

American Families Plan – Notes

April 28th, 2021, President Biden released more detail on the next round of reform he is planning. As we all know proposed legislation never moves through as actual law without changes. Take these notes for what they are, planned reform versus passed law.

Like the American Recovery Plan bill, the legislative process known as Reconciliation will likely be used in the Senate. Reconciliation allows the senate to pass a bill with a simple majority versus the normal 60 votes required (Avoids the filibuster rule). The Reconciliation process mandates that bills may only contain budget-related provisions, e.g. revenue (taxes), spending (appropriations), and the debt ceiling. At this point these Reconciliation bills are policy reform and is the way a party with a majority less than 60 can pass legislation.

The House of Representatives would also have to support any bill and given the slim majority there as well it is unclear if this plan is feasible. There surely will be months of negotiations going forward.

- **Estimated \$1.8 trillion cost**
 - Separate from American Recovery Plan (MAR 2021) \$1.9 trillion and Infrastructure bill \$2.3 trillion (TBD)
- **Tax reform and tax increases**
 - **Adjust IRS audit targets and change reporting**
 - *(\$700B estimated revenue)*
 - Hire additional resources to target corporations, businesses, estates, and high-net-worth individuals
 - Force banks to institutions to report all account flows and any investment earnings
 - **Increase Tax Brackets**
 - *(No estimated revenue)*
 - Returns top tax bracket to 39.6% federal
 - Adjusts the range for the other brackets above 32%
 - **Capital gain change**
 - *(No estimated revenue)*
 - Long-term capital gain rate to adjust to 39.6% for those that make over \$1M annually
 - \$1M is all forms of income
 - **Step-up in basis on death dramatic decrease**
 - *(No estimated revenue)*
 - Eliminate the step up in basis on any gains greater than \$1M (\$2M per couple)
 - \$500K primary residence real estate benefit not included
 - There will be a small carve out for family-owned business and family farms where the heir takes over
 - **Remove carried interest tax benefit available to investment funds**
 - *(No estimated revenue)*

- Makes all earnings in a fund taxable as income
 - **Elimination of 1031 Exchanges for real estate capital gain deferral**
 - *(No estimated revenue)*
 - Eliminate ability to defer real estate gains on investment properties
 - **Further restrict business loss carryover rules**
 - *(No estimated revenue)*
 - No clear detail here other than extending the current loss carryover limitations
 - **Apply 3.8% Net Investment Income Tax (Obamacare tax) on any income above \$400K**
 - *(No estimated revenue)*
 - Would lower tax for some and likely increase for others
- **Expand income based tax credits and the IRS**
 - **Extend Affordable Care Act (ACA) premium tax credit further**
 - *(\$200B estimated cost)*
 - Lower healthcare premiums for those who use the healthcare exchange and purchase healthcare on their own – income phased
 - Make permanent
 - **Extend Child Tax Credit (CTC) Increases further**
 - *(No estimated cost)*
 - Increases CTC to \$3,600 from 3,000 per child under six – income phased
 - Makes the credit fully refundable regardless of income
 - Extends to 2025
 - Credit proposed to be delivered “regularly” rather than during tax filing
 - **Permanently Increase Child Care Tax Credit (CCTC)**
 - *(No estimated cost)*
 - Dramatically increase the refund for childcare expenses – income phased
 - \$4,000 per child, or \$8,000 for two or more under age 13
 - Adjusts eligibility and removes benefit for families that make over \$400K
 - 50% refund for families making less than \$125K
 - Phased out for families making \$125K - \$400K
 - **Make the Earned Income Tax Credit (EITC) permanent**
 - *(No estimated cost)*
 - Make permanent the tripling benefit for childless workers that passed with the American Recovery Plan
 - **Expand the IRS authority to regulate**
 - *(No estimated cost)*
 - Expand IRS’ ability to regulate “tax preparers” similar to SEC in financial services
- **Education reform and change**
 - **Create a national universal pre-school program**
 - *(\$200B estimated cost)*
 - Built for all three and four-year-old children
 - Calling for state implementation of this program

- \$15 per hour national minimum wage for all employees working in the “Head Start” or “Pre-K” programs
 - **Free two year community college to all Americans and DREAMers**
 - ***(\$109B estimated cost)***
 - Only available for “first-time” students and workers wanting to reskill themselves
 - **Increase Pell Grant award**
 - ***(\$10B estimated cost)***
 - Intent is to add another \$1,400 in addition to low-income students
 - This benefit would be extended to DREAMers
 - **College retention and completion grant for low-income**
 - ***(\$62B estimated cost)***
 - Vague details but a program around supporting those who have challenging or low income positions during their college years
 - Retention of diverse faculty and transfer agreements of universities also mentioned
 - **Two years of Subsidized tuition for “high-demand” fields at minority institutions programs with additional grants**
 - ***(\$46B estimated cost)***
 - HBCUs (Historically Black Colleges and Universities)
 - HSIs (Hispanic-Serving Institutions)
 - TCUs (Tribal Colleges and Universities)
 - Program designed to encourage more highly technical careers
 - **Education and Preparation for Teachers**
 - ***(\$9B estimated Cost)***
 - Address teacher shortages by improving the preparation and pipeline and adding more teachers of color
 - Assist current teachers earn in demand credentials to promote their career
 - Invest in education mentorship to help new teachers and teachers of color
- **Childcare and family support reform**
 - **Childcare reform**
 - ***(\$225B estimated cost)***
 - Limit childcare out of pocket for certain incomes to 7% of income
 - Implement \$15 per hour national minimum wage for the care workforce
 - Provider support and funding to promote smaller programs
 - **National Paid Leave**
 - ***(\$225B estimated cost)***
 - Implement a national paid family medical leave plan
 - \$4,000 a month with a minimum of 67% of average weekly wages or 80% for low wage workers
 - **Nutrition reform**
 - ***(\$45B estimated cost)***
 - Expand EBT to all eligible children nationwide
 - Expand school meals program

- Launch a healthy food incentive to reward schools which expand to healthy offering
- Allow prior convicts to be eligible for SNAP benefits
- **Unemployment insurance reform**
 - *(No estimated cost)*
 - Extend the length and amount of unemployment benefits