
Ranking Member Sen. Mike Crapo (R-Idaho) questions Internal Revenue Service Commissioner Charles Rettig during a Senate Finance Committee hearing on Capitol Hill in Washington on June 8, 2021. (Tom Williams-Pool/Getty Images)

ECONOMY

House Proposal Will Hike Taxes on Lower- and Middle-Income Americans: Bipartisan Congressional Panel

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Taxes will go up for millions of lower- and middle-income taxpayers under the House Democrats' version of President Joe Biden's Build Back Better plan, according to two new analyses by the non-partisan professional staff of the congressional Joint Committee on Taxation (JCT).

"While Republican tax reform in 2017 cut taxes for all Americans, and increased the progressivity of the tax code, the Democrats' approach to tax reform does not cut taxes for anyone, but it would raise taxes on millions of lower- and middle-income Americans at a time when they can least afford it," U.S. Senate Finance Committee Ranking Member Mike Crapo (R-Idaho) said in a statement issued late Monday.

"The economy is already reeling from Democrats' bad policies and people are struggling to make ends meet. The last thing they need are higher taxes, especially in light of rising odds of a recession and stagflation," the Idaho Republican continued.

Crapo was referring to the June 23 (pdf) and June 27 (pdf) analyses by the 10-member panel, which made the studies available to Members of Congress and their staff, but did not publicly issue news releases describing the results. Both analyses focused on H.R. 5376, as amended.

The JCT includes five members from the Senate and five from the House of Representatives. Six of the 10 are presently Democrats, with the other four being Republicans.

Sen. Ron Wyden (D-Ore.) is the JCT chairman in 2022, while Crapo is the top Republican. Wyden and Crapo are also chairman and ranking member, respectively, on the Senate Finance Committee.

Last year, Rep. Richard Neal (D-Mass.) was chairman and Rep. Kevin Brady (R-Texas) was vice-chairman. The Senate and House members exchange the leadership positions from one session of Congress to the next.

The JCT's 65-member staff is entirely non-partisan, and includes 25 economists.

According to the findings of the two JCT analyses, taxes on Americans making less than $400,000 annually will increase by $33 billion in 2023, while levies on those making more than that level will receive a net decrease of $1.5 billion.

Over a 10-year-projection, more than 30 percent of the new revenues raised for spending offsets and deficit reduction would come from taxpayers making less than $400,000 annually.

Overall, the income tax rate for every category of taxpayer would go up, not down, according to the JCT.

Sen. Ron Wyden (D-Ore.) attends a Senate Finance Committee hearing in Washington on Feb. 23, 2021. (Greg Nash/Pool via Reuters)

Promises During Campaign

Biden promised throughout his 2020 president campaign and since being inaugurated in January 2021 as chief executive that his tax plan would only increase levies on those making $400,000 or more in a year.

The JCT analyses also found that if Congress enacts the House Democratic tax proposal this year, more than a fourth of all Americans making between $75,000 and $100,000 annually will pay more in taxes next year. More than half of those making between $100,000 and $200,000 will also see their taxes increase in 2023.

The vast majority of Americans making between $200,000 and $400,000 will experience higher levies in 2023, and by 2029 nearly one of every five Americans earning between $50,000 and $75,000 will get a tax increase, while none will receive any tax relief.

The JCT analyses did not account for the impact of the House Democratic proposal's repeal of the cap on the deductibility of state taxes that was included in President Donald Trump's 2017 tax reform.

But Crapo pointed to independent studies by the Tax Foundation and the Committee for a Responsible Federal Budget (CRFB) that "have shown that the net effect would essentially wipe out any tax hit on the wealthy, leaving the middle class to shoulder even more of the brunt of the tax burden in their bill."

The cap limited the amount taxpayers in high-tax states like New York, New Jersey, and California could deduct from their federal taxes to $10,000. Prior to Trump's reform, the unlimited deductibility served as an incentive for state lawmakers to raise levies. The House version of Biden's proposal restores the deduction up to $80,000.

In an Oct. 4, 2021 study, the Tax Foundation's Garrett Watson concluded that "our analysis illustrates how restoring the SALT deduction now would be more regressive than under prior law, strengthening the case for keeping the cap in place."

In a Nov. 8, 2021 analysis, the CRFB concluded that "we estimate extending the $80,000 SALT deduction cap beyond the current cap expirations in 2026, and reducing it to $10,000 in 2031, would technically raise around $300 billion. In reality, we view this revenue as highly questionable and more of a gimmick."

A spokesman for Wyden could not be reached for comment.