

## 2020 Democratic Presidential Nominee Joe Biden’s Tax Plan

The following chart summarizes the various tax proposals offered by 2020 Democratic Presidential Nominee Joe Biden.<sup>1</sup> Proposals from Democratic Vice President Nominee Kamala Harris are included in footnotes.

Business Proposals	
1. Corporate Rate	Increase from 21 percent to 28 percent. <sup>2</sup>
2. Tax on Book Income	15 percent minimum tax on global book income for companies with net income of more than \$100 million. The minimum tax would give credit for foreign taxes paid and allow for NOL carryovers.
3. International Tax	<p><b>A.</b> Increase the effective tax rate on global intangible low-taxed income (GILTI) to 21 percent and apply on a country-by-country basis.<sup>3</sup> Eliminate the exclusion from GILTI for a deemed return equal to ten percent of a company’s qualified business asset investment (QBAI).</p> <p><b>B.</b> Impose a ten percent offshoring penalty surtax on “profits of any production by a United States company overseas for sales back to the United States.” The surtax will also apply to service centers, including call centers providing services to customers in the United States “where jobs could have been located in the United States.” When combined with the proposed 28 percent corporate rate, the overall tax rate on offshoring would be 30.8 percent. The Biden campaign has referred to this as the “Biden Offshoring Tax Penalty.”</p> <p><b>C.</b> Deny deductions for moving jobs or production overseas “where those jobs could plausibly be offered to American workers.”</p>
4. Financial Transaction Tax/Bank Tax	Provide a financial fee on certain liabilities of financial institutions with over \$50 billion in assets. <sup>4</sup>
5. Miscellaneous Business Proposals	<p><b>A.</b> Eliminate tax preferences for fossil fuels.<sup>5</sup></p> <p><b>B.</b> Eliminate certain tax preferences for the real estate industry, including rules for pass-through income deduction.</p> <p><b>C.</b> Expand the New Markets Tax Credit (NMTC) to \$5 billion per year and permanently extend.</p>

<sup>1</sup> Note that this chart does not include provisions from the “Biden-Sanders Unity Task Force Recommendations” released on July 8, 2020.

<sup>2</sup> Harris has proposed rolling back the Tax Cuts and Jobs Act for taxpayers earning more than \$100,000. This has been interpreted as increasing the corporate tax rate to the previous rate, which was 35 percent.

<sup>3</sup> Harris has proposed taxing foreign earnings in the same manner as domestic earnings and at the same rate as domestic earnings.

<sup>4</sup> Harris has proposed a financial transactions tax to pay for her Medicare for All proposal. She proposed a 0.2 percent tax on Wall Street stock trades, a 0.1 percent tax on bond transactions, and a 0.002 percent tax on derivative transactions. Further, in her Livable Incomes for Families Today (LIFT) Act, she indicated that the enhanced middle class tax credit would be offset in part by a fee on financial institutions with consolidated assets of more than \$50 billion.

<sup>5</sup> Harris has proposed eliminating subsidies for fossil fuels. Harris also has proposed a “progressively increasing fee on carbon pollution.”

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5. Miscellaneous Business Proposals (continued)	<p><b>D.</b> Disallow deduction for direct-to-consumer prescription drug advertising.<sup>6</sup></p> <p><b>E.</b> Impose sanctions on countries that facilitate illegal corporate tax avoidance and engage in harmful tax competition.</p> <p><b>F.</b> Tighten the worker classification rules and increase penalties for misclassification.</p> <p><b>G.</b> Provide ten percent “advanceable” tax credit for certain job creating investments, including revitalizing existing or closed manufacturing facilities, retooling an existing facility to produce advanced manufacturing products, onshoring jobs, expanding U.S. facilities that will create additional U.S. jobs, and increasing manufacturing wages for employees earning up to \$100,000.</p>
<b>Individual Proposals</b>	
1. Rates	<p><b>A.</b> Restore pre-Tax Cuts and Jobs Act of 2017 rates for high income taxpayers with income above \$400,000; reinstate a 39.6 percent top rate.<sup>7</sup></p> <p><b>B.</b> Phase out the 20 percent deduction on pass-through business income for high-income taxpayers, beginning at taxable incomes over \$400,000.</p>
2. Wealth Tax	N/A
3. Itemized Deductions	<p><b>A.</b> Cap itemized deductions at 28 percent.</p> <p><b>B.</b> Repeal the \$10,000 SALT limitation.</p>
4. Capital Gains and Dividends	Tax capital gains and dividends as ordinary income for taxpayers with more than \$1 million in income. <sup>8</sup>
6. Social Security	Apply the 12.4 percent OASDI payroll tax to earnings above \$400,000. <sup>9</sup>
7. Health Taxes	Expand eligibility for premium tax credits.
8. Retirement Proposals	<p><b>A.</b> Allow for tax deferral on additional types of retirement vehicles.</p> <p><b>B.</b> Equalize retirement benefits across income brackets.</p> <p><b>B.</b> Allow for caregivers who aren't receiving wages to make catch-up contributions to retirement accounts.</p> <p><b>C.</b> Tax credits to encourage employers to offer retirement plans to their employees.</p>

