

## Pete For America Expenditures and Pay-Fors

PFA declared government expenditures as of December 7, 2019 (more line items to be announced in the coming weeks):

<b><u>Expenditure</u></b>	<b><u>Ten-year cost</u></b>
Medicare For All Who Want It	\$1.5T
Climate	\$1.5T
Early childhood and supplemental K-12	\$700B
Affordable college, HBCU/MSI support, and debt support	\$600B
Housing	\$450B
K-12	\$425B
EITC expansion	\$400B
Long-term care	\$370B
Mental health and opioids	\$300B
Social Security expansion	\$270B
Rural health	\$50B
Workforce training and lifelong learning	\$50B
Other	\$250B
<b>TOTAL</b>	<b>\$6.9T</b>

PFA declared pay-fors as of December 2, 2019 (more pay-fors to be announced in the coming weeks; note that some estimates are minimums that may be revised upward with finer analysis). Not included here is \$1.2T in revenue over 2021-2030 that covers already-legislated Social Security benefits and therefore reduces cumulative deficits by \$1.2T (see plan [here](#)).

<b><u>Pay-for</u></b>	<b><u>Ten-year revenue</u></b>
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Reforming capital gains taxation among the top 1%	\$2.1T <sup>1</sup>
Repealing the Trump corporate tax rate cut	\$1.4T <sup>2</sup>
Better IRS enforcement of corporations and the rich	\$1.0T <sup>3</sup>
0.1% financial transactions tax	\$800B <sup>4</sup>
Health cost savings to the federal government	\$675B <sup>5</sup>
Repealing the Trump tax cut 199A loophole on the top 2%	\$450B <sup>6</sup>

<sup>1</sup> The \$2.1T estimate is found on Page 16 on Table 3b: Accrual Tax, Limited to top 1%, Total, Tax Avoidance Rate 15%. of: Batchelder, Lily L., and David Kamin. "Taxing the Rich: Issues and Options." <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3452274](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3452274)>. Like the Batchelder-Kamin version, Mayor Pete's version will include a mix of annual payments and deferral charges and raise at least \$2.1T.

<sup>2</sup> The 2018-2017 estimate of \$1.35T is found in Item IIB of: Joint Committee on Taxation. Estimated Budget Effects Of The Conference Agreement For H.R. 1, The "Tax Cuts And Jobs Act." <<https://www.jct.gov/publications.html?func=startdown&id=5053>>. With price and economic growth, the 2021-2030 figure is slightly larger.

<sup>3</sup> Sarin, Natasha, and Lawrence H. Summers. "Shrinking the Tax Gap: Approaches and Revenue Potential". No. w26475. National Bureau of Economic Research, 2019. Table 7 <<https://www.nber.org/papers/w26475>>. This figure is net of increased IRS enforcement expenditure and considers reductions only in the officially quantified IRS tax gap, which excludes offshore noncompliance that can be reduced as well: Government Accounting Office, "Foreign Asset Reporting: Actions Needed to Enhance Compliance Efforts, Eliminate Overlapping Requirements, and Mitigate Burdens on U.S. Persons Abroad." <<https://www.gao.gov/assets/700/698/698133.pdf>>.

<sup>4</sup> The 2019-2028 estimate of \$777B can be found at: Congressional Budget Office. "Impose a Financial Transactions Tax" <<https://www.cbo.gov/budget-options/2018/54823>>. With price and economic growth, the 2021-2030 estimate is approximately \$800B. We anticipate spending up to \$100B to offset FTT fees incurred by the middle class.

<sup>5</sup> At least \$260B from prescription drug cost savings to the federal government from Pete's Affordable Medicine For All plan: the CBO scored a similar plan as generating \$345B in cost savings to Medicare 2023-2029 <<https://www.cbo.gov/publication/55722>>. About \$160B in cost savings to the federal government extending site neutral payments to all hospital-owned, off-campus physician office and to on-campus hospital outpatient departments <<https://www.hhs.gov/sites/default/files/fy-2020-budget-in-brief.pdf>>. At least \$125B in reduced administrative costs to the federal government: Center for American Progress <[https://cdn.americanprogress.org/wp-content/uploads/issues/2012/06/pdf/papercuts\\_final.pdf](https://cdn.americanprogress.org/wp-content/uploads/issues/2012/06/pdf/papercuts_final.pdf)>. At least \$72B in cost savings to the federal government from honoring patients' wishes for less institutional post-acute care: CBO <<https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51383-apbonecol.pdf>>. At least \$43B in cost savings to the federal government from reduced adverse hospital events: *Journal of the American Medical Association* <<https://jamanetwork.com/journals/jama/fullarticle/2752664>>. At least \$16B from reform to graduate medical education: Department of Health and Human Services <<https://www.hhs.gov/sites/default/files/budget/fy2016/fy-2016-budget-in-brief.pdf>>.

