

## Build Back Better Supports Economic Growth by Increasing Tax Fairness

The Build Back Better Act will reduce costs and cut taxes for working families, make critical investments to grow the economy, promote shared prosperity and increase revenue by asking the wealthiest Americans and the most profitable corporations to pay their fair share. Passing the fully paid-for Build Back Better Act, in addition to the recently enacted bipartisan Infrastructure Investment and Jobs Act, will support sustained economic growth, increase productivity, create jobs and reduce long-term inflationary pressure.

- Build Back Better, as passed by the House of Representatives, asks the wealthy and big corporations to pay their fair share, while cutting taxes and reducing costs for an average family of four [by \\$7,400](#).
- Moody's Analytics projected that passing both the Build Back Better Act and the bipartisan Infrastructure Investment and Jobs Act would [boost real GDP growth to 4.8%](#) in 2022.
- The Economic Policy Institute projected that the Build Back Better Act will [support 2.3 million jobs](#) per year in its first five years.

In addition, 17 recipients of the Nobel Prize in economics wrote in a September [letter](#) that “Because this [Build Back Better] agenda invests in long-term economic capacity and will enhance the ability of more Americans to participate productively in the economy, it will ease longer-term inflationary pressures.”

### *Build Back Better asks the wealthy and corporations to pay their fair share*

Build Back Better, as passed by the House of Representatives, will ask multi-millionaires and billionaires to pay more, invest in tax administration to ensure the wealthy actually pay what they owe, prevent the largest and most profitable corporations from paying nothing in taxes and stop rewarding corporations for booking profits overseas. Earlier this year, the Institute on Taxation and Economic Policy found that [55 of the largest U.S. corporations](#) paid no federal corporate income taxes in 2020, while reporting from *ProPublica* revealed that the country's [wealthiest individuals](#) pay little to nothing in personal income taxes.

The House-passed Build Back Better Act will impose a new income tax surcharge only on taxpayers making over \$10 million each year—a change that will [raise over \\$91 billion](#) over the next five years to make investments in working families. The new surtax on the income of multi-millionaires and billionaires will apply to just [the wealthiest 0.02%](#) of all Americans.

Investing in tax administration will ensure the highest earners actually pay what they owe, just as nearly all hardworking Americans already do. Many wealthy taxpayers are able to hide their income from the IRS and avoid paying their fair share in taxes. This results in the tax burden falling disproportionately on compliant wage earners, whose income is reported automatically to the IRS.

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As a result of chronic disinvestment in the IRS, audit rates on those making over \$1 million per year have [fallen by more than 60%](#) over the last decade. This has led to a two-tiered tax system: one for the wealthiest Americans and one for everybody else. Additional enforcement in the Build Back Better Act will be focused on pursuing only those with income [greater than \\$400,000](#).

### *Build Back Better will ensure that multinational corporations cannot avoid paying taxes*

To stop very profitable corporations from avoiding paying taxes, the House-passed Build Back Better Act will impose a [15% minimum tax](#) on the corporate profits that large corporations with over \$1 billion in profits report to shareholders.<sup>1</sup> The legislation aims to raise revenues by targeting large corporations with major discrepancies between their “book income”—the amount of income corporations report in financial statements for shareholders—and their taxable income.

The Biden administration also won international backing from [nearly 140 countries](#) for a 15% global minimum tax to end the race to the bottom in international corporate taxation. The agreement would prevent large companies from shifting their profits to tax havens by requiring them to pay taxes in the places where their products are sold. The agreement would also institute a global minimum tax of 15% on a country-by-country basis so that U.S. corporations no longer receive massive tax benefits from shifting profits and jobs abroad, while ensuring that other countries abide by the agreement.

### *Raising revenue from the wealthy and big corporations is consistent with economic growth*

Economic data and research clearly show that asking the wealthy and corporations to pay their fair share is consistent with strong economic growth. A Congressional Research Service [review](#) of the statistical evidence up to 2014 found that “both labor supply and savings and investment are relatively insensitive to tax rates” and in particular “capital gains taxes are often singled out as determinants of growth, but their effects on the cost of capital are quite small.” Investors continue to look for the highest return and economic growth is not affected by increased taxes on capital.

Evidence has [shown](#) that taxing capital does not harm growth, and past attempts to cut taxes on capital have [failed](#) to produce investment or wage growth. Neither the statutory nor the effective rate of corporate taxation [show](#) an obvious correlation with economic growth rates, and attempts to show that the majority of the corporate tax falls on workers have themselves [fallen flat](#). Data from U.S. states show that tax cuts at the federal level for the bottom 90% of earners can boost job growth, but tax cuts for the top 10% [do not](#). Instead of boosting investment or jobs, tax cuts for the wealthy [lead](#) to a financially destabilizing “savings glut of the rich.”

### *Independent analysis shows that Build Back Better will create jobs, boost economic growth and fight inflation*

Analyses show that the Build Back Better Act passed by the House of Representatives and the bipartisan Infrastructure Investment and Jobs Act will support economic growth and job creation.

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<sup>1</sup> The minimum book income tax would apply to corporations with a three-year average adjusted book income above \$1 billion.

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Moody's Analytics projected that passing both bills would [boost real GDP growth to 4.8%](#) in 2022. The Economic Policy Institute projected that the Build Back Better Act will [support 2.3 million jobs](#) per year—including 574,000 child care jobs, 332,000 universal pre-K jobs and 238,000 long-term care jobs—in its first five years. Additionally, the bipartisan Infrastructure Investment and Jobs Act will [support 772,000 jobs](#) per year. Investments in physical infrastructure and care infrastructure are expected to [reduce inflationary pressure](#) and increase productivity.

Making much-needed investments in infrastructure and families will build economic resilience and reduce long-term inflationary pressures. The Build Back Better Act and the bipartisan Infrastructure Investment and Jobs Act include policies to make health care, prescription drugs, child care, housing, transportation, broadband and education more affordable for working Americans. Investments in physical and social infrastructure will increase economic growth and ease inflationary pressure long term.

***Build Back Better cuts taxes for working families while asking the top 1% to pay their fair share***

The Build Back Better Act invests in social infrastructure while only raising taxes on the very wealthy. Analysis from the Tax Policy Center of the bill passed by the House shows that the plan will [cut direct taxes](#) on average for every income group except the top 1% in 2022.<sup>2</sup> Similarly, analysis by the nonpartisan Joint Committee on Taxation found the Build Back Better Act would raise taxes for those making over \$1 million while [cutting taxes](#) for working families.

Those who will pay slightly more are the [top 1%](#), who will make more than \$885,000 in 2022. The Tax Policy Center found that they would pay \$55,000 more than under current law. And those in the top 0.1%, who will make more than \$4 million next year, would pay an additional \$585,000 on average—amounting to just a 5.9% reduction in their after-tax income.

Build Back Better lowers costs and cuts taxes for working families, helping parents raise families, access affordable health care and pay for household expenses. Analysis by Third Way of the House-passed bill shows an average couple with two kids would get back [\\$7,400 in tax cuts](#) and reduced costs as a result of Build Back Better. Raising revenues by asking the wealthiest Americans and corporations to pay more will fund investments that benefit millions of workers and families and advance economic growth that is stronger, stable and more broadly shared.

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<sup>2</sup> According to Tax Policy Center analysis of the Build Back Better Act's direct tax provisions—individual income taxes and payroll taxes.