses or economic damage. Thus, a \$2 trillion tax increase would damage the private sector by about \$3 trillion."

Howard Glickman, a senior fellow at the Tax Policy Center, told The Washington Times, "Analyzing the House Democrats plan is especially complicated because the effective dates of its many tax provisions vary widely."

Glickman wrote in the Tax Policy Center blog: "Taking into account all major tax provisions, roughly 20 percent to 30 percent of middle-income households would pay more in taxes in 2022. However, their tax increases would be very small. Among those with a tax increase, low- and middle-income households would pay an additional \$100 or less on average. Those making \$200,000-\$500,000 would pay an average of about \$230 more."

Glickman added: "In general, the combined effects of these changes would result in many households paying higher taxes in 2023 than in 2022. They would shrink the average 2023 tax cuts for low-income households, raise taxes slightly for moderate-income households, and increase taxes significantly for the highest-income households."

The TPC's chart below shows that in 2022, the nation's lowest wage earners can expect to pay 4% higher taxes than in 2021, while the top 0.1% of earners will see a 6% drop in their taxes.

Americans for Limited Government President Richard Manning said the Democrats' spending bill would vastly expand the size and scope of the federal government, in some cases taking over activities from state and local governments and the private sector.

"When the federal government steps in with a huge cash infusion, you can be certain there will be a lot of fraud, waste, and abuse," Manning said. "In addition, this bill is full of budgetary

gimmicks intended to lower the cost of the bill in the short term but will grow the federal debt over time.”