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News

March 31, 2021

American Jobs Plan Analysis

Earlier today, during a speech in Pittsburgh, Pennsylvania, President Joe Biden unveiled the American Jobs Plan—the first part of a two-tranche strategy modeled after the post-Depression-era New Deal program to spur economic revitalization. The president explained that the second part of the plan is the American Families Plan and will be released later this month.

The speech and accompanying $2.3 trillion package focus on and redefine infrastructure spending. While the Biden plan includes $621 billion in spending for traditional infrastructure priorities, such as roads, bridges and tunnels, it also proposes investments in several nontraditional programs. This includes:

- $111 billion in water infrastructure
- $100 billion in digital infrastructure, such as broadband access for rural communities
- $100 billion in energy infrastructure
- $213 billion to build and retrofit affordable housing
- $137 billion in early education, K-12, and community colleges
- $28 billion for federal building and veterans' hospital upgrades
- $400 billion in the care economy for elderly and disabled Americans
- $480 billion in research and development and manufacturing incentives
- $100 billion in workforce training initiatives

These changes would be paid for by the Made in America Tax Plan, which includes raising the corporate tax rate from 21% to 28%, as well as a number of other tax changes described below. The administration estimates the new taxes will generate $2 trillion over the next 15 years.

The plan is an ambitious opening gambit designed to unite a divided Democratic caucus, though it does little to entice Republicans to support the president's efforts. In the days leading up to the plan's release, progressives and moderates criticized the proposal for opposite reasons—centrists balked at such a large spending package financed by corporate tax increases and progressives said the package is insufficient to address the growing threat of climate change. Intraparty clashes signal a difficult road ahead for the Biden administration.

Below are the Brownstein Government Relations team's Key Takeaways from the bill:

1. **Everything Is Infrastructure.** Since then-candidate Biden released his Build Back Better agenda, it was clear that Democrats would take a very broad view as to what comprises infrastructure. The bill does not stray too far from the president's campaign promises, with investments in transportation, housing, the care economy, education and research and development. There is widespread agreement that infrastructure upgrades are long overdue, with billions of dollars in repairs needed for roads, bridges and tunnels. The

pandemic also highlighted the problems with outdated broadband infrastructure, creating a "homework gap" for students who cannot access internet at home. Democrats also argue that other priorities in the proposal should also be in the bill since these issues either threaten existing infrastructure (e.g., a failure to address climate change) or because they provide an essential support for working families (e.g., affordable housing, worker training, child and elder care).

2. **The Infrastructure Plan Is a Climate Plan.** Biden promised a climate-focused infrastructure plan and delivered with significant investments in energy infrastructure and environmental remediation and restoration. This translates into $100 billion in energy investments, with many provisions specifically targeted toward decarbonizing the electricity sector. The plan promises the establishment of an Energy Efficiency and Clean Electricity Standard (EECES). The plan also highlights the use of union labor to carry out restoration efforts. Additionally, $174 billion would be directed toward investments in domestic electric vehicle (EV) manufacturing and infrastructure, $27 billion in Clean Energy and Sustainability Accelerator investments for building and transportation upgrades, and $180 billion in funding for research and development (R&D).

3. **Bipartisan Priorities.** While the $1 trillion in spending reserved for traditional infrastructure projects is mostly bipartisan, most of the debate will focus on the other proposals. It is unclear whether Republicans will view spending on affordable housing, elder care and schools as appropriate for an infrastructure bill. However, nontraditional priorities such as research and development and manufacturing are of interest particularly in light of gaps in the domestic supply chain exposed by the pandemic. As China eclipses the U.S. in terms of R&D investments, lawmakers on both sides of the aisle believe that increasing investment in this space is key to maintaining U.S. leadership. Investments in R&D would be paired with bolstering domestic manufacturing to convert research and innovation into sustained economic growth. There could be bipartisan consensus on a narrow infrastructure bill that includes traditional priorities, as well as increases in the R&D credit, and manufacturing incentives to encourage domestic production.

