

Partisan split continues over infrastructure scope, offsets

President Biden and congressional Republicans continued to acknowledge the possibility of a bipartisan agreement on infrastructure legislation this week, but for all practical purposes they do not appear to have narrowed their wide differences on the size and scope of a potential bill – or bills – nor do they appear any closer to consensus on how or whether to pay for it.

In recent weeks, the president has proposed two massive packages of spending and tax proposals to overhaul the nation's physical infrastructure and shore up what the administration has dubbed the nation's "human" infrastructure.

Biden's American Jobs Plan calls for investing an estimated \$2.3 trillion to \$2.7 trillion (over eight years) in the transportation infrastructure, broadband, the electric grid, water systems, schools, manufacturing, renewable energy, federal housing, veterans' hospitals, and more, and would be paid for largely through increased taxes on corporations. (For details, see *Tax News & Views*, Vol. 22, No. 19, Apr. 9, 2021.)

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The president's American Families Plan calls for \$1.8 trillion over 10 years in proposed spending and tax credits in areas such as education, child care, health care, and paid family leave, and would be paid for primarily with tax increases on taxpayers earning more than \$400,000 per year. (For details, see *Tax News & Views*, Vol. 22, No. 23, Apr. 30, 2021.)

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McConnell: 'Zero' GOP support for White House plan

Although Republicans have for several years expressed interest in legislation that would significantly invest in physical infrastructure, they have criticized many of the nontraditional infrastructure proposals in the president's two plans and they have refused to consider the administration's proposed tax offsets – the majority of which would repeal or dial back provisions in the GOP's Tax Cuts and Jobs Act of 2017 (P.L. 115-97).

"I think it's worth talking about, but I don't think there will be any Republican support – none, zero – for the \$4.1 trillion grab bag which has infrastructure in it but a whole lot of other stuff," said Senate Republican Leader Mitch McConnell at a May 3 press conference in his home state of Kentucky.

A group of Senate Republicans, led by Sen. Shelley Moore Capito of West Virginia, offered a \$568 billion counterproposal to the American Jobs Plan in late April that is focused more narrowly on what they labeled "traditional infrastructure." (For prior coverage, see *Tax News & Views*, Vol. 22, No. 21, Apr. 23, 2021.)

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McConnell signaled that Republicans were willing to go raise their offer slightly (but still keep it well short of the amount the administration is targeting) even as he held to the GOP's red line on tax increases.

“We’re open to doing a roughly \$600 billion package which deals with what all of us agree is infrastructure,” McConnell said. “And to talk about how to pay for that in any way other than reopening the 2017 tax reform bill.”

Offsets recently floated by Republicans have focused on user fees, such as an increase in the federal gasoline tax, the imposition of a vehicle-miles-traveled tax, and tolls, as well as public-private partnerships and repurposing unspent funds previously approved in the federal response to the coronavirus pandemic.

White House draws lines of its own

The president and White House officials, meanwhile, laid out some of their own parameters for negotiations.

On pay-fors, Press Secretary Jen Psaki told reporters at a May 4 press briefing that “[i]f people have alternative proposals that don’t raise taxes on people making less than \$400,000 a year, ...we’re quite open to them.” But she ruled out user fees as possible offsets, saying that they would “put the burden [of paying for infrastructure improvements] on the backs of the American people.”

“Our view is that the 1 percent of people who are making over \$400,000 can afford to pay a little bit more...,” Psaki said.

President Biden, for his part, signaled this week he feels strongly about the tax increases he has put forward for both corporations and wealthy individuals.

“I’m not anti-corporate, but it’s about time they start paying their fair share,” Biden said during a speech in southeastern Virginia on May 3. “For too long, we’ve had an economy that gives every break in the world to the folks who need it the least. It’s time to grow the economy from the bottom up and the middle out,” he added.

In a similar vein, he told reporters on May 5 that his proposed tax hikes on upper-income individuals are “not going to affect their standard of living at all. Not a little tiny bit. But I can affect the standard of living that people I grew up with.”

At that same press event, Biden indicated that he is “open to compromising” on his proposed hike in the corporate rate to 28 percent, but he added that his spending and tax relief proposals would have to be fully paid for.

“I’m not willing to deficit spend,” he said. (It’s worth noting, though, that Biden’s insistence on fully offsetting the cost of his proposals could put him at odds with some lawmakers in his own party – including House Ways and Means Committee Chairman Richard Neal, D-Mass, who recently indicated he might be open to some deficit financing of a package given the US’s extremely low interest rates, and some of the more fiscally moderate Democrats who have expressed discomfort with the scope and size of the president’s proposals.)

The president has stated that he will continue talks with Sen. Capito and others about the GOP's counteroffer on infrastructure, although he told reporters April 29 that he considers the initial package insufficient.

"If [Republicans] come in with one-fourth or one-fifth of what I'm asking and say, '[t]hat's our final offer,' then no, no go," he said.

White House meeting ahead

The president plans to host Senate Majority Leader Charles Schumer, D-N.Y., House Speaker Nancy Pelosi, D-Calif., Senate Minority Leader McConnell, and House Minority Leader Kevin McCarthy, R-Calif., at the White House on May 12 to discuss infrastructure proposals and other issues.

This will be the first time the five leaders have met together since President Biden took office.

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