

“Building Back Better: Raising Revenue to Invest in Shared Prosperity”

Chairman Don Beyer – Prepared Remarks October 6, 2021

Recognitions

This hearing will come to order. I would like to welcome everyone to the Joint Economic Committee’s hearing entitled “Building Back Better: Raising Revenue to Invest in Shared Prosperity.”

I want to thank each of our truly distinguished witnesses for sharing their expertise today. Now, I would like to turn to my opening statement.

Statement

The Biden Administration’s Build Back Better plan will cut taxes for working families, help small businesses, and invest in America’s long-term economic prosperity, while asking the wealthy and big corporations to pay their fair share. Today, federal revenue is just 16.8 percent of the economy, almost an all-time low, and asking the wealthy and big corporations to contribute more to public revenue is consistent with supporting long-term economic growth.

The Build Back Better plan will help provide American small businesses with a level playing field to compete with multinational corporations. The Treasury Department projects that 97% of small businesses will be protected from increased taxes and many will get a tax cut from reducing the corporate tax to 18% for income under \$400,000.

The Build Back Better plan promotes global competitiveness by working to end the race to the bottom on corporate taxes, letting American businesses compete on the basis of bringing the best products to market at the lowest price, instead of competing on who can avoid paying taxes.

As a small businessman for almost five decades, I know that paid family leave will help small businesses retain workers. When I had workers who got sick or needed to care for a sick child, we provided paid leave to our employees because we would never leave workers to choose between a paycheck or taking care of themselves or a loved one.

At some point during their lives, all workers will need to take time away from work. By establishing a federal paid leave program, Build Back Better helps small businesses cover those inevitabilities and reduces the cost of turnover, which is why so many small businesses have come out in support of it. Small businesses will also benefit from extending the Work Opportunity Tax Credit, which will give businesses up to \$5,000 to hire qualifying individuals, including eligible veterans.

Asking the wealthy and big corporation to pay their fair share is consistent with supporting long-term economic growth. After the Obama-Biden administration repealed the Bush tax cuts for the very wealthy in 2013, the economy added 8 million jobs in President Obama's second term. Job growth slowed under President Trump, as the Trump tax cuts delivered a windfall for the wealthy, creating record stock buybacks and adding hundreds of billions to the deficit.

While our friends across the aisle will likely claim that asking the wealthy and big corporations to pay their fair share will hurt economic growth, the evidence does not back them up. A Congressional Research Service report found that "both labor supply and savings and investment are relatively insensitive to tax rates." In addition, improving IRS enforcement will increase revenue without raising rates, while ensuring that businesses cannot gain advantages over their competitors by cheating on their taxes.

We know that investing in working families, communities, and innovation is the key to broadly shared, long-term economic growth. And this is exactly what the Build Back Better plan would do.

Analysis by the Tax Policy Center shows that the Build Back Better revenue provisions passed out of the House Ways and Means committee would abide by President Biden's pledge not to raise taxes on those making under \$400,000 a year. In 2022, households making under \$500,000 would get their direct taxes cut, on average. Middle-income parents will get a tax cut of about \$3,000 on average.

Extending the enhanced Child Tax Credit and expanded Child and Dependent Care Tax Credit, as proposed under Build Back Better, would help families pay household expenses and generate long-term economic benefits. The Joint Economic Committee estimated that advance payments of the CTC will generate \$19.3 billion in local economic activity each month, creating jobs in local communities.

Using the revenue raised from making multinational corporations and the wealthiest pay their fair share, Build Back Better would help families access affordable child care and paid family leave. These two supports are both critical to helping parents—and particularly mothers—remain engaged in the labor market – and we know that increasing labor force participation is key to driving long term and sustainable economic growth.

Under President Biden, almost 4.5 million people have returned to work and unemployment has dropped to 5.2%. In the first two quarters of 2021, real GDP grew at over 6%, and the Federal Reserve projects 5.9% real GDP growth this year. Core CPI inflation was just 0.1% in August, even as real wages grew at 0.4%.

Passage of Build Back Better and the bipartisan infrastructure bill will cement these economic gains, improve productivity, lower inflationary

pressures, and create long-term growth. Moody's Analytics projected that passing both bills will increase GDP growth in 2022 to 5.3%. Similarly, the Economic Policy Institute projects that the two bills would add 4 million new jobs, including 556,000 manufacturing jobs and 312,000 construction jobs.

For too long, the wealthy and big corporations have avoided paying their fair share. We have an opportunity now to rebalance the scale and invest in America's future to create long-term, broadly shared economic growth.