4. **Where Is the Manufacturing Tax Credit?** While the American Jobs Plan makes investments to revitalize manufacturing, it does not include any mention of a tax credit to incentivize domestic manufacturing. During the campaign, then-candidate Biden often discussed a "Made in America" tax credit—a 10% tax credit for companies making investments that will create jobs for American workers and accelerate economic recovery. The credit was supposed to help revitalize existing, closed or closing facilities and reward those that created good-paying jobs. The proposal is largely silent on domestic manufacturing tax incentives, including only a vague reference to "a tax credit to support onshoring jobs."

5. **Good-Paying Jobs Are a Metric for Success Across the Board.** Nearly every segment of the Biden plan translates into good-paying *union* jobs. According to the last jobs report from the U.S. Labor Department, 9.97 million Americans are unemployed, though 18.9 million Americans continue to receive weekly unemployment benefits. The Biden administration hopes that a summer infrastructure bill would help create a job boom, the effects of which would be felt before the November 2022 midterm elections. In addition to construction jobs, each segment of the infrastructure package from energy to the care economy, is intended to boost job creation—both from government jobs through a new Civilian Climate Corps, to private sector jobs in the elder care space.

6. **Even Tax Credits Are Tied to Good-Paying Jobs.** In the American Jobs Plan, the president proposes massive investments in green energy, including modernizing power generation to deliver clean electricity. To achieve this, he proposes an expanded direct-pay investment tax credit and production tax credit for clean energy generation and storage. The document notes that these credits will be paired with strong labor

standards to ensure that jobs created are good-quality jobs, with the guaranteed choice to join a union. To date, investment tax credits have never been tied to paying prevailing wages. This seems to suggest that Internal Revenue Code Secs. 45 and 48 will now include prevailing wage requirements—an unprecedented move.

7. **Corporate Rate Increases Point to Reconciliation.** The American Jobs Plan includes a Made in America Tax Plan to pay for the $2 trillion package. It includes proposals to increase the corporate tax rate from 21% to 28%, double the tax on Global Intangible Low-Taxed Income (GILTI) from 10.5% to 21%, impose a 15% minimum tax on corporate book income, repeal the Foreign-Derived Intangible Income (FDII) deduction, eliminate tax benefits for the fossil fuel industry, increase corporate tax enforcement, and more. The international tax provisions partially dismantle the tax system put in place by the 2017 Tax Cuts and Jobs Act, drawing criticism from its Republican author. For the American Jobs Plan to have any chance at bipartisanship, it would have to drastically change the proposed payfors. Otherwise, reconciliation with a straight party vote will be the only path forward for this infrastructure proposal.

Below is a summary of the spending and revenue-raising proposals included in the American Jobs Plan:

I. <u>Tax Provisions</u>

1. **Set the Corporate Tax Rate at 28%.** The President's tax plan will increase the corporate tax rate from 21% to 28%. When the corporate tax rate was reduced by the Tax Cuts and Jobs Act (TCJA), Democrats lamented that it was not accompanied by a lasting boost in jobs or investment. Senate Finance Committee Chair Ron Wyden (D-OR) has called for Congress to adopt a framework based on two propositions: (1) multinationals must pay their "fair share" of taxes, and (2) the tax code should reward companies that invest in the U.S. and create good-paying jobs. Republicans counter that corporate rate increases will be borne by American workers through reduced wages and lower retirement account values. The nonpartisan Joint Committee on Taxation estimates that 25% of the corporate income tax is borne by workers.

2. **Discourage Offshoring by Strengthening the Global Minimum Tax for U.S. Multinational Corporations.** This proposal increases the minimum GILTI tax on U.S. corporations from 10.5% to 21%, and calculates it on a country-by-country basis to discourage offshoring. It also eliminates the TCJA rule that allows U.S. companies to exempt their first 10% of return on foreign assets when they locate investments in foreign countries. GILTI is income earned by foreign affiliates of U.S. companies from intangible assets such as patents, trademarks and copyrights in locations with low tax rates.

