

Press Release



ICYMI: Douglas Holtz-Eakin on Policies to Help Open the Economy Safely

ALLISON EDWARDS | JUNE 23, 2020

In this morning's Daily Dish, AAF President Douglas Holtz-Eakin proposes a tax credit to help businesses re-open safely. The speed and scale of economic recovery will be proportional to the speed and scale of modifying workplaces to operate safely in the presence of the virus, he writes. Therefore, a tax credit to help offset these costs would be "pro-growth because it offsets a very expensive supply shock."

The details:

One could easily design, for example, a tax credit equal to a fraction of the cost of protecting employees and reconfiguring workplaces. The former would consist of employee COVID-19 testing, deep cleaning and disinfectants, and personal protection equipment for employees. The latter would include expenses for reconfiguring places regularly used by customers or employees to bring them up to standards. The spending would have to occur in calendar year 2020 (and after the declaration of an emergency on March 13).

Since most firms will have no income tax liability in 2020, it makes sense for it to be a credit against payroll taxes and refundable. Since most employers remit their payroll taxes frequently, this could be implemented by simply reducing the amount of payroll taxes sent in, which would give the firms much-needed cash flow to do the renovations. Finally, one could put a limit on the total amount of the credit, either in absolute terms or per employee.

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