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## President's Budget Lays Out Sound Architecture for Key Policy Decisions That Will Shape the Nation's Future

*Statement of Sharon Parrott, CBPP President, on President Biden's proposed fiscal year 2025 budget:*

President Biden's 2025 budget lays out a sound approach to key decisions that need to be made next year, regardless of the outcomes of the elections: a fairer tax code that raises more revenues from wealthy people and profitable corporations to invest in people, communities, and the economy and to improve our fiscal outlook.

Substantial evidence shows that the profligate 2017 tax cuts were not only extremely expensive and heavily skewed toward wealthy households and corporations, but they failed to deliver on the economic promises their proponents made. The President's budget offers a needed course correction.

The budget calls for tax cuts enacted in 2017 to end on schedule for households with incomes of more than \$400,000, and for tax cuts for households earning less than \$400,000 to continue *and to be fully offset*.

The budget also raises taxes on wealthy households and profitable corporations, who can afford to pay more and who benefit enormously from public investments — from infrastructure to education to health care — that create the conditions for businesses and wealth to grow.

These revenue raisers include partially reversing the deep cut in the corporate tax rate enacted on a *permanent basis* in 2017; the budget brings the rate to 28 percent, still well below pre-2017 levels. The budget also reforms our international taxation system to align with our global commitments and raises revenues by reducing incentives for shifting profits and operations overseas.

The budget scales back costly, unfair, and inefficient tax breaks for the wealthiest households that let them shield substantial income from annual taxation — often permanently — and benefit from special tax rates on capital income that are not available to workers whose income comes primarily from wages. And the budget calls for replenishing and extending funding for the IRS to improve taxpayer services and to ensure that wealthy people pay the taxes they owe.

Just as important as the way the budget proposes to raise revenues is how it proposes to use those revenues to move our country forward. For example, the budget reflects a significant commitment to children, cutting child poverty and improving children's long-term prospects by reinstating the American Rescue Plan's enormously successful Child Tax Credit expansion; investing in child care and pre-K; fully funding the Special Supplemental Nutrition Program for Women, Infants, and

Children (WIC); and creating new state options in Medicaid and the Children’s Health Insurance Program to minimize disruptions to health coverage and care for children, among other investments. The budget also includes some important investments in affordable housing development, homelessness services, and rental assistance, but the tight funding caps in the debt ceiling agreement also mean that funding is constrained and in some cases down for certain housing-related programs as compared to prior years.

The budget maintains the expanded financial assistance that has lowered the cost of Affordable Care Act (ACA) marketplace coverage for millions of people and led to a dramatic increase in enrollment. It also closes the Medicaid coverage gap by providing coverage to people who should be receiving Medicaid under the ACA’s expansion of the program but live in states that have refused to adopt the expansion. This will improve people’s health and shore up safety net health care providers, including rural hospitals, who are being hurt by states’ refusal to expand Medicaid.

The budget also invests in areas like college affordability, climate and clean energy, paid family and medical leave, and home care.

The combination of the budget’s revenue increases and its high-value investments will support economic growth, broaden prosperity, and promote equity by investing in people and communities whose futures have been systematically shortchanged by racism, other forms of discrimination, and deep under-investment.

The budget puts forward a serious investment agenda, pays for those investments, and improves our fiscal outlook. While there is no consensus among experts about the level of debt that will start to cause significant harm to the economy, raising revenues and using some of those resources to reduce deficits can help reduce future risk.

Congress is unlikely to engage in significant budget-related policymaking this year once it gets past 2024 appropriations and decides on the bipartisan tax bill. But in 2025, policymakers will have to make key decisions about whether we rebuild our tax code so it is fairer and raises more revenues from those who can most afford to pay more; whether we will build on our success in expanding health coverage or go backward; and whether we will make high-value investments that improve well-being, broaden opportunity, and create an economy that works for everyone.

The President’s budget puts forward a sound fiscal architecture that would move us toward a nation where everyone, regardless of background, identity, or location, can thrive.

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