<sup>6</sup> The 199A loophole allows wealthy individuals to recharacterize their labor income as pass-through business income and enjoy a 20% tax deduction: Smith, Zidar, Zwick, and Yagan, "Capitalists in the Twenty-First Century", *Quarterly Journal of Economics* 2019. <<https://eml.berkeley.edu/~yagan/Capitalists.pdf>>; Kamin, Gamage, Glogower, Kysar, Shanske, Avi-Yonah, Batchelder, Fleming, Hemel, Kane, Miller, Shaviro, and Viswanathan, "The Games They Will Play: Tax Games, Roadblocks, and Glitches Under the 2017 Tax Legislation" *Minnesota Law Review*, 2019 <[https://www.minnesotalawreview.org/wp-content/uploads/2019/02/5Kamin\\_FINAL.pdf](https://www.minnesotalawreview.org/wp-content/uploads/2019/02/5Kamin_FINAL.pdf)>. Full 199A repeal generates \$620B over 2021-2030: Table 2 of Batchelder, Lily L., and David Kamin. "Taxing the Rich: Issues and Options." <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3452274](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3452274)>. The top 1% collect over two-thirds of pass-through income: M. Cooper, J. McClelland, J. Pearce, R. Prinszino, J. Sullivan, O. Zidar, E. Zwick, D. Yagan, "Business in the United States: Who Owns It, and How Much Tax Do They Pay?" *Tax Policy and the Economy*, 2016 <<https://eml.berkeley.edu/~yagan/BusinessOwnersTaxes.pdf>>. Hence, repealing 199A on the top 2% is estimated to generate at least \$450B over 2021-2030.

Reversing Trump and restoring 39.6% top rate on the top 2%	\$325B <sup>7</sup>
Applying middle-class Social Security taxes to the top 2%	\$270B <sup>8</sup>
Making big banks pay for financial crisis risk	\$100B <sup>9</sup>
C-band auction under Internet For All Initiative	\$40B <sup>10</sup>
Closing the carried interest loophole	\$14B
<b>TOTAL</b>	<b>\$7.2T</b>
<i>Portion 1 of total: Revenue from newly higher taxes</i>	<i>\$5.5T<sup>11</sup></i>
<i>Portion 2 of total: Revenue from enforcement of existing taxes</i>	<i>\$1.0T<sup>12</sup></i>
<i>Portion 3 of total: Revenue from non-tax sources</i>	<i>\$0.7T<sup>13</sup></i>

<sup>7</sup> The tax cut reversal on the top 2% is implemented as raising the ordinary income tax rate to 39.6% in both of the top two tax brackets. The second-to-top tax bracket begins at \$200,000 for single filers and \$400,000 for married filers, and the latest data indicate that the 98th percentile of tax units is just under \$300,000 (Piketty-Saez-Zucman "Distributional National Accounts" 2019, data updated through 2016). We obtain annual AEI simulation estimates of 2021-2025 revenue from this reform: <<https://compute.studio/PSLmodels/Tax-Brain/43802/>>, under the Change tab. Linear projection of the annual 2021-2025 estimates to 2030 yields the final \$325B estimate relative to current policy. This AEI methodology follows the methodology of: Table 2 of Batchelder, Lily L., and David Kamin. "Taxing the Rich: Issues and Options." <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3452274](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3452274)>.

<sup>8</sup> According to an analysis by Moody's Mark Zandi, applying middle-class Social Security taxes to the top 2% raises \$1.47T 2021-2030, but only \$270B goes to paying for new expenditures (the Social Security expansion). The remainder covers already-promised Social Security benefits and represents \$1.2T of cumulative deficit reduction.

<sup>9</sup> The 2019-2028 estimate of \$103B can be found at: Congressional Budget Office. "Impose a Fee on Large Financial Institutions" <<https://www.cbo.gov/budget-options/2018/54823>>. The annual fee is 0.15% of the covered liabilities of banks and nonbank financial companies with total assets above \$50B.

<sup>10</sup> \$40B estimate from: McInerney, Susan. "C-Band Auction Worth Up \$40 Billion, FCC to Weigh Rival Plans." Bloomberg BNA News. July 3, 2019.

<<https://news.bloomberglaw.com/tech-and-telecom-law/c-band-auction-worth-up-40-billion-fcc-to-weigh-rival-plans>>

<sup>11</sup> This equals the sum of all pay-for rows not included in Portions 2 or 3.

<sup>12</sup> This equals Better IRS enforcement aimed at corporations and the rich.

<sup>13</sup> This equals the sum of two rows: Health cost savings to the federal government, and C-band auction under Internet For All Initiative.