



SCWA Legislative Update

April 4, 2022



Last week President Biden made a renewed push to galvanize congressional Democrats to overhaul the nation's tax code and dramatically raise rates on corporations and ultra-wealthy Americans.

The President laid out the tax hikes as part of his \$5.8 trillion budget blueprint for federal spending in fiscal 2023, which begins in October. Under his proposal, taxes would rise by \$2.5 trillion, marking the largest increase in history in dollar terms. The deficit would be \$1.15 trillion.

The higher taxes would largely be borne by Wall Street and the top sliver of U.S. households, in the form of a steeper corporate rate, a modified wealth tax and a global minimum tax.

"We are reducing the Trump deficits and returning our fiscal house to order," Biden said at the White House on Monday, referring to the widening spending gap under former President Donald Trump. He said the budget "makes prudent investment and economic growth, a more equitable economy, while making sure corporations and the very wealthy pay their fair share."

The taxes outlined on Monday include a minimum 20% tax on the incomes of U.S. households worth \$100 million or more – similar to other proposals that Democrats floated last year to pay for Biden's massive spending plan. But those pitches fell to the wayside after talks with West Virginia Sen. Joe Manchin collapsed.

The so-called "Billionaire Minimum Income Tax" would raise \$361 billion in revenue over 10 years and apply to the top 0.01% of households, or about 20,000 Americans. The White House said that roughly half the revenue stems from the country's 700 billionaires.

Under the proposal, the wealthiest Americans would be required to pay a tax rate of at least 20% on their full income, or the combination of wage income and whatever they made in unrealized gains. If a billionaire is not paying 20% on their income, they will owe a "top-up payment" that makes up the difference to meet the new minimum.

Households that are paying 20% will not be required to pay an additional tax. Because many of the ultra-rich derive their vast wealth from the soaring value of assets like stock and property – which are not considered to be taxable income unless that individual sells – they are able to legally store their fortunes and reduce their tax liability. Under current law, a gain is only taxed if and when the owner sells the asset.

"As a result, this new minimum tax will eliminate the ability for the unrealized income of ultra-high-net-worth households to go untaxed for decades or generations," the White House said in the budget proposal.

Although Biden did not endorse a billionaires' tax during the 2020 presidential campaign, he threw his support behind the idea this past year after Manchin killed a different spending plan that included tax hikes on well-off corporations and Americans earning more than \$400,000.

It remains unclear whether congressional Democrats will approve of Biden's plan to tax billionaires and ultra-millionaires.

Manchin called a different billionaires' tax proposal from Sen. Ron Wyden, D-Ore., "convoluted," but has since suggested that he could support some type of levy targeting the richest Americans.

Biden also proposed raising the corporate tax rate to 28% from 21% as part of his budget request and pitched a global minimum tax that's designed to crack down on offshore tax havens. Arizona Sen. Kyrsten Sinema has previously said that she will not support a corporate tax increase.

Many small business groups are concerned that tax increases will impact all tax levels.



Small Business Responds to Proposals in FY2023 Budget

As mentioned above - President Biden released his FY2023 budget which relies heavily on a new tax on unrealized capital gains, an idea that has been proposed in different iterations and pushed hard by Senate Finance Chairman Wyden during this administration.

Notably, this new version is dubbed as a “minimum tax” similar to the corporate “minimum tax” that passed in the House’s Build Back Better bill last year.

Any tax on unrealized gains could eventually pose big problems for the family businesses that we represent and SCWA stands strongly opposed to this new version.

SCWA signed onto [this letter](#) to President Biden, opposing his budget request.



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