3. **End the Race to the Bottom Around the World.** This proposal denies the deduction to foreign corporations on payments that could allow them to strip profits out of the U.S. if they are based in a country that does not adopt a strong minimum tax. It further replaces the TCJA's Base Erosion Alternative Minimum Tax (BEAT). The BEAT is a minimum tax imposed on corporations that make certain deductible payments to foreign-related parties. Democrats have been disappointed that the BEAT has failed to capture revenue from income stripping of foreign companies, while also mistakenly harming companies that are investing in non-profit-shifting activities, such as renewable energy.

4. **Prevent U.S. Corporations from Inverting or Claiming Tax Havens as Their Residence.** Under current law, U.S. corporations can acquire or merge with a foreign company to minimize U.S. taxes by claiming to be a foreign company, even though their places of management and operations are within the U.S. President Biden is proposing to make it harder for U.S. corporations to invert. This will backstop the

other reforms that should address the incentive to do so in the first place.

5. **Deny Companies Expense Deductions for Offshoring Jobs and Credit Expenses for Onshoring.** GILTI and Foreign-Derived Intangible Income (FDII) are both contributing factors to moving jobs and equipment offshore, giving companies tax incentives for taking steps that hurt domestic jobs. This proposal ensures that companies can no longer write off expenses that come from offshoring jobs that are deductible under current law. Instead, the proposal provides a tax credit to support onshoring jobs.

6. **Eliminate a Loophole for Intellectual Property That Encourages Offshoring Jobs and Invest in Effective R&D Incentives.** This proposal eliminates the deductions for TCJA's FDII provision. FDII is a portion of a U.S. corporation's intangible income from foreign sources, and TCJA allows a deduction of a specified percentage of FDII. All of the revenue from repealing the FDII deduction will be used to expand R&D investment incentives.

7. **Enact a Minimum Tax on Large Corporations' Book Income.** Proposes a 15% minimum tax on the income corporations use to report their profits to investors (book income). The TCJA repealed the alternative minimum tax for corporations. Democrats intend to target companies that reported large net profits while paying little or no federal income tax. However, few details on the minimum book tax have been provided, and critics claim it will add unnecessary complexity to the tax code.

8. **Eliminate Tax Preferences for Fossil Fuels and Make Sure Polluting Industries Pay for Environmental Cleanup.** Democrats say the current tax code includes billions of dollars in subsidies and special foreign tax credits for the fossil fuel industry. Oil and gas companies, for example, can take a tax deduction for a majority of their costs for drilling domestic wells. As part of the president's commitment to put the country on a path to net-zero emissions by 2050, this proposal eliminates all special preferences. This coincides with Sen. Wyden's (D-OR) proposal to replace existing provisions in order to equally incentivize all types of clean energy production.

9. **Ramping Up Enforcement Against Corporations.** Over the past decade, audits on large corporations have decreased, from substantially all large corporations to less than half. This proposal pairs tax increases mentioned above with additional IRS funding to ensure the agency is able to increase tax audits on corporations.

II. <u>Spending Proposals</u>

TRANSPORTATION INFRASTRUCTURE AND RESILIENCE – $621 BILLION*	
$174 billion	**Electronic Vehicles (EV).** Strengthens the domestic supply chain for EVs. Creates point-of-sale rebates and tax incentives for consumers to buy affordable, American-made EVs. Establishes grant and incentive programs for state and local governments and the private sector to build a national network of 500,000 EV chargers by 2030. Through a Clean Buses for Kids Program, replaces 50,000 diesel transit vehicles and 20% of the yellow school bus fleet with EVs. Also electrifies the federal fleet, including the portion operated by the U.S. Postal Service.
$115 billion	**Repairs to Roads and Bridges.** Supports the modernization of bridges, highways, roads and main streets. Also funds air quality improvements and reductions in greenhouse gas emissions and congestion.

