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Here Comes the Biden Tax Bill

Pelosi marches House Democrats to the political gallows.

By [The Editorial Board](#)

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Speaker of the House Nancy Pelosi, D-Calif., on Sept. 8.

PHOTO: J. SCOTT APPLEWHITE/ASSOCIATED PRESS

It's been under wraps longer than some Egyptian mummies, but the bill for the Joe Biden - [Nancy Pelosi](#) -Bernie Sanders spending agenda is about to be exposed to the air. The Ways and Means Committee draft tax increase that leaked over the weekend is a \$2.2 trillion Washington money grab for the ages.

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The tax proposals aren't final, but Ways and Means will start debating them as early as Tuesday. So much for deliberation. As Chairman Richard Neal has said, publicizing tax increases too soon gives the opposition time to build. Now that the details are out, we see what he means.

The most bizarre spin is that the House Democratic draft is less onerous than President Biden has proposed. As a share of GDP, the House proposal is still the largest tax increase since 1968. It also doesn't account for the Senate

Finance Committee, which has floated a paper with multi-trillions in tax increases to choose from. Think of this exercise as the all-you-can-eat politician's dinner at Applebee's.

If Americans are successful, Democrats want to tax more of their income. The top individual tax rate will rise to 39.6% from 37%, as Mr. Biden promised. But wait: The higher tax rate will kick in at a mere \$400,000 for individuals and \$450,000 for married couples. That's down from \$523,600 and \$628,300 under current law.

This is a steep rate increase on two-earner upper-middle-class families. They may reach these income levels after a long career, and only for a couple of years, but Democrats want more than 40% if you include the 1.45% Medicare payroll tax and the 3.8% ObamaCare surcharge on investment income.

If you make more than \$5 million, there will also be a three-percentage-point income-tax

surcharge. That would take the top tax rate to something like 46.4%. Add California or New York taxes, and government will take about 60%. hilariously, the committee figures the surtax will raise \$127 billion in revenue, as if the rich will be dumb enough not to find tax shelters.

The House proposal will hit small businesses that pay taxes through the individual code especially hard. They'll pay the higher individual rates, including a new 3.8% surtax on small business income, and they'll pay on more of their income because the Democratic proposal eliminates the 20% deduction on qualified business income.

That deduction was designed to equalize the tax burden for passthrough and Subchapter S companies with corporations. Now it will vanish for individual business owners who make more than \$400,000. This will mean less hiring and fewer raises for the employees of these firms.

The death tax exemption would also be cut in half to \$5.5 million—which would also hit small businesses and savers who have built up a small nest egg. If Republicans don't pound away on this assault on small business, they should retire from politics on grounds of incompetence.

Corporations come in for a \$900 billion fleecing, with the top tax rate rising to 26.5% from 21%. Add state and local corporate levies, and the 31% average rate will vault the U.S. back to the highest in the developed world. Congratulations, we're number one. The higher rate soaks some \$540 billion from U.S. corporations, and the bill snatches another \$360 billion in a complicated grab-bag of levies on overseas income.

The sum of these corporate taxes would be a greater burden on U.S. firms even than the global minimum tax that the U.S. Treasury is negotiating with developed countries via the Organization for Economic Cooperation and Development. The Europeans and Chinese must be astounded at this display of American economic masochism.

The political myth behind all this is that no one making less than \$400,000 a year will pay more. But the economic literature is clear that corporations don't pay taxes. They are merely the collection vessels for levies that are passed along to some combination of employees, consumers and shareholders. Much of the \$900 billion will be paid in smaller wage gains for workers who are already paying a Biden tax from higher inflation.

And who do Democrats think will pay the \$96 billion they expect to raise from higher taxes on tobacco and nicotine—the folks who summer on Martha's Vineyard?

One surprising oversight in the House draft is a restoration of a larger deduction for state and local taxes. The 2017 tax reform cut the maximum SALT deduction to \$10,000, and Democrats from high-tax states say they won't vote for a bill without a restoration.

Mr. Neal said in a joint statement with two swing-district Democrats that a final bill will include "meaningful tax relief" for "middle-class communities." But any major increase in SALT will be expensive, and that may mean even higher taxes elsewhere.

Even with some SALT restoration, this bill looks like a House Democratic suicide note. Mr. Neal and Speaker Nancy Pelosi want their Members to vote on this \$2.2 trillion in punishment even though Sen. Joe Manchin (D., W.Va.) says he won't vote for any more than \$1.5 trillion in new spending.

The White House claims it can get \$600 billion in revenue from dynamic scoring from its spending and Mr. Neal also claims \$700 billion in savings from drug price controls. That means there's only a need for \$200 billion in tax increases to pay for Mr. Manchin's spending limit. House Democrats could soon be voting for 11 times the tax increases that

the Senate will pass. Nice of the Speaker to volunteer her colleagues for retirement.

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