



Biden Eyes Major Tax Hike to Fund Climate Change and Infrastructure Programs

President Biden wants to raise corporate and personal income taxes significantly to address what Democrats argue are inequities in the tax system and to pay for infrastructure projects.

Interestingly, DOT Secretary Buttigieg has walked back his initial support for increasing taxes on gasoline and diesel as one means of paying for the next infrastructure bill. This is contrary to recent statements by House Transportation Committee Chair Peter DeFazio, who is a supporter of either new gas taxes or a tax on vehicle miles traveled.

For the Biden administration, the planned changes are an opportunity not just to fund key initiatives such as infrastructure, but also climate initiatives and social programs for poorer Americans. That said, tax increases are always hard to pass, even in the best of times.

While the White House has rejected an outright wealth tax, as proposed by progressive Democratic Sen. Elizabeth Warren, the administration's current thinking does target the wealthy. Specifically, Biden is expected to propose a suite of tax increases, intended to raise \$2 - \$4 trillion over the next ten years. Options include:

- Raising the corporate tax rate to 28% from 21%.
- Paring back tax preferences for so-called pass-through businesses, such as limited-liability companies or partnerships.
- Raising the income tax rate on individuals earning more than \$400,000.
- Expanding the estate tax's reach.
- Creating a higher capital-gains tax rate for individuals earning at least \$1 million annually.

Democrats will need Republican votes to pass tax increases under what is called "regular order" in the Senate. But GOP members are signaling they are prepared to fight any increases, which could force the Democrats to use arcane rules to win the day.

Both Democrats and Republicans want to see significant amounts of money spent on infrastructure improvements around the country. However, even a modest infrastructure bill that would spend around \$1 trillion over the next decade, has to be funded. And right now, nobody has made a proposal that will cover that bill.