$85 billion	**Transit.** Funds the modernization of existing transit systems and helps agencies expand services to meet passenger needs.
$80 billion	**Amtrak**. Addresses Amtrak's repair backlog and provides for modernizing the Northeast Corridor, improving other routes, and bolstering grant and loan programs that promote rail safety, efficiency and electrification.
$50 billion	**Resiliency.** Funds improvements for infrastructure resilience. Investments would be targeted at essential systems, including the transportation network, electric grid, food system, urban infrastructure, and hospitals. Targets low-income and minority communities through the Building Resilient Infrastructure and Communities program, Community Development Block Grant program and new initiatives within the Department of Transportation.
$25 billion	**Airports.** Funds improvements to airports, including through the Airport Improvement Program (AIP), a new program for terminal renovations and multimodal connections, and upgrades to Federal Aviation Administration (FAA) assets.
$25 billion	**Project Support Fund.** Establishes a new fund to support projects that are too large or complex to be processed under existing funding programs. The projects must have clear benefits for the regional or national economy.
$20 billion	**Road Safety.** Improves road safety for all users, including through support for existing safety programs, the creation of a new Safe Streets for All program for local "vision zero" plans, and other safety-related improvements.
$20 billion	**Inequity.** Creates a new program to support neighborhoods that have historically been excluded from federal transportation funding. Funded projects would address racial equity, support environmental justice and promote affordable transportation access.
$17 billion	**Ports and Inland Waterways.** Supports improvements to inland waterways, coastal ports, land ports of entry and ferries. Creates a Healthy Ports program to minimize port-related air pollution.
Policy Proposals	**Project Timelines.** Recommends the use of coordinated infrastructure permitting to expedite federal project decisions without compromising equity, safety or stakeholder engagement. Also recommends providing support for state, local and tribal governments' project delivery through training, technical assistance and procurement best practices. **Resiliency Tax Credit.** Calls for a tax credit to incentivize low- and middle-income families and small businesses to invest in disaster resilience. **Congressional Resiliency Investments.** Asks Congress to authorize investments in protections against extreme weather events, coastal resiliency, climate-smart technologies, and land and water resource restoration, among other items. **Western Drought.** Unspecified investments in water efficiency and recycling programs, Tribal Water Settlements, and dam safety.

CLEAN WATER INFRASTRUCTURE – $111 BILLION	
$56 billion	**Water System Modernization.** Supports existing grant and loan programs to enable states, tribes, territories and disadvantaged communities to modernize their aging water systems.
$45 billion	**Lead Removal.** Funds the removal of all lead pipes and service lines through investments in the Environmental Protection Agency's (EPA) Drinking Water State Revolving Fund and in Water Infrastructure Improvements for the Nation Act (WIIN) grants.
$10 billion	**PFAS.** Provides funding to monitor and address the presence of per- and polyfluoroalkyl substances (PFAS) in drinking water. Also supports investments in rural small water systems and household well and wastewater systems.
DIGITAL INFRASTRUCTURE – $100 BILLION	
Policy Proposals	**100% Broadband Coverage.** Supports the development of "future proof" broadband infrastructure in underserved communities, with priority given to broadband networks affiliated with local governments, nonprofits and cooperatives. Sets aside funds for broadband infrastructure development on tribal lands. **Transparency and Competition.** Ensures fair competition between private internet providers and municipally owned or affiliated providers and rural electric co-ops providers by eliminating existing inequities. Requires internet companies to disclose prices. **Broadband Costs.** Calls for a long-term, congressionally backed solution to reducing internet prices and increasing adoption across the country, among other related concerns.
ENERGY INFRASTRUCTURE – $100 BILLION*	
$16 billion	**Orphan Oil and Gas Wells.** Supports union jobs to plug orphan oil and gas wells, in addition to restoring and reclaiming abandoned coal, hardrock and uranium mines.
$10 billion	**Conservation.** Invests in the conservation of public lands and waters, including the creation of a Civilian Climate Corps.
$5 billion	**Brownfield and Superfund sites.** Funds the remediation of Brownfield and Superfund sites, plus related economic and workforce development.
Policy Proposals	**Tax Credits.** Provides a 10-year extension and phasedown of an expanded direct-pay Investment Tax Credit and Production Tax Credit for clean energy generation and storage, which would be paired with strong labor standards. Expands the Section 45Q tax credit, making it direct pay and easier to use for difficult-to-decarbonize industrial applications, direct air capture, and retrofitting existing power plants. Creates a targeted investment tax credit to incentivize the buildout of at least 20 gigawatts of high-voltage capacity power lines. **Clean Electricity and Power Generation.** Establishes an Energy Efficiency and Clean Electricity Standard (EECES). Purchases 24/7 clean power for federal buildings. Creates a Grid Deployment Authority within the Department of Energy to better leverage existing rights-of-way and support financing tools to spur deployment of

