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Biden tax plan to pay for infrastructure would hit 1% of top earners on LI

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WASHINGTON — President Joe Biden’s plan to pay for sweeping infrastructure upgrades by increasing taxes on corporations and the top 1% of income earners could lead to New York’s wealthiest residents paying more than half of their income in state and federal income taxes, financial analysts told Newsday.

Biden’s push for a nearly $4 trillion package that would repair roads, transportation hubs and telecommunication systems calls for restoring the top federal income tax rate from 37% to 39.6% for those taxpayers with the top incomes.

In New York, where Gov. Andrew M. Cuomo last month signed into law a series of state tax increases for individuals earning $1.1 million or more, Biden’s proposal, if passed by Congress, could lead to a combined state and federal tax rate of 50% or higher for those taxpayers, according to the financial analysts. Those projections do not include local taxes.

WHAT TO KNOW

- **Biden would raise taxes** on corporations and the top 1 percent of income earners to pay for $4T in infrastructure upgrades.

- **Analysts say New York’s wealthiest residents** could end up paying more than half of their income in state and federal income taxes.
- **Of the 1.46M tax returns** from Long Islanders filed with the state in 2018, 9,800 reported an income of $1M or higher.

In Nassau, of the 697,330 tax returns filed with the state in 2018, just under 1% — 6,584 returns — belonged to residents reporting an income of $1 million or higher, according to the most recent state tax data available.

In Suffolk of the 760,000 tax returns filed, fewer than 1% — 3,253 returns — belonged to those reporting an income of $1 million or more.

The president has said his tax plan would not raise federal income taxes on individuals earning $400,000 or less, but some financial analysts contend a federal tax increase coupled with the recent state tax increase is causing some of New York’s top earners to consider moving to other states.

Joseph Perry, a partner at the accounting firm Marcum LLP in Melville, said soaring housing prices in the region, the 2017 Trump-era cap on state and local tax deductions, the state’s millionaire tax hike and the prospect of a federal tax hike are all prompting some Long Island and New York City clients to explore moving elsewhere.

"You factor in the increase in tax, the lack of the SALT deduction ... some of the expenses that we have on Long Island, high property tax, high state taxes, I think that that leads to people saying ‘well, you know, I'm not sure I can afford in some cases to live on Long Island, or have a family on Long Island if I’m starting out,’" Perry told Newsday.

But Richard Auxier, a senior policy associate at the nonpartisan Tax Policy Center, said while some top earners may be considering a move, for many Biden's plan won't create a dramatic adjustment, because it restores the top tax rate that existed before Trump’s 2017 tax plan was approved by Congress.

"It's returning to the rates that we had five years ago in 2017, so it's significant, but it's also not like we haven't been here before, literally five years ago," Auxier said in an interview.

Biden defended his tax plan in a speech Thursday on the state of the economy, arguing that he does not "have anything against anybody making a million bucks, but Wall Street did not build this country. The middle class built this country."

"We had no problem passing a $2 trillion tax plan that went to the top one percent that wasn't paid for at all, it just increased the debt $2 trillion," Biden told an audience of supporters in Cleveland, Ohio, referring to the Trump tax plan that passed a GOP-controlled Congress in 2017. "Every time I talk about tax cuts for working-class people, it’s, ‘Oh my god. What are we going to do?’ Well, we're going to take back some of that one percent money and make them pay for it."

In a 50-50 Republican-Democrat split in the Senate, and with Democrats holding onto a narrow majority in the House, Biden's tax proposals are far from being adopted. Congressional Republicans have said they will reject any plan that rolls back the Trump tax plan. They released a counterproposal on Thursday that calls for infrastructure to be funded by unspent COVID-19 relief funding and users fees such as tolls and a gas tax. But White House officials have argued against those plans, saying the fees place a burden on Americans hurting from the pandemic.

Meanwhile, a bipartisan group of lawmakers, particularly those from blue states such as New York, are pushing for a repeal to the Trump-era SALT deduction cap, in exchange for their support for Biden’s plan.

Rep. Tom Suozzi (D-Glen Cove), a member of the House Ways and Means Committee, which has jurisdiction over taxing legislation, has said he won’t vote for any changes to the tax code, if the SALT cap isn’t repealed. If the repeal is approved, Suozzi said he would support Biden’s proposed increases.

"I don't have a problem with wealthy people paying their fair share," said Suozzi, who helped form the bipartisan SALT caucus along with Rep. Andrew Garbarino (R-Bayport). "I just don't want the wealthier people paying more in New York than they pay in Florida. So we have to get SALT back. No SALT, no deal."

Garbarino said he believes there should be some sunset provisions to ensure that any increases do not extend beyond the life of the eight-year infrastructure plan. He said before Congress takes action on deciding how to pay for the plan, lawmakers and the White House need to reach a consensus over the price tag.

"I don't think you can talk about ‘pay-fors’ until you know exactly what you're going to spend the money on," Garbarino said.

Rep. Kathleen Rice (D-Garden City) said she is open to supporting Biden’s tax proposals because they offer an "actual way to pay" for his infrastructure plan.

"I’m open to increases to both the corporate tax rate and the income tax on the wealthiest one percent of Americans," Rice said in a statement. "But the real issue is that these corporations and wealthy individuals are able to treat tax rates more like an opening offer than a final number. We must make a concerted effort to close tax loopholes and give the IRS the resources it needs to prevent businesses and individuals from circumventing the tax code if we truly want to make sound investments in America."

Rep. Lee Zeldin (R-Shirley), who is making a New York gubernatorial bid, argued that "raising taxes on job creators and families would harm our nation’s economy and jobs market, and stifle U.S. competitiveness globally."

"In addition to pursuing spending efficiencies, there are many other ways to pay for infrastructure improvements," Zeldin said, including "transferring funds from the Federal Reserve’s Surplus Account, raising private capital through public-private partnerships, and tax credits for investment."

Rep. Greg Meeks (D-St. Albans) said last month he would not sign off on any Biden tax proposal without a repeal of the SALT deduction cap.

White House officials also routinely point to national polls indicating widespread support for Biden’s tax proposals.

About 2 in 3 Americans polled last month by Monmouth University stated support for Biden’s pair of infrastructure proposals and his tax plan. The poll of 800 adults, conducted between April 8 and 12, found that 64% agreed with raising the corporate tax rate, and 65% agreed with increasing the federal tax rate on individuals earning more than $400,000 to pay for Biden’s plans.

"The Biden administration’s presumption that spending programs are popular is borne out by these poll numbers," said Patrick Murray, director of the Monmouth University Polling Institute. "The key to maintaining this level of support is whether Americans can point to direct benefits in their own lives once those plans are put into action."

Asked about criticisms that Biden’s tax proposals would disproportionately impact those in higher-taxed states such as New York, Karine Jean-Pierre, the principal deputy White House press secretary, told Newsday that Biden’s goal was "to make sure that we have an equal playing field, especially for working people."

"The tax rate for firefighters or a teacher who earned $120,000 is 24 percent. The tax rate on capital gains for millionaires is 20 percent. That is not fair," Jean-Pierre said.

White House director of legislative affairs Louisa Terrell, when asked about concerns that top earners in New York might see a combined state and federal tax rate of more than 50%, told Newsday that Biden’s plan was about "fundamental fairness."

"This is really about a tax reform that rewards work and not wealth," Terrell said during a virtual briefing. "That is something Democrats and folks on the Hill have been talking about in trying to break that logjam … it's an important part of the conversation and one that I think makes sense to the American people."