

# THE AMERICAN FAMILIES PLAN

In advance of his first address to a joint session of Congress last night, President Joe Biden unveiled the next component of his Build Back Better agenda – the American Families Plan. The proposal covers a range of policies impacting children and workers – including education, nutrition, paid leave, childcare, and more. The proposal would invest \$1 trillion in programmatic spending, and another \$800 billion in tax credits – totaling \$1.8 trillion.

The administration is proposing that the plan can be fully paid for over the next fifteen years through tax increases included in both the American Families Plan and the American Jobs Plan (the administration’s \$2.25 trillion infrastructure proposal released last month).

The proposal comes at a time when Congress is mostly focused on finding a bipartisan, bicameral solution for an infrastructure package. Given the focus on infrastructure and the ongoing hurdles to finding bipartisan consensus, it seems unlikely that there will be significant appetite from lawmakers to direct additional spending towards the proposals contained in the American Families Plan.





## Education

- \$200 Billion: Universal Pre-Kindergarten
- \$109 Billion: Free Two-Year Community College
- \$80 Billion: Increasing Pell Grants' Maximum to \$1,400
- \$62 Billion: Boosting Retention Rates for Disadvantaged Students
- \$46 Billion: HBCUs & MSIs
- \$9 Billion: Teacher Training & Diversification

- \$225 Billion: Making childcare more affordable and investing in the care workforce
- Provides a range of options to help people afford care

- Increases the minimum wage for the childcare workforce to \$15 per hour
- Ensures that low-income families pay 7% of their income at most for care



## Childcare



## Paid Leave

- \$225 Billion: Creation of a national comprehensive paid family & medical leave program
- Will provide 12 weeks of paid leave within 10 years
- Provides workers up to \$4,000 per month
- Offers a minimum of 2/3 of weekly wages replaced, and up to 80% for the lowest-income workers

- \$25 Billion: Expand the Summer EBT Program
- \$17 Billion: Provide free meals for children in areas where 40% of students use SNAP funds (through CEP)

- \$1 Billion: Create a school "healthy foods incentive demonstration"
- Permit incarcerated individuals to be eligible for SNAP



## Nutrition



## Unemployment

- Contains a commitment to working with Congress to adjust the size and duration of unemployment insurance benefits according to evolving economic conditions.
- Emphasizes the need for "permanent reform" of the UI system to improve the program and offer more equitable access to disadvantaged workers.

- \$200 Billion: Make the American Rescue Plan's (ARP's) ACA premium tax credits permanent
- Extend the ARP's Child Tax Credit increases through 2025 and make it fully refundable

- Make the ARP's Child & Dependent Care Tax Credit expansion permanent
- Make the ARP's Earned Income Tax Credit expansion permanent
- Broadens IRS oversight authority



## Tax Credits

# THE PAY FOR: “TAX REFORM THAT REWARDS WORK – NOT WEALTH”

The Biden administration proposes several tax changes to pay for the investments detailed in the American Families Plan, estimating that the reforms would generate \$1.5 trillion over the next decade. This is in addition to the corporate tax increases included in the American Jobs Plan, with the administration estimating that the tax changes in the two plans will pay for the investments over the next 15 years.

## Individual Tax Rate on the Top 1%

37.0% —————> 39.6%

This rate increase will apply to the top 1% of American taxpayers. This effectively undoes the change from the 2017 tax overhaul, which changed the tax. This move from the Biden administration reverts the tax back to 39.6%, which is what the rate was prior to 2017.

## Capital Gains & Dividends for Millionaires

20.0% —————> 39.6%

This rate change applies to households making over \$1 million annually – approximately the top 0.3% of all households in the U.S. This change mandates that millionaires pay the same tax rate on all their income – applying the 39.6% rate to capital gains and investments. The plan also expands taxation on capital gains over \$1 million that are inherited.

## Increased IRS Audit Authority

\$80 billion investment —————> \$700 billion collection

The administration is reportedly proposing an investment of \$80 billion in the IRS to provide enhanced oversight capabilities. It's estimated that this investment will result in increased tax compliance from high-income earners, and will generate an additional \$700 billion over the next ten years.

## Additional Reforms

- Requires all taxpayers earning over \$400,000 to pay the **3.8% Medicare tax** on their earnings.
- Closes the **carried interest loophole**.
- Ends the **special real estate tax break**.
- Extends restrictions on “**large, excess business losses**.”