	high-priority, high-voltage transmission lines. **Demonstration Projects.** Establishes 10 pioneer facilities to demonstrate carbon capture retrofits for large cement, chemical and steel facilities. Invests in 15 decarbonized hydrogen demonstration projects in distressed communities. **Public Works.** Invests in the Economic Development Agency's Public Works program and lifts the $3 million cap on projects. Supports Main Street revitalization efforts through HUD and USDA. Bolsters sustainable economic development efforts through the Appalachian Regional Commission's POWER grants, the Department of Energy's retooling grants for idled factories, and capacity and project grants for community-led environmental justice efforts. **State and Local Efforts.** Supports state, local and tribal government efforts to modernize power generation, through clean energy block grants that support clean energy, worker empowerment and environmental justice.
AFFORDABLE HOUSING – $213 BILLION*	
$40 billion	**Public Housing.** Improvements to public housing infrastructure, including to address safety concerns and boost energy efficiency.
$27 billion	**Weatherization.** Creates a Clean Energy and Sustainability Accelerator to incentivize private investment in clean transportation and retrofits of residential, commercial and municipal buildings, among others.
Policy Proposals	**Other Housing Provisions.** Supports the creation or preservation of 2 million units of affordable housing through targeted tax credits, formula funding, grants, and project-based rental assistance. Utilizes block grant programs, the Weatherization Assistance Program, and extends and expands home and commercial efficiency tax credits to upgrade homes. **NHIA Act.** Asks Congress to pass the Neighborhood Homes Investment Act (NHIA), which would authorize $20 billion in NHIA tax credits over five years and result in the creation or rehabilitation of approximately 500,000 homes. **Exclusionary Zoning.** Asks Congress to create a new competitive grant program that awards funding to jurisdictions that eliminate state and local exclusionary zoning laws.
EDUCATION – $137 BILLION	
$100 billion	**Public Schools.** Supports upgrades to existing public schools and the construction of new public schools through $50 billion in direct grants and $50 billion in bonds. Investments will improve air quality, reduce greenhouse gas emissions and promote resilience.
$25 billion	**Child Care.** Creates a Child Care Growth and Innovation Fund for states to upgrade child care facilities in order to increase access to infant and toddler care in high-need areas.

