

WHAT'S IN THE AMERICAN JOBS PLAN?

In today's report we offer a detailed breakdown of the various tax and spending components of President Biden's American Jobs Plan (AJP). Over the next decade we estimate the plan would increase corporate taxes by \$1.6 trillion and spending by \$2.7 trillion. That spending increase can be broken apart into five categories in order of size: 1) clean energy and power, 2) traditional infrastructure, 3) R&D/manufacturing/workforce development, 4) safety net spending, and 5) non-traditional infrastructure.

It's important to remember the AJP is part one of Biden's agenda. The second part will include tax increases on personal and investment income, drug price controls, and considerable new spending. Today's report does not consider what Biden is expected to roll out over the next few weeks. Instead, in the table on the following two pages, we provide a detailed estimate of the composition of the AJP. The spending increases can be broken apart into five categories: clean energy and power (\$674 billion), traditional infrastructure (\$658 billion), R&D/manufacturing/workforce (\$610 billion), safety net spending (\$400 billion), and non-traditional infrastructure (\$368 billion). We consider "traditional infrastructure" spending to be the sum of the non-electric vehicle transportation spending plus safe-drinking water and broadband funds. We consider "non-traditional infrastructure" to be all of the funds allocated to constructing or retrofitting new homes, schools, and child care centers, etc.

The clean energy and power category is the sum of spending on electric vehicles, power infrastructure, and \$400 billion in clean energy tax credits that the Biden Administration includes in the package but did not offer any details on what exactly it does.

The table also highlights possible areas where there are "Byrd Issues" — proposals that probably cannot be included in a reconciliation bill. The policies that are most likely to be ineligible for consideration in a reconciliation package are non-budgetary/regulatory provisions such as policies that would increase competition for broadband delivery, allow for collective bargaining, repeal the subminimum wage, or otherwise change regulations designed to promote or mandate buying or shipping American. There are a number of other areas where proposed policies could have Byrd issues, but more detail is required before we are able to offer an assessment.

According to the [fact sheet](#) released by the administration, most of the funds would be spent over an eight-year period while the tax increases would be permanent. If implemented, the collection of policies would imply additional deficits of roughly 0.6% of GDP for the next eight years and deficit reduction of about 0.5% of GDP permanently thereafter.

Andy Laperriere, CFA

(202) 888-1151

alaperriere@cormacteam.com

Melissa Turner, CFA

(202) 888-1153

mturner@cormacteam.com

Don Schneider

(202) 888-1154

dschneider@cormacteam.com

BUDGETARY COMPOSITION OF BIDEN PLAN (2022 TO 2031), \$BN

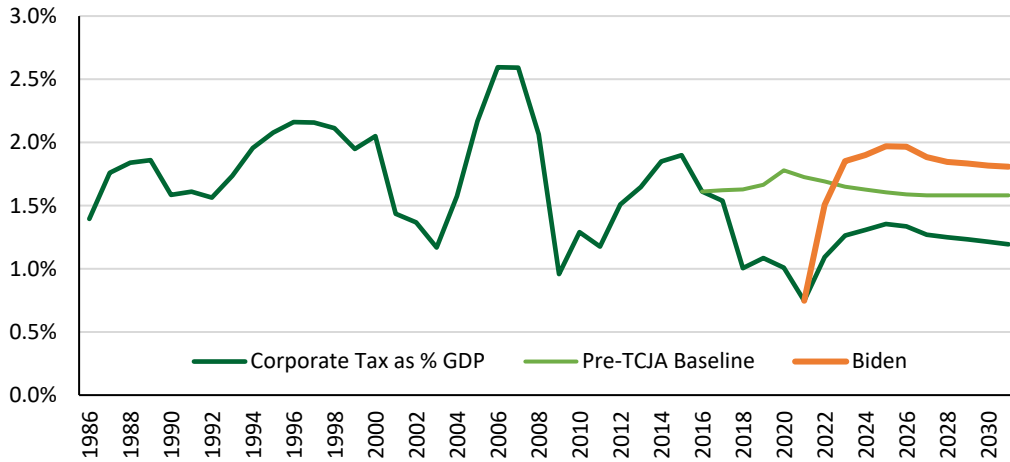
Policy	Category Total	Subtotal	Byrd Issues
Transportation	621		
Electric Vehicles		174	
Roads & Bridges		115	
Public Transit		85	
Rail		80	
Disaster Resiliency		50	
Airports		25	
"Ambitious" Projects		20	
Road Safety		20	
Access for Disadvantaged Communities		20	
Waterways		16	
Other		16	
Safe Drinking Water	111		
Grants for Drinking/Waste/Storm Water		56	
Replace All Lead Pipes		45	
Monitor/Remediate PFAS		10	
Broadband	100		
100% Coverage		100	
Transparency/Competition		0	X
Power Infrastructure	100		
Tax Credits for HV Capacity Power Lines			
Create Grid Deployment Authority at DOE		62	
10yr Expansion of ITC and PTC for Clean Energy			
Next Gen. Industries in Distressed Areas		?	
Reform/Expand 45Q Carbon Sequestration		7	
Mine/Well Reclamation		16	
Conservation & Resilience Workers		10	
Redevelop Idle Property		5	
Establish Clean Energy Standard (EECES)		0	X
Clean Energy Tax Credits	400		
Buildings	368		
Tax Credits/Grants to Produce/Modify 1mn Rental Homes		126	
NHIA Credits to Build 500k Affordable Homes		20	
Grants to Areas That Reform Land Use Zoning Laws		?	X
Public Housing		40	
Home/Commercial Energy Efficiency Retrofits		27	
Grants for Public School Upgrades/Construction		50	
Bonds for Public School Upgrades/Construction		50	
Community College Physical/Tech Funds		12	
Upgrade/Build Child Care Facilities		25	
Modernize VA Facilities		18	

