

TAX TAKE: The Rubber Has Met the Road: Senate Democrats Announce \$3.5 Trillion Package

Tax Alert
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Last week Senate Democrats, led by Senate Majority Leader Charles Schumer (D-NY), announced an agreement on a [\\$3.5 trillion package](#) that includes President Biden's spending priorities, including "social infrastructure" proposals focusing on education, health care, child care, paid family and medical leave, and climate change. This package is expected to be considered under the budget reconciliation rules, and it is separate from the [bipartisan agreement](#) announced last month that focuses on traditional infrastructure such as roads and bridges. The Senate is planning to consider the bipartisan agreement this week.

Details have not been outlined yet, but it has been reported that the \$3.5 trillion package will be offset by health care savings and reforming the tax code. Based on President Biden's recent proposals and general support by Congressional Democrats, the tax revenue raisers expected to be considered include taxes on the wealthy and increasing the corporate tax rate. Additionally, Democrats on the tax-writing committees have been focused on international tax proposals relating to global intangible low-taxed income (GILTI), base erosion and anti-abuse tax (BEAT), foreign-derived intangible income (FDII), as well as the 15 percent minimum tax on global book income. All of these proposals are likely on the menu of options to pay for the package.

While it has yet to be determined how much tax revenue will need to be raised to offset the \$3.5 trillion package, an important political calculation that President Biden and Democratic Congressional leadership will need to consider when drafting these tax proposals is the support of Congressional Democratic moderates, particularly Senator Joe Manchin (D-WV) and Senator Kyrsten Sinema (D-AZ). Since the package is expected to be considered under the budget reconciliation rules, only a simple majority comprising solely Democratic votes is needed for passage. However, given the tight margins in the House and especially the (50-50) Senate, moderate Democrats are going to play a very important role in how the tax proposals are crafted. Senator Manchin has already stated [opposition](#) to President Biden's proposal to raise the corporate rate to 28 percent and instead voiced support for a 25 percent rate.

Such positions by moderate Democrats, who are generally less supportive of raising taxes, will be important to monitor as the \$3.5 trillion package moves forward in the coming months. Senator Manchin does not yet have a [firm position on the package](#), but he has expressed openness to reviewing the offsets. The support of moderate Democrats will be critical in determining whether President Biden can achieve this legislative victory and get it across the finish line. Stay tuned. **#TaxTake**

Upcoming Speaking Engagements and Events

On July 21, Loren will speak at the [11th Annual NABE Transfer Pricing Symposium](#) on the panel, "Practitioners' Thoughts on the OECD's COVID Transfer Pricing Guidance."

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