



## Biden & 'The 1-Percent'

### Description

USA: In a speech last week introducing his proposed \$6 trillion 2022 budget, **President Biden claimed that the benefits of the Republican Party's Tax Cuts and Jobs Act "went to the wealthiest 1% of America."**

It's not the first time he's made this claim.

**In his first speech to a joint session of Congress, Biden described the TCJA as a "huge windfall" for "those at the very top."**

To right that wrong, he proposes getting rid of loopholes and raising the top tax rate from its current 37% to 39.6%.

**Why? So that "the wealthiest 1% of Americans" will "pay their fair share," a phrase that the president and his fellow Democrats repeat with abandon.**

**But there's a big problem with Biden's claims: They are simply untrue. It's time Republicans started more aggressively pointing that out.**

Let's start with that supposedly "huge windfall" that went to the "wealthiest 1%" of America.

**While the TCJA reduced effective income tax rates for all income groups in 2018, the top 1% experienced no windfall.** Rather, according to the most recent IRS income tax data, the top 1% of taxpayers paid \$616 billion in 2018, roughly the same amount they paid in 2017. But the bottom 99% paid \$65 billion *less*. Some "windfall." If the TCJA was a tax cut for the rich, it was the weirdest one in the history of tax cuts for the rich.

**But did those evil 1-percenters pay their fair share? Turns out they did** – and certainly a larger share than when tax rates were last at Biden's proposed 39.6%.

In 2018, while the top 1%'s share of adjusted gross income declined slightly to 20.9% (from 21.0% in 2017), its share of the income tax burden *increased* to 40.1% from 38.5%. "Fair" is in the eye of the

beholder, but consider: The top 1%'s share of taxes paid nearly doubles its share of income. For more "fair share" perspective, consider that in 2018, the top 1% paid more in income taxes than the bottom 90% of taxpayers – *combined*.

Biden also might be surprised to learn that the top 1% actually paid a higher percentage of income taxes in 2018 