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House Democrats pass stripped-down social welfare bill with massive tax cut for the rich



House speaker Nancy Pelosi

On Friday morning, the House of Representatives passed its version of President Joe Biden's \$1.75 trillion "Build Back Better" social welfare and climate bill. As expected, the measure was approved on a party-line vote, with 220 Democrats voting "Yes" and all 212 Republicans voting "No." One Democrat, Jared Golden of Maine, a conservative former Marine who served tours of duty in Iraq and Afghanistan, broke ranks and voted in opposition to the bill.

Golden had announced that he would oppose the bill because it included a massive tax break for the wealthy. The outcome of months of internal Democratic Party wrangling was the decision of the Biden White House and the party leadership to strip the bill of all major

tax increases opposed by big business and slash the top line figure for social programs and climate protection in half, from \$3.25 trillion to \$1.75 trillion over 10 years.

That, however, did not satisfy the Wall Street and corporate interests that dictate government policy and control both major parties. Earlier this month, House Speaker Nancy Pelosi incorporated into the bill a measure demanded by wealthy donors in high-tax states such as New York, New Jersey and California. It was the lifting of a \$10,000 cap on deductions on federal income taxes to compensate for state and local taxes. The cap was imposed as part of the Trump tax bill passed in December of 2017, which slashed taxes for corporations and the wealthy.

Until then, there was no limit on the amount of federal tax deductions for state and local taxes that wealthy people in generally pro-Democratic high-tax states could claim by itemizing their federal tax returns. In imposing the limit, Trump and the Republicans were targeting states that historically vote “blue” in federal elections.

This infuriated the Democrats’ wealthy backers, who demanded that the Biden budget bill raise the limit on so-called SALT (state and local tax) deductions. The Democrats acceded by adding to the bill a provision raising the limit to \$80,000 for each of the next nine years.

The Congressional Budget Office estimates that this tax windfall for the wealthy will cost the federal government \$285 billion over the 10-year span covered by the bill, making it the second most costly item in the legislation. It is topped only by a combined \$390 billion for universal pre-school for three- and four-year-old children and limited subsidies for child care.

It is considerably higher than the allocation for clean energy and climate resilience (\$220 billion), four weeks of paid family and medical leave (\$195 billion), clean energy and electricity tax credits (\$190 billion), affordable housing (\$170 billion), Medicaid home- and community-based services (\$150 billion), a one-year extension of the expanded child tax credit (\$130 billion), and tax credits for health insurance premiums under Obamacare (\$125 billion).

It would help pay for programs that were severely cut or dropped outright from the bill under pressure from big business and its most open mouthpieces in the Democratic Party, such as senators Joe Manchin of West Virginia and Kyrsten Sinema of Arizona. These include free community college (eliminated); the ability of Medicare to negotiate drug prices with the pharmaceutical industry, thereby lowering their costs (reduced to a shell program affecting only a handful of drugs and not even starting until 2024); and Medicare coverage for dental, hearing and vision (reduced to limited subsidies for hearing aids).

According to an analysis by the Tax Policy Center, the SALT tax provision will overwhelmingly benefit the top 10 percent of income earners, with virtually nothing going to the remaining 90 percent, i.e., the working class and lower-middle class. The measure will particularly benefit the top one percent, those who make over \$867,000 a year. They will see a tax cut in the tens of thousands of dollars.

“Anything you do to eliminate the SALT cap is going to be regressive, because that tax is overwhelmingly paid by very high-income people,” said Howard Gleckman of the Tax Policy Center. “Anything you do to lower that tax doesn’t matter for most people.”

The Committee for a Responsible Federal Budget (CRFB) reported that a family of four in Washington D.C. making \$1 million per year would receive 10 times as much tax relief next year from expanding the state and local tax deductions as a middle-class family would receive from an expansion of the child tax credit. The CRFB said that two-thirds of households making more than \$1 million a year would get a tax cut under the legislation because of the increase in the state and local property tax deduction.

