



HOUSE COMMITTEE ON THE BUDGET

Chairman John Yarmuth

Biden Budget Sets Nation Up for A Strong, Prosperous Future

Summary of the President's FY22 Budget

The Biden Administration began in the midst of crisis. The COVID-19 pandemic was raging, and the public health response was chaotic. At the same time, the related economic fallout kept many out of work. The President's American Rescue Plan helped get shots into arms, rescue checks to families, workers back in jobs, and needed funds to State and local governments. But the work was not complete. Our Nation faces serious deficits in our communities that long predate the pandemic: failing infrastructure, limited access to high-quality education and health care, a workforce without the skills needed to succeed in today's economy, growing income inequality, systemic racism, climate change, and more. The President's budget for 2022 lays out a visionary plan to address these needs and build a better and more secure future for America.

In releases over the past two months, the President has previewed his approach to strengthening our economy and improving the lives of American families. His American Jobs Plan makes the broad range of infrastructure investments that are essential for a modern economy. His discretionary request highlights the federal government's vital role in innovation, research, and other investments in our people, and responds to years of chronic underfunding and disinvestment. The American Families Plan focuses on creating a more inclusive economy that expands opportunities for all families to share in our prosperity. At the same time, the President seeks to reform our tax code to ensure that wealthy corporations and individuals pay their fair share. Today's budget shows how these proposals fit together to transform our country and meet the challenges ahead.

FY22 BUDGET AGGREGATES

(in billions of dollars)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Receipts	3,581	4,174	4,641	4,828	5,038	5,332	5,632	5,888	6,119	6,370	6,643
Outlays	<u>7,249</u>	<u>6,011</u>	<u>6,013</u>	<u>6,187</u>	<u>6,508</u>	<u>6,746</u>	<u>6,935</u>	<u>7,312</u>	<u>7,425</u>	<u>7,847</u>	<u>8,211</u>
Deficit	3,669	1,837	1,372	1,359	1,470	1,414	1,303	1,424	1,307	1,477	1,568

Creating Jobs and Revitalizing U.S. Manufacturing While Building 21st Century Infrastructure

The budget invests \$2.2 trillion over 10 years in fortifying and modernizing American infrastructure, while creating good-paying jobs and revitalizing U.S. manufacturing. Although physical infrastructure – roads, bridges, mass transit, the electric grid – is critically important and rightly receives significant funding, the budget takes a comprehensive approach when considering what is crucial to advancing our economy and securing our place in the global marketplace. The United States currently lags behind our

competitors, ranking only 13th in the quality of our infrastructure and falling behind in research and development. The budget rectifies this to protect American livelihoods and strengthen our competitiveness.

Builds world-class transportation infrastructure — The budget ends decades of underinvestment in transportation infrastructure and supports a historic shift to help our transportation system respond to climate change. The plan invests \$596 billion over 10 years in our transportation network. It includes \$112 billion to modernize the bridges, highways, roads, and main streets that are in most critical need of repair. Repair efforts will be designed to improve air quality, limit greenhouse gas emissions, and reduce congestion. An additional \$19 billion will improve road safety for all users. The plan provides \$77 billion to modernize existing transit and help agencies expand their systems to meet rider demand, doubling federal funding for public transit.

The plan would also invest \$74 billion in Amtrak and other programs that support passenger and freight rail. The budget accelerates the transition already underway to a more electrified transportation system that has a lesser impact on climate change. It invests \$157 billion in electric vehicles, including support for manufacturing of batteries and vehicles, incentives for consumers, funding to build a network of charging stations, and electrification of school buses. The budget also includes funding for other modes of transportation that are critical to jobs and the economy, providing \$25 billion for airports and the Federal Aviation Administration, as well as \$17 billion to support freight transportation by investing in inland waterways, coastal ports, land ports of entry, and ferries. Finally, it makes some broader transportation investments, spending: \$24 billion for a new program to redress historic inequities by restoring and reconnecting communities; \$42 billion to accelerate transformational projects and build the future of transportation; and \$49 billion for infrastructure resilience, including the safeguarding of critical infrastructure and services, defense of vulnerable communities, and deployment of green, nature-based resilience solutions.

