

PUBLICATION

The Biden Infrastructure Plan

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Released last week, the Biden infrastructure plan contains a few surprises, such as its reliance on corporate and individual tax increases to fund it and the broad scope of "infrastructure".

Reaction to the plan has been predictable. Its focus on \$2 trillion in new taxes primarily levied against corporations, hedge funds, investors, and other taxpayers making over \$400,000 is controversial. This is in addition to possible increases in state taxes to overcome COVID-19 debt and makes enactment even more difficult. The plan has generated significant opposition from Republicans and a few key Democrats, not just because of its cost, but because portions of the plan are outside what is considered to be "traditional" infrastructure. Funding for Medicaid, workforce development, housing, school construction, and semiconductors are included in the plan. There will be a healthy debate, not only about scope and funding, but also around process as well.

There will be pressure on the Biden administration to again use the reconciliation process to hammer home the entire package on a partisan vote. There will also be offers to break the plan apart and seek other funding mechanisms more palatable to the political center of both parties. Once Congress returns next week, we should know more about the likelihood of passage.

Below is a summary of the major provisions.

Infrastructure Products

- \$115 billion to modernize the bridges, highways and roads that are in the worst shape. The White House outline estimated 20,000 miles (32,187 kilometers) of roadways would be repaired, while economically significant bridges and 10,000 smaller bridges would get fixed.
- \$85 billion for public transit, doubling the federal government's commitment in an effort to shorten the repair backlog and expand service.
- \$80 billion to modernize Amtrak's heavily trafficked Northeast Corridor line, address its repair backlog and improve freight rail.
- \$174 billion to build 500,000 electric vehicle charging stations, electrify 20 percent of school buses and electrify the federal fleet, including U.S. Postal Service vehicles.
- \$25 billion to upgrade air travel and airports and \$17 billion for waterways and coastal ports.
- \$20 billion to redress communities whose neighborhoods – typically nonwhite – were divided by highway projects.
- \$50 billion to improve infrastructure resilience in the aftermath of natural disasters.
- \$111 billion to replace lead water pipes and upgrade sewer systems.
- \$100 billion to build high-speed broadband that provides 100 percent coverage for the country.
- \$100 billion to upgrade the resilience of the power grid and move to clean electricity, among other power projects.
- \$213 billion to produce, preserve and retrofit more than two million affordable houses and buildings.
- \$100 billion to upgrade and build new schools.
- \$18 billion to modernize Veterans Affairs hospitals and clinics, and \$10 billion for federal buildings.
- \$400 billion to expand long-term care services under Medicaid.

- \$180 billion to invest in research and development projects.
- \$300 billion for manufacturing, including funds for the computer chip sector, improved access to capital and investment in clean energy through federal procurement.
- \$100 billion for workforce development.

Tax Increases

Biden's plan would finance projects by:

- Raising the corporate tax rate from 21 percent to 28 percent, one of the measures that over 15 years would cover the cost of the infrastructure program and then help to reduce the budget deficit.
- Imposing a 21 percent global minimum tax, so that companies cannot avoid taxes by shifting income to low-tax countries.
- Making it harder for businesses to merge with foreign companies to avoid U.S. taxes, a process known as inversion.
- Eliminating tax breaks for companies that shift assets abroad, and denying deductions for offshoring jobs.
- Imposing a 15 percent minimum tax on the income that corporations report to shareholders.
- Eliminating tax preferences for the fossil fuels sector.
- Increasing IRS audits of large corporations.

If you have any questions about President Biden's infrastructure plan or how it may affect you or your business, please contact one of the authors.