<sup>6</sup> Harris proposed eliminating the deduction for direct-to-consumer advertising by pharmaceutical companies. Harris also proposed a 100 percent tax on profits from drug sales at prices above those set by the Department of Health and Human Services (based on OECD country averages).

<sup>7</sup> Harris has proposed increasing the tax rate on the top one percent to 39.6 percent. She also proposed a four percent surtax on families with incomes greater than \$100,000.

<sup>8</sup> Harris proposed raising the capital gains rate to the top ordinary rate, but she did not release details regarding whether this would only apply to taxpayers with incomes over a certain threshold.

<sup>9</sup> Harris has supported making the payroll tax more progressive by increasing taxes on the top one percent of taxpayers.

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8. Retirement Proposals (continued)	<p><b>D.</b> Provide automatic enrollment in IRAs.</p> <p><b>E.</b> Provide tax benefits to older Americans who use retirement savings to buy long-term care insurance.</p>
9. Miscellaneous Individual Proposals	<p><b>A.</b> Increase child tax credit to \$3,000 for children between 6 and 17 and \$3,600 for children under 6. Make the CTC fully refundable and allow taxpayers to elect to receive monthly payments.</p> <p><b>B.</b> \$8,000 tax credit for childcare.</p> <p><b>C.</b> \$5,000 tax credit for certain informal caregivers, who are family members or others who provide care without receiving pay.</p> <p><b>D.</b> Expand the Earned Income Tax Credit (EITC) to older workers.<sup>10</sup></p> <p><b>E.</b> Exempt forgiven student loans from cancellation of indebtedness income.</p> <p><b>F.</b> Provide \$15,000 first-time homebuyer credit.</p>
<b>Estate Tax/step-up in basis</b>	Repeal step-up in basis at death and revert the rate and exemption to 2009 levels. <sup>1112</sup>
<b>Energy and Infrastructure</b> <sup>13</sup>	
1. Electric Vehicles	<p><b>A.</b> Restore the full value of the electric vehicle (EV) tax credit and modify it to target middle class consumers.</p> <p><b>B.</b> Use EV credit to incentivize businesses to build or shift their existing fleets to EV.</p>
2. Building Energy Efficiency	<p><b>A.</b> Reinstated homeowner tax credits for residential energy efficiency.</p> <p><b>B.</b> Expand tax deductions for energy retrofits, smart metering systems, and other emissions-reducing investments in commercial buildings.</p>

<sup>10</sup> Harris has sponsored the Livable Incomes for Families Today (LIFT) Act, which would provide households earning less than \$100,000 a year a refundable tax credit of up to \$6,000 per year (\$3,000 for single filers earning less than \$50,000 annually). Harris has also proposed a new variable renters' tax credit for taxpayers making less than \$100,000 who spend more than 30% of their income on rent payments.

<sup>11</sup> It is unclear whether Biden will propose taxing built-in gains upon death of the taxpayer in lieu of repealing step-up in basis, though some campaign officials have reportedly hinted that this proposal may be part of a Biden Administration tax plan. Note that Former President Barack Obama included a proposal to tax capital gains upon the death of a taxpayer in his annual "Treasury Green Book." *General Explanations of the Administration's Fiscal Year 2017 Revenue Proposals*, Department of Treasury, February 2016, <https://home.treasury.gov/system/files/131/General-Explanations-FY2017.pdf>.

<sup>12</sup> Harris proposed raising the estate tax for the top one percent, including possibly lowering the estate tax exemption, establishing progressive estate tax rates or eliminating loopholes that allow people to avoid paying any estate tax.

<sup>13</sup> Harris has also proposed to extend and expand various renewable and clean-energy tax credits.

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3. Solar Investment Tax Credits	Reinstate the solar investment tax credit.
4. Carbon Sequestration	Provide tax incentives for technology that captures carbon and then permanently sequesters or utilizes that captured carbon. Includes lowering costs for retrofits on existing fossil fuel facilities.
5. Carbon Adjustment Fee	Impose a carbon adjustment fee on countries not meeting the Paris Climate Agreement standards.
6. Manufacturing Communities Tax Credit	Provide a tax credit for five-years for investments in communities that experienced mass layoffs or the closure of a major government institution.