Makes transformative investments in a renewed electric grid and energy-related economic development — The budget invests \$98 billion in building a resilient and upgraded electric grid and modernizing the power sector through clean energy block grants and clean energy support for rural electric cooperatives. This funding also supports economic development in distressed and disadvantaged communities through remediation and reclamation of abandoned mines, oil and gas wells, and other industrial brownfield sites; investments in next-generation carbon capture and hydrogen industrial facilities; and grants for critical new physical and civic infrastructure and community-driven environmental justice efforts. It also creates a Civilian Climate Corps to help build resilience, support environmental justice, and conserve public lands and waters. Together, these investments will increase energy resilience and security, lower energy costs, improve air quality, create good-paying jobs, and strengthen U.S. competitiveness on the pathway to 100 percent carbon-free electricity by 2035.

Ensures highspeed broadband reaches all Americans — The budget includes \$100 billion for a digital infrastructure, adoption, and affordability initiative that connects families to highspeed internet service. The initiative prioritizes extending broadband service to underrepresented and hard-to-reach communities and allowing municipal and nonprofit service providers to compete with private entities. The budget envisions closing the digital divide by lowering the cost of service to make high speed broadband available and affordable for all families.

Improves public health by rebuilding clean drinking water infrastructure — In addition to funding requested through the appropriations process, the budget provides \$111 billion to replace the Nation’s lead pipes and service lines and reduce lead exposure in homes, schools, and child care facilities; modernize drinking water, wastewater, and stormwater systems, including in rural communities; and monitor and remediate new drinking water contaminants such as per- and polyfluoroalkyl substances (PFAS).

Invests in research and development (R&D) and cutting-edge technologies to spur American innovation, competitiveness, and job creation — The budget provides \$180 billion in new, direct funding for researchers and laboratories, primarily in emerging technology areas critical to U.S. economic leadership, such as semiconductors, advanced computing, biotechnology, and advanced clean energy. It supports a new technology directorate at the National Science Foundation, upgrades research capabilities at Department of Energy and other federal laboratories, and invests in R&D across the country and at Historically Black College and Universities (HBCUs) and other Minority Serving Institutions (MSIs). It addresses a full range of breakthrough technologies needed to address the climate crisis and establish the United States as the global clean energy leader, including by launching an Advanced Research Projects Agency-Climate (ARPA-C) and supporting demonstration-scale energy projects. This funding also includes \$25 billion for R&D investments and fellowships at HBCUs and other MSIs, to help eliminate racial and gender inequities and unleash the full innovation capacity of the nation.

Revitalizes American manufacturing and small businesses, creating economic and job growth across the country — The budget includes \$130 billion in direct funding for a supply chain resilience fund to support domestic production of critical goods, semiconductor manufacturing and research incentives, and protection against future pandemics by accelerating vaccine, therapeutics, and other medical countermeasure development and production. It further provides \$100 billion to increase access to capital and establish early markets for domestic manufacturing through expanded financing facilities, investments in biobased product manufacturing and automotive supply chain modernization, and Federal procurement of carbon-free power, sustainable buildings, and electric vehicle fleets. It also includes \$68 billion to establish regional innovation hubs and to support advanced manufacturing research, small- and medium-sized manufacturing business incubators and assistance, and innovative community-led economic development projects. These efforts will collectively emphasize rural, Tribal, and disadvantaged communities outside the current U.S. high-growth centers.

Builds and retrofits buildings across the country for energy efficiency and expanded housing options — Addressing the affordable housing crisis, the budget includes \$212 billion to build, preserve, and retrofit more than two million homes and commercial buildings. The budget includes funding to build and repair affordable housing units – such as the \$45 billion increase in the Housing Trust Fund and \$40 billion in public housing capital funding – but also investments in energy efficiency and sustainability. Rising home utility costs have contributed to the affordability crisis. The budget addresses long-term housing sustainability with \$27 billion for a new Clean Energy and Sustainability Accelerator to leverage private sector resources to retrofit homes with energy efficient technology and solutions, \$18 billion in weatherization grants, and \$13 billion in energy efficiency block grants. The budget also invests \$87 billion in upgrading and building schools, including community college facilities, and child-care facilities to ensure they are safe, healthy, accessible, energy-efficient, and resilient.