$12 billion	**Community Colleges.** Provides funding to states to improve community college infrastructure, address education deserts, improve energy efficiency and resilience, and narrow funding inequities.
Policy Proposals	**Tax Credits.** Enhances the Section 45F child care facilities tax credit to allow employers to receive up to 50% of the first $1 million of contribution costs per facility.
FEDERAL BUILDINGS – $28 BILLION	
$18 billion	**Department of Veterans Affairs Hospitals.** Funds the modernization of VA hospitals and clinics.
$10 billion	**Federal Buildings.** Invests in the modernization, sustainability and resilience of federal buildings, including through a bipartisan Federal Capital Revolving Fund to support investments in major purchase, construction or renovation of federal buildings.
Policy Proposals	**Procurement.** For newly constructed VA hospitals and federal buildings, the federal government will procure low-carbon materials for construction and clean power.
CARE ECONOMY – $400 BILLION	
$400 billion	**Care Infrastructure.** Expands access to quality, affordable home- or community-based care for older individuals and people with disabilities. Supports the creation of new jobs in the industry, wage increases, stronger benefits, and the right to organize and collectively bargain.
RESEARCH AND DEVELOPMENT – $180 BILLION	
$50 billion	**National Science Foundation.** Establishes a technology directorate within the Foundation responsible for programs related to semiconductors, biotechnology and advanced computing, communications and energy technologies.
$40 billion	**Laboratory Infrastructure.** Upgrades research laboratory infrastructure.
$35 billion	**Clean Technology.** Invests in breakthrough technologies that establish the U.S. as a leader in addressing the climate crisis, such as launching an Advanced Research Projects Agency-Climate (ARPA-C) to reduce emissions and boost climate research.
$30 billion	**Rural Job Creation.** Funds additional research and development designed to promote job creation, particularly in rural areas. Funds will be provided to the Department of Energy, Historically Black College and Universities (HBCU) and Minority Serving Institutions (MSI).
$25 billion	**Inequities.** Invests $10 billion for research and development investments at HBCUs and MSIs and $15 billion for 200 centers of excellence to serve as "research incubators" at these institutions to provide graduate fellowships and other opportunities for underserved populations.
MANUFACTURING – $300 BILLION*	
$52 billion	**Domestic Manufacturing.** Supports existing capital access programs, particularly those that support rural manufacturing and clean energy. Also funds supply chain modernization efforts, including through an extension of the 48C tax credit program, with a focus on the auto industry.
$50 billion	**Domestic Industrial Capacity.** Creates a new Department of Commerce office dedicated to domestic industrial capacity. Also supports the production of critical goods.

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$50 billion	**Semiconductors.** Supports semiconductor manufacturing and research, initiatives outlined in the CHIPS for America Act.
$46 billion	**Clean Energy Manufacturing.** Funds federal purchases to support the domestic manufacturing of various components necessary to produce new clean energy technologies, such as charging ports and electric heat pumps.
$31 billion	**Small Businesses.** Supports programs that provide small businesses with access to sources of credit and the development of community-based small business incubators and innovation hubs in communities of color and underserved communities.
$30 billion	**Pandemic Preparedness.** Supports job creation through investments in medical countermeasures manufacturing, biosecurity, research and development, the strategic national stockpile, and other efforts to improve the U.S. response to future pandemics.
$20 billion	**Innovation Hubs.** Invests in at least 10 regional innovation hubs and a Community Revitalization Fund, which will lead to community development and increase access to the innovation economy.
$14 billion	**Competitiveness.** Authorizes the National Institute of Standards and Technology (NIST) to work with industry, academia and government experts to bolster U.S. competitiveness. Asks Congress to quadruple funding for the Manufacturing Extensions Partnership and expand access for minority-owned and rural enterprises.
$5 billion	**Rural and Tribal Communities.** Establishes a new Rural Partnership Program between the federal government and rural areas, including tribal nations, to promote community and economic development and improve their access to federal resources.
Policy Proposals	**Supply Chain Investments.** Supports the creation of a financing program to bolster debt and equity investments in the manufacturing sector, specifically those that increase supply chain resiliency. **Rural and Tribal Communities.** Unspecified investments in rural and tribal communities to increase broadband coverage, upgrade transportation and water infrastructure, support land grant universities, and drive the agricultural sector toward net-zero emissions, among other goals.

**Topline figures exceed outlined funding allocations.*

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