

Biden's coronavirus relief bill includes \$60B in surprise tax hikes

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Democrats snuck a handful of surprise tax hikes on corporations in President Biden's sweeping coronavirus relief package that combined are worth more than \$60 billion.

One provision in the \$1.9 trillion stimulus bill limits deductions for publicly traded companies that pay their top employees more than \$1 million for tax years beginning after 2026. Another extends a cap on how much certain unincorporated business owners can deduct against their non-business income to reduce their tax liability and the third clamps down on how multinational corporations do their taxes.

The Biden administration has been reluctant to raise taxes during the pandemic, with millions of businesses and families still reeling financially. But according to Politico, which first reported the news, Democrats ran into an issue with rules that strictly regulate legislation being passed via budget reconciliation.

US SPENDING ON COVID RELIEF POISED TO HIT \$6T WITH PASSAGE OF BIDEN'S RELIEF BILL

Had Democrats exceeded their \$1.9 trillion budget cap for the plan, they risked facing an insurmountable Republican filibuster in the Senate. But by adding the tax increases, Democrats managed to keep their plan's cost in check, even with the last-minute addition of a measure that waives taxes on the first \$10,200 in unemployment benefits.

The House passed the aid package on Wednesday afternoon, sending the bill to Biden's desk. The president plans to sign the bill into law on Friday, the White House said.

To offset the costs, Democrats extended a \$500,000 limit on how much businesses

formed as pass-through entities can deduct in losses from nonbusiness income like stocks and bonds by an additional year. The cap, part of Republicans' 2017 Tax Cuts and Jobs Act, was poised to sunset in 2025. It's expected to raise \$31 billion, according to the Senate Finance Committee.

SOME FAMILIES COULD RECEIVE UP TO \$14,000 FROM BIDEN'S RELIEF BILL

But critics suggest its inclusion violates Biden's campaign promise to not raise taxes on Americans earning less than \$400,000. An analysis last year by the Joint Committee on Taxation, a non-partisan organization, found that the cap would raise taxes on 45,000 taxpayers who earn less than \$200,000.

"If Biden and Harris want to keep their pledge, they must veto the bill or instruct congressional Democrats to insert bill language exempting households making less than \$400,000 in a given year," said Alexander Hendrie, director of tax policy at the Americans for Tax Reform.

Democrats expect to produce \$22 billion in new revenue by permanently repealing a provision in current law that gives U.S. multinationals the leeway to choose how to account for their interest costs when they do taxes.

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The legislation will also raise roughly \$6 billion in new revenue by targeting executive compensation; under current law, businesses are able to deduct most employees' pay — generally barring that of the CEO, CFO, and the three highest-paid officials — from their tax bill.

But Democrats modified the law to include five other highly paid officials in the restriction, bringing the total number of employees to 10.

Of course, the tax increases are far outweighed by the amount of tax revenue cut by the relief legislation, worth an estimated \$590 billion, according to the official Joint Committee on Taxation. The stimulus bill includes a \$1,400 stimulus check for millions of Americans and a generous, one-year expansion of the child tax credit.

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