Invests \$400 billion in home or community-based care for seniors and people with disabilities — The COVID-19 pandemic exacerbated a longstanding caregiving crisis, as families struggled to afford the costs of caring for aging relatives and family members with disabilities. At the same time, many of the essential workers who provide this critical care are chronically underpaid and undervalued, and they are disproportionately women and people of color. The budget’s investment of \$400 billion in home and community-based services will expand access to services and strengthen the workforce that provides this care by creating new and better-paying jobs. The budget also extends the Money Follows the Person program, which allows people to have a choice of where they live and where they receive long-term services and supports.

Supports workforce development — The budget invests \$87 billion over 10 years in workforce development so that America will have a stronger, more agile workforce. This includes a \$16 billion for a new Dislocated Workers Program to help retrain workers who lose jobs through no fault of their own, \$11 billion to train workers facing the highest barriers, like the formerly incarcerated, \$8.7 billion to support efforts to expand career pathways for middle and high school students, along with \$10 billion to enforce rules to help keep workers safe and healthy and earning fair pay.

Strengthening Families and Ensuring More Broadly Shared Prosperity

Even before the pandemic, too many American families struggled to make ends meet. Underlying inequities and widening income inequality – exacerbated by the pandemic-driven recession – have negatively impacted many working Americans’ financial security. In the United States, the wealthiest nation on earth, this is neither acceptable nor inevitable. We have the means and opportunity to make sure that all families – regardless of race, gender, or place of residence – can meet their basic needs and participate in an economy with broadly shared prosperity. The budget lays out policies that will create a better future and expand opportunities for all American families.

Provides four additional years of free education — A more educated workforce means a stronger economy in the future. The budget makes this possible by providing quality pre-k and community college. Research shows that early investments in education pay off for years to come. The budget follows those findings and invests \$165 billion over 10 years to provide free, high-quality, accessible pre-k to all three- and four-year-olds. At that same time, to increase college access and affordability, the budget invests \$109 billion for two years of free community college, as well as \$53 billion for evidence-based strategies to improve community college retention and \$84 billion to increase Pell grants. In addition to investments discussed above, the budget spends \$6 billion for Historically Black Colleges and Universities, Tribal Colleges and Universities, and Minority Serving Institutions; and \$8 billion to train, equip and diversify America’s next generation of teachers.

Makes critical investments in child care — The crushing cost of child care in America is a burden to families and makes it harder for parents, and particularly mothers, to work outside of the home. The budget invests \$225 billion over 10 years to make child care more affordable. For families with the lowest income, child care will be free, while low- and middle-income families will only pay 7 percent of their income in child care costs. Meanwhile, child care providers will receive funding to cover the true cost of high quality care, including providing a living wage to child care workers.

Creates universal paid family and medical leave — The budget creates a new national paid leave program so that workers no longer have to make a difficult decision to forgo income when it is important to take time away from work to care for themselves or a loved one. Once fully phased-in, the program would provide workers up to 12 weeks of paid parental, family, and personal illness leave, replacing up to \$4,000 per month of earnings. The leave program will cost \$225 billion over 10 years.

Delivers nutrition security to America's vulnerable families — The budget builds on the antipoverty and food security initiatives in the American Rescue Plan by expanding critical nutrition assistance so that families have healthy food options for their kids at school and at home. The budget invests \$45 billion over 10 years in four primary ways. First, it makes the summer EBT demonstration permanent and increases the number of children in low income families that can purchase meals during the summer when out of school. With a \$26 billion investment, this expansion will further decrease food insecurity among the 29 million children that receive free and reduced-price meals. The budget also provides \$17 billion for free school meals to all students in high poverty school districts. An additional 9.3 million students receive free meals under the Administration's proposal. So that schools can provide healthier food choices, the budget invests \$1 billion in a demonstration project for schools that exceed current healthy food standards. Finally, the budget invests almost \$900 million to provide SNAP eligibility to individuals formerly incarcerated for drug offenses so they can feed their children when they return to their families.

