The Daily Dish

# Beware Progressives Touting Tax Cuts

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Thank God for *The New York Times*. Each time I fear that I will go through the week with an inadequate supply of rage, the *Times* reliably bails me out. This week's contribution (thus far) is the puff piece on Biden tax policies entitled "Biden, Promising Corporate Tax Increases, Has Cut Taxes Overall." President Biden has imposed a stock buyback tax and a new corporation alternative minimum tax. But the disingenuous gist of the article is simple: "the tax cuts Mr. Biden has signed for individuals and corporations are larger than the tax increases he has imposed on big corporations and their shareholders."

Not so fast.

It turns out that a lot of what is being labeled as tax cuts is plain, old-fashioned spending. Consider, for example, the child tax credit that was included in the American Rescue Plan. In *Times* math, this counts as a one-year tax cut of $110 billion. (All estimates are taken from this helpful document from the Joint Committee on Taxation.) But the child tax credit is a refundable credit, which means that if a qualified recipient has no tax liability, they get the full credit anyway. Technically, there are two parts to the budgetary impact of the credit: the revenue reduction, perhaps until taxes are eliminated, and the outlay that happens when the government sends the individual a check.

Guess which is bigger. Sending checks is the administration's comparative advantage, so the outlay effect of the child credit is $89 billion, or 80 percent of the impact. A mere 20 percent is (probably accidentally) tax decreases. That's nothing. The enhanced premium tax credits (aka Obamacare subsidies) in the Inflation Reduction Act (IRA) are all, 100 percent, totally outlays – every penny of the $65 billion "tax cut." The IRA also contains a similar $205 billion check machine under the guise of refundable tax credits for clean energy.

The president shows his true colors, not in what he can get through Congress, but what he proposes in his budget, raising taxes "to 20.3 percent of GDP. Over 10 years, the budget proposes an average level of taxation of 19.7 percent, higher than any 10-year period in the history of the modern U.S. tax system." He also proposes record levels of spending.

The *Times'* undisguised effort at rebranding the president notwithstanding, the article does raise a subtle point about federal budgeting. How should one record in the budget the projected impacts of a refundable tax credit? The current approach is to try to anticipate the part that is reduced taxes and show this as less revenue. The remainder shows up as projected increases in outlays. Some have proposed showing it entirely as tax cuts. I think that is misleading. A better case can be made for showing it entirely as outlays since the government has committed to sending the checks even if there is no revenue.

In any event, no budgetary treatment can disguise the fiscal thrust of a president whose tax proposals are unmoored from economic reality and spending proclivities divorced from the reality of federal debt levels.