Pointing to the brazen hypocrisy of Biden and the Democratic Party, Marx Goldwein, senior policy director at the CRFB, said, “We’re debating about whether to give lower- and middle-class families a thousand dollars more a year through the child tax credit, while giving upper-class families \$10,000 or more through SALT. That’s counter to everything the Democrats have been saying Build Back Better is about and everything they said about the Trump tax cuts.”

According to a report from the Tax Foundation, raising the SALT cap would more than offset other tax increases for the wealthy in 2022 included in the House bill. These include a 15 percent minimum corporate tax, a 1 percent tax on stock buybacks, increased taxes on

US companies' foreign profits, and a surtax of 5 percent on those with adjusted gross income over \$10 million and 8 percent on those making more than \$25 million.

In a column in the *Financial Times* on Thursday, Edward Luce alluded to the Democrats' obsession with identity politics and linked it to the Build Back Better bill:

The result is a bill that caters best to the most powerful slice of Americans—the very wealthy. They can sleep easy now that the carried interest loophole, which allows private equity partners to be taxed at lower than ordinary income rates—as Warren Buffett pointed out, they pay a lower tax rate than their secretaries—is probably safe. As it stands, the bill will also give wealthy Americans a bigger tax cut than they got from Trump's big 2017 tax bill.

Even this miserable travesty of social reform will be further gutted if not blocked outright in the Senate, where passage will require the support of all 50 Democrats. Neither Manchin nor Sinema has signed on to the bill, the former having declared his opposition to even a completely inadequate a four-week paid leave provision, while calling for means testing and work requirements for other social benefits.

The so-called “progressives”—Bernie Sanders, Elizabeth Warren in the Senate, the more than 100-strong House Progressive Caucus—capitulated to the demand of Biden and the most right-wing factions in the Democratic caucuses to pass the \$1 trillion bipartisan infrastructure bill. This bill was backed by virtually every corporate lobby group, without having secured the agreement of Manchin and Sinema to support Senate passage of the broader “Build Back Better” social spending bill, against which the corporations have waged a massive lobbying campaign.

Sanders, for his part, has denounced the inclusion of the SALT provision in the House bill but is supporting a modified version in the Senate bill, according to which eligibility for expanded tax deductions would be limited to people making less than \$400,000 a year. On the other hand, Senate Majority Leader Chuck Schumer, widely known as the “senator from Wall Street,” is supporting an even bigger deduction than that provided by the House.

He has announced that he will bring up the National Defense Authorization Act, which allocates \$778 billion for the military in a single year (nearly half the 10-year Build Back Better budget) and the anti-China United States Innovation and Competition Act before taking up the social/climate measure passed by the House. This could delay consideration of Build Back Better until next year, something Manchin has hinted at, likely killing the legislation.

All of the so-called “progressives” promoted by the pseudo-left, including Democratic Socialists of America (DSA) members Alexandria Ocasio-Cortez, Jamaal Bowman, Ilhan Omar and Cori Bush, voted for the House bill on Friday, demonstrating the DSA’s role as an arm of one of the two main parties of US imperialism.

During the 2020 Democratic primaries, every candidate pledged to repeal the Trump tax cut for the rich. Biden has repeatedly called his domestic agenda a “blue collar” program. While declaring ad nauseam that “I am a capitalist,” who has nothing against people becoming billionaires, he has called on Wall Street to “pay their fair share.”

Now it is perfectly clear what this actually means. Under conditions where the Democrats control the White House and both houses of Congress, they have dropped any attempt to raise corporate or personal income tax rates for the wealthy. The only significant change Biden and the Democrats are seeking to make to Trump’s multitrillion-dollar tax giveaway to the oligarchy is to increase its scale.

This is a devastating exposure of the fraudulent claims of the DSA and similar organizations of the upper-middle class that progressive change is possible within the framework of the capitalist two-party system and that the Democratic Party can serve as an instrument of social change.

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