Extends key tax benefits for lower- and middle-income workers and families — The budget provides nearly \$800 billion of tax benefits for workers and families over 10 years by extending the expanded tax credit provisions enacted in the American Rescue Plan, including the Child Tax Credit, the Earned Income Tax Credit, and the Child and Dependent Care Tax Credit. These key benefits not only help lower- and middle-income families make ends meet, but also have been shown to boost children's academic and economic performance over time. The budget extends through 2025 the expanded Child Tax Credit, increasing the credit amount to \$3,000 for children aged 6 to 17 and \$3,600 for children under 6, and makes this credit fully refundable on a permanent basis so that this benefit becomes fully available to families with no earnings or low earnings. Furthermore, the budget permanently extends the expanded Marketplace tax credits enacted in the American Rescue Plan, which are lowering health insurance costs by an average of \$50 per person per month for nine million people and will enable millions of uninsured people to gain coverage.

Properly Funding Non-defense Discretionary (NDD) Investments

Discretionary priorities have faced chronic underinvestment for years due to a self-inflicted austerity regime. The pandemic and related economic downturn shined a bright light on the serious repercussions of conflating forced austerity with fiscal responsibility. Our Nation was not prepared for the challenges and crises we faced. This budget, the first after the expiration of discretionary caps put in place a decade ago, provides funding levels that will meet the needs of the American people, spur short- and long-term economic growth through responsible investments, and begin to counteract the detrimental effects of disinvestment in our people. This funding will also reverse the hollowing out of our federal agencies, a goal of "disruption" in the previous Administration. It is not enough to fund programs and agencies: we must also fund the people and resources needed to make them successful. Investing in the federal workforce will ensure programs are well-functioning, and that those who are entitled to benefits receive

them while those who owe taxes pay them. The budget provides a 16.5 percent increase in non-defense discretionary spending for 2022, which together with the American Jobs Plan and American Families Plan will finally set the stage to not only meet ongoing challenges but also responsibly prepare for whatever problems may arise.

Invests in the knowledge, technologies, and actions needed to tackle the climate crisis and lead in the clean energy economy — The budget supports major new climate change investments to put the United States on a path to net-zero emissions no later than 2050 while generating economic growth and new clean energy job opportunities. In addition to the resources provided in the American Jobs Plan, the 2022 discretionary budget invests more than \$10 billion in clean energy innovation and technologies across non-defense agencies, a nearly 30 percent increase above 2021 that will enhance U.S. competitiveness and reduce emissions. It provides more than \$4 billion for climate science and sustainability research across agencies that also supports regional and local adaptation and resilience decision-making. It supports incorporating climate impacts into pre-disaster planning and projects and strengthening the resilience of ecosystems, federal facilities and operations, and vulnerable and underserved communities to wildfires, flooding, and drought. And it includes more than \$2.3 billion for international climate programs, multiple times the investment enacted for 2021, to assist developing countries reduce emissions and adapt to climate disruptions. Overall, the budget includes more than \$36 billion to combat climate change by investing in resilience and clean energy – an increase of more than \$14 billion compared to 2021 -- and prioritizes support for disadvantaged and other communities that have been left behind.

Protects our air, water, environment, and health and supports distressed and disadvantaged communities — The budget provides \$11.2 billion for the Environmental Protection Agency, an increase of \$2.0 billion (or 22 percent) above 2021, including to restore critical staff capacity and programmatic capabilities, implement climate change programs, and accelerate toxicity studies and regulatory development. It invests more than \$1.4 billion to secure environmental justice for marginalized and overburdened communities, in addition to ensuring that 40 percent of the benefits of climate and clean infrastructure investments accrue to these communities. The 2022 discretionary budget also includes \$3.6 billion, which is \$625 million above 2021, for drinking and waste-water infrastructure improvement. And it supports communities transitioning away from coal and other fossil fuel plants and production by funding remediation of abandoned wells and mines and a new multi-agency POWER+ Initiative to transform local economies and assist, reskill, and reemploy workers.