Home Care Workers for Elderly/Disabled	400		
Expand Home Based Care Services under Medicaid		400	
Ability to Collectively Bargain		0	X
Research & Development	200		
Advanced Tech Directorate in the NSF		50	
Unallocated R&D		30	
Upgrading Research Facilities		20	
Upgrade Research Facilities at HBCUs New Climate Lab		20	
Climate R&D + ARPA-C		55	
Eliminate Racial Inequity in R&D (HBCUs)		25	
Manufacturing	300		
Increase Access to Capital for Domestic Manufacturers		52	
Semiconductors (CHIPS Act)		50	
Office at DOC to Support Critical Supply Chains		50	
Green Federal Procurement		46	
Funding for Small Manufacturers		31	
Future Pandemic Preparedness (4 years)		30	
Regional Innovation Hubs / Community Revitalization Fund		20	
NIST		14	
Rural Partnership Program		5	
Quadruple Funding for MEP & Other		2	
Buy American and Jones Act		?	X
Workforce Development	110		
Workforce Development / Apprenticeships		48	
Dislocated Workers Program / Sector Based Training		40	
Target Workforce Development to Underserved		12	
Workforce Enforcement		10	
Eliminate Subminimum Wage Provisions		0	X
PRO Act		?	X
Tax Increases	1614		
28% Corporate Rate		695	
21% GILTI, no QBAI + CBC		495	
Repeal FDII		217	
15% Book Income Minimum Tax		123	
Repeal Fossil Fuel Subsidies & Reinstate Superfund Taxes		56	
Anti-Inversion Regulations		27	
Onshoring Credit / Offshoring Penalty		?	
Tax Enforcement		?	
Deny Deductions to Foreign Companies w/o GMT & Repeal BEAT		?	X
TOTAL SPENDING (INCLUDING ENERGY CREDITS)	\$2,710		
GROSS TAX INCREASE	\$1,614		
DEFICIT INCREASE (+)	\$1,096		

Sources: White House, CBO, Tax Policy Center, JCT, and Cornerstone Macro.

The business tax increases being proposed – especially on multinational companies – are sweeping and go even further than what Biden proposed during the campaign. Collectively, the tax changes would increase corporate tax revenues by 46% over the next decade and would increase revenues as a share of GDP to levels last seen before the financial crisis (see chart below).

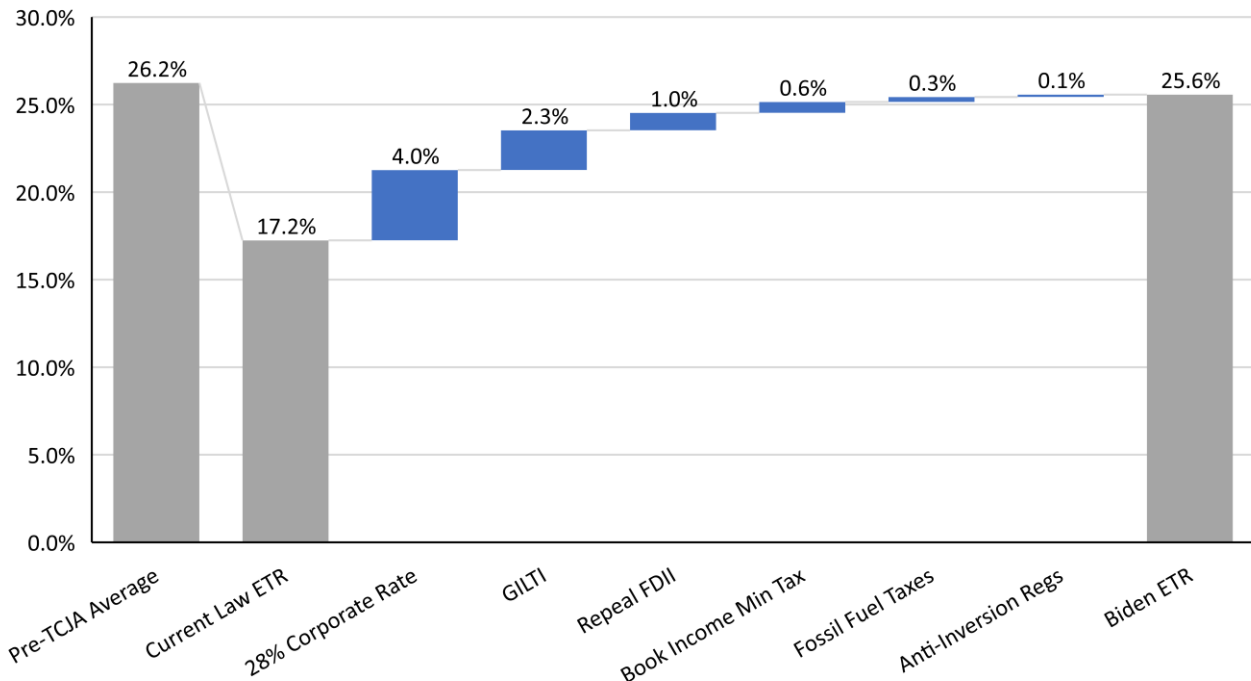
CORPORATE TAX REVENUES AS % GDP, PRE- AND POST-TCJA BASELINE VS BIDEN PLAN



Sources: CBO and Cornerstone Macro.

On an effective tax rate basis (ETR), the Biden plan would almost entirely eliminate the benefit of the Republican tax cuts in 2017 (also known as TCJA). We will take a closer look at the tax proposals soon.

CORPORATE EFFECTIVE TAX RATES, PRE- & POST-TCJA VS. BIDEN PLAN



Sources: CBO and Cornerstone Macro.