



The Updated Biden Tax Plan

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<https://budgetmodel.wharton.upenn.edu/estimates/2020/3/10/the-updated-biden-tax-plan>

Summary: We estimate the budgetary, distributional and economic effects over the 10-year budget window (2021 - 2030) of Presidential Candidate and Former Vice President Joe Biden's updated tax plan. Detailed summaries of each proposal can be found in our analysis of this estimate* and our analysis of the previous version of his plan.**

* <https://budgetmodel.wharton.upenn.edu/issues/2020/3/10/the-biden-tax-plan-updated>

** <https://budgetmodel.wharton.upenn.edu/issues/2020/1/23/the-biden-tax-plan>

This analysis has been updated as part of PWBM's comprehensive analysis of the Biden platform.***

*** <https://budgetmodel.wharton.upenn.edu/estimates/2020/3/10/the-updated-biden-tax-plan>

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Table 1. Conventional and Dynamic Revenue Estimates, Fiscal Years 2021-2030

Billions of Dollars, Change from Current-Law Baseline

Provision	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Budget window
Implement a Social Security "donut hole"	64	86	90	94	98	104	113	122	129	136	1,035
Eliminate stepped-up basis	10	15	16	18	19	21	23	25	27	30	204
Raise the top rate on ordinary income	20	24	24	25	26	14	10	7	2	1	153
Tax capital gains and dividends at ordinary rates	15	18	19	20	21	16	16	17	18	19	178
Limit itemized deductions	16	21	22	23	24	27	30	32	33	35	263
Limit Section 199A	26	35	38	40	42	16	9	3	1	0	208
Raise the corporate tax rate	57	93	102	106	109	118	125	126	125	127	1,088
Impose a minimum tax on corporate book income	21	17	14	17	20	23	26	28	30	31	227
Raise the tax rate on foreign profits	26	37	39	41	43	25	26	27	28	29	323
Miscellaneous	1	1	0	1	1	10	13	14	14	14	67
Conventional	255	346	364	383	402	374	392	400	408	422	3,745
<i>Dynamic (includes macroeconomic effects)</i>	210	284	299	314	330	307	322	329	335	347	3,077



Table 2: Distribution of Federal Tax Change Under Presidential Candidate Biden's Tax Plan, 2021

Corporate, individual and payroll tax

Income group	Average tax change	Share with a tax increase	Percent change in after-tax income	Share of tax change	Share of federal taxes paid	Change in share of federal taxes paid
Bottom quintile	\$15	30.3%	-0.5%	0.3%	-0.2%	0.1%
Second quintile	\$90	93.1%	-0.4%	1.1%	0.7%	0.1%
Middle quintile	\$180	95.8%	-0.4%	2.2%	7.6%	-0.7%
Fourth quintile	\$360	95.2%	-0.4%	3.8%	15.8%	-1.5%
80-90%	\$665	98.8%	-0.5%	2.8%	12.8%	-1.2%
90-95%	\$1,155	98.5%	-0.6%	2.3%	10.0%	-0.9%
95-99%	\$4,360	97.4%	-1.4%	7.1%	16.5%	-1.2%
99-99.9%	\$72,835	100.0%	-8.5%	26.1%	16.4%	1.2%
Top 0.1%	\$1,304,950	100.0%	-17.7%	53.9%	20.1%	4.1%

Note: "Income" is defined as AGI plus: above-the-line deductions, nontaxable interest income, nontaxable Social Security benefits, nontaxable pensions and annuities, employer-side payroll taxes, and corporate liability. Seventy-five percent of the corporate income tax is assumed to be borne by the owners of capital; the rest is assumed to fall on wages. Federal taxes included are individual income, payroll, and corporate income taxes.



Table 2: Distribution of Federal Tax Change Under Presidential Candidate Biden's Tax Plan, 2021

Individual and payroll tax only

Income group	Average tax change	Share with a tax increase	Percent change in after-tax income	Share of tax change	Share of federal taxes paid	Change in share of federal taxes paid
Bottom quintile	\$0	0.0%	0.0%	0.0%	-0.3%	0.0%
Second quintile	\$0	0.0%	0.0%	0.0%	0.4%	0.0%
Middle quintile	\$0	0.0%	0.0%	0.0%	7.7%	-0.7%
Fourth quintile	\$0	0.0%	0.0%	0.0%	16.3%	-1.4%
80-90%	\$0	0.0%	0.0%	0.0%	13.3%	-1.2%
90-95%	\$5	0.3%	0.0%	-0.1%	10.2%	-0.9%
95-99%	\$1,365	24.8%	-0.4%	3.3%	16.7%	-1.2%
99-99.9%	\$58,410	97.2%	-6.8%	31.1%	16.4%	1.3%
Top 0.1%	\$1,068,660	99.9%	-14.5%	65.6%	19.0%	4.1%

Note: "Income" is defined as AGI plus: above-the-line deductions, nontaxable interest income, nontaxable Social Security benefits, nontaxable pensions and annuities, employer-side payroll taxes, and corporate liability. Seventy-five percent of the corporate income tax is assumed to be borne by the owners of capital; the rest is assumed to fall on wages. Federal taxes included are individual income, payroll, and corporate income taxes.



Table 3. Economic Effects of Presidential Candidate Biden's Tax Plan
Percent Change from Baseline

Year	GDP	Capital stock	Hours worked	Average hourly wage
2030	-0.6%	-0.7%	-0.6%	-0.1%
2040	-0.7%	-1.3%	-0.7%	0.0%
2050	-0.7%	-1.2%	-0.7%	0.0%
Note: Consistent with empirical evidence*, the projections above assume that the U.S. economy is 40 percent open and 60 percent closed. Specifically, 40 percent of new government debt is purchased by foreigners.				
* https://budgetmodel.wharton.upenn.edu/issues/2016/9/13/setting-1				