Makes historic investments in education — The COVID-19 crisis forced students to learn remotely for over a year, a challenge for students and teachers. The budget makes significant investments in our kids throughout their education. The 41 percent increase for the Department of Education's discretionary budget (to \$103 billion) is the largest increase provided to any cabinet agency. Notably this funding includes \$36.5 billion for Title I grants to support under-resourced schools – a \$20 billion increase over the 2021 enacted level and the largest single increase ever for Title I grants. The budget also provides \$16 billion, a \$2.7 billion increase over 2021, for Individuals with Disabilities Education Act grants to increase the federal share of special education and related services for the first time in eight years. To support the physical and mental well-being of students after this challenging year, the budget provides an additional \$1 billion for counselors, nurses, and mental health professionals in schools. While the budget makes historic investments in K-12 education, it also provides significant support to higher

education, including increasing the maximum Pell grant by \$400, that in combination with new mandatory spending will increase the maximum award by \$1,875.

Strengthens public health infrastructure to enhance our ability to address existing and emerging threats — The COVID-19 pandemic made it clear that the chronic underfunding of public health has serious costs. The budget builds on the public health investments in the American Rescue Plan to strengthen our nation’s response to future public health crises and drive innovation in biomedical research. It provides \$8.7 billion for the Centers for Disease Control and Prevention, an increase of \$1.6 billion over the 2021 enacted level – the largest increase for the agency in nearly two decades. These new resources will rebuild core public health infrastructure, reduce racial and ethnic disparities, deploy public health approaches to reduce violence, and address the effects of climate change on health, among other initiatives. Finally, the Budget includes \$51 billion for the National Institutes of Health, an increase of \$9 billion over the 2021 enacted level. In part, this funding establishes the Advanced Research Projects Agency for Health (ARPA-H), which will accelerate the development of treatments and cures for cancer, diabetes, and Alzheimer’s disease.

Increases the supply, quality, and affordability of rental housing — Congress and the White House provided emergency rental and homelessness assistance in the American Rescue Plan as at-risk families struggled to keep a roof over their head during the pandemic. That critical support continues to save households from eviction so that they do not have to make an impossible choice between paying their rent or feeding their family. But ending the pandemic will not end our nation’s housing crisis. For almost two decades before the pandemic, modest growth in renters’ real income (3.4 percent) did not keep pace with a significant increase in rent (15 percent after inflation). Federal rental assistance programs have not helped enough families fill that gap – with three out of four at-risk, eligible households not receiving support.

The President’s discretionary request makes a big investment in the country’s rental assistance programs and affordable housing infrastructure to help more at-risk families afford quality, modern housing. The budget includes \$30.4 billion in Housing Choice Vouchers, a \$5.4 billion increase over 2021 enacted funding, to continue rental assistance for families currently receiving aid but also to support 200,000 new families. To address the homelessness crisis, the budget requests \$3.5 billion for Homeless Assistance Grants, an increase of \$500 million over the 2021 enacted level, to support an additional 100,000 families through emergency shelters, rapid-rehousing, transitional housing, and permanent solutions. Families supported through these assistance programs will have new and rehabilitated housing options. In addition to the investments included in the American Families Plan, the discretionary request includes an \$800 million increase for programs to increase the energy efficiency and sustainability of affordable housing, a \$435 million increase in public housing modernization grants, and a \$500 million increase in the HOME Investment Partnership Program to build and rehabilitate affordable rental housing.

Strengthens American leadership in science, technology, and innovation — In addition to the transformative R&D investments in the American Jobs Plan, the budget provides \$171 billion in 2022 discretionary R&D funding across the federal government, an increase of \$13 billion, or 9 percent, above the 2021 enacted level. This funding supports foundational research that advances the frontiers of knowledge and underpins our innovation economy. It also advances applied research and development in areas that are crucial for addressing climate change, accelerating health breakthroughs, and securing

U.S. leadership in critical technologies – strengthening U.S. competitiveness and economic growth and improving Americans’ lives and livelihoods. Highlights include \$10.2 billion for the National Science Foundation, an increase of \$1.7 billion (or 20 percent) above 2021; \$24.8 billion for NASA, an increase of \$1.5 billion (or 7 percent); and \$1.5 billion for the National Institute of Standards and Technology, and increase of \$463 million (or 45 percent) that includes more than doubling funding for its manufacturing programs.

Makes global leadership a priority — U.S. global leadership is essential to our national security. It serves as a first line of defense by protecting democratic values, fostering goodwill, and stabilizing vulnerable areas around the world through diplomacy and development. After four years of an administration bent on hobbling our diplomatic corps and ceding global influence to China and other foreign powers, this budget once again makes U.S. global leadership a high priority. It provides \$64 billion for international affairs activities, an 11 percent increase above the 2021 enacted level. This increase will help rebuild our diplomatic corps and make important investments in global health programs to combat the pandemic, international programs to mitigate the destabilizing effects of climate change, and development programs to address the root causes of irregular immigration from Central America, among others.

Fulfills sacred obligation to our veterans — The budget provides \$113 billion in discretionary funding for the Department of Veterans Affairs (VA), an \$8.5 billion or 8.2 percent increase from 2021. This funding includes \$97.5 billion for VA medical care, including increases in funding for women’s health, mental health, suicide prevention, and veterans’ homeless programs to improve access for underserved veterans. The funding also includes \$882 million for medical and prosthetic research—including the largest increase in recent history—to advance VA’s understanding of traumatic brain injury, the effects of toxic exposure on long-term health outcomes, and the needs of disabled veterans. The budget also provides \$111 billion in advance appropriations for VA medical care programs in 2023.

Supports needed reforms in justice system — The budget provides \$35.3 billion for the Department of Justice, a \$1.8 billion, or 5.3 percent, increase above the 2021 enacted level. Funding is targeted to make progress on a number of important reforms, including efforts to reduce prison populations, advance police reforms, support the prosecution of hate crimes, end gender-based violence, reduce gun violence and domestic terrorism, and ensure equal treatment and protection of all people under environmental policy and law.

Meeting National Defense Needs

The budget provides \$753 billion for national defense for 2022, a 1.6 percent increase from the comparable 2021 level. With this funding, our military will have the resources it needs to meet challenges around the world, modernize and secure domestic defense systems, and ensure that military members and their families get the support they deserve. The budget ends the use of the “overseas contingency operations” designation, which limited budget enforcement over defense dollars, bringing more accountability to the budget process.

Funds national defense based on comprehensive security strategy — The Administration prioritizes deterring the threat from China as its top security challenge and focuses on a more comprehensive security strategy that involves all elements of our national power. The defense budget includes \$715 billion for the Department of Defense and \$38 billion for the nuclear weapons-related activities of the

Department of Energy and for various security activities at several other agencies including the Coast Guard and Federal Bureau of Investigation. Beyond the budget year, the budget includes placeholder estimates pending final review of the national security strategy. Those estimates increase 2.2 percent per year, roughly inflation levels, over 2023 through 2026, and 1 percent per year over the remaining five years of the 10-year budget window. That lower annual rate is a proxy for long-run efficiency savings the Administration believes the Pentagon can achieve in the defense budget.

Ends the Overseas Contingency Operations (OCO) loophole — For 2021, Congress enacted \$69 billion of OCO-designated funding for defense and \$8 billion for nondefense. Most of that funding was used to finance regular activities unrelated to overseas operations, a practice that has become an annual exercise to skirt budget caps. The abuse of this designation has gone on far too long and the budget finally ends this practice by moving defense and nondefense activities previously funded with OCO-designated funds to the base budget. This will ensure better management of resources by providing more predictable funding streams and eliminating a long-abused mechanism to circumvent regular budget processes to avoid making budget tradeoffs.

Ensures NDD components of national security fulfill their roles — This budget recognizes that strong national security depends on more than just our military. It requires strong diplomacy, robust veterans' programs, effective homeland security activities, aggressive mitigation of the destabilizing effects of climate change, readied pandemic defenses, and an economy poised to compete and win, which underpins our national strength. The budget makes significant investments in each of these areas. On all counts, this budget marks a stark departure from the haphazard security approach of the last administration, which eschewed U.S. global leadership, cozied up to dictatorships, and relied on our military as our first and last line of defense against security threats.

Making a Fairer Tax Code

The budget raises \$3.6 trillion in new revenues over 10 years, and enough to offset the costs of the American Jobs Plan and the American Families Plan over 15 years. Families earning less than \$400,000 per year are not asked to contribute more and instead are provided with greater tax benefits, including extensions of the higher Child Tax Credit, Earned Income Tax Credit, and Marketplace tax credit enacted in the American Rescue Plan (see discussion above under Strengthening Families). The new tax code will encourage investment in the United States and ensure that corporations and the wealthy contribute to the betterment of our Nation by paying their fair share.

Ensures big corporations pay their fair share — The budget raises \$2.3 trillion in new corporate tax revenues over the next decade and enough in the next 15 years to fully pay for the investments in the American Jobs Plan. The President's Made in America corporate tax plan incentivizes job creation and investment in the United States, stops unfair and wasteful profit-shifting to tax havens, and ensures that large corporations are paying their fair share. The tax plan reverses the damage caused by the 2017 tax law and fundamentally reforms the way the tax code treats the largest corporations by increasing the corporate tax rate to 28 percent, returning corporate tax revenue as a share of the economy to approximately its 21st century average before the 2017 tax law; increasing the minimum tax on U.S. multinational corporations to 21 percent and calculating it on a country-by-country basis to discourage shifting profits and jobs overseas; preventing U.S. corporations from relocating operations overseas or claiming tax havens as their residence; enacting a 15 percent minimum tax on large corporations' book

income; and making other corporate tax changes. The plan also eliminates tax preferences for fossil fuels, extends and enhances incentives for clean energy, energy efficiency, and electricity transmission, and ensures polluting industries pay for environmental cleanup by restoring payments into the Superfund Trust Fund.

Ends tax loopholes for the wealthy — The budget reforms the tax code so that the wealthy have to play by the same rules as everyone else. The budget raises more than \$750 billion in new revenues over 10 years by making sure the highest-income individuals pay their fair share. Major proposals include restoring the top individual tax rate to what it was before the 2017 law (39 percent), which would apply only to those with incomes within the top one percent of taxpayers; ending capital income tax breaks for households making over \$1 million so that these households pay the same tax rate on investment returns as wages; eliminating the loophole that allows the wealthiest Americans to entirely escape tax on their wealth by passing it down to heirs by ending the practice of “stepping-up” the basis for gains in excess of \$1 million per individual or \$2.5 million per couple; closing the carried interest loophole so that hedge fund partners will pay ordinary income rates on their income just like every other worker; and making other reforms in the tax code to reward work and not wealth. The Administration’s plan will protect family-owned businesses and farms being passed down heirs who continue to run the business.

Provides the IRS with the resources it needs to crack down on wealthy tax cheats and improve taxpayer services — The budget provides \$78 billion over 10 years to restore the Internal Revenue Service’s (IRS) resources, including \$71 billion of mandatory funds and \$6.6 billion for a new discretionary program integrity adjustment. This would fund the IRS’s priorities, including hiring new specialized enforcement staff to audit those with the highest incomes, modernizing antiquated information technology, and investing in meaningful taxpayer services, such as the implementation of the newly expanded tax credits aimed at providing support to American families. The increased audits would focus on those with the highest incomes, who earn income in opaque categories like partnership and proprietorship income, where misreporting rates are high. Audit rates will not rise for those with less than \$400,000 in income. Increased audits of high-income individuals and improved financial account information reporting would build a more equitable tax system and help close the tax gap, which is estimated to raise \$779 billion in new revenues over the next decade and \$1.6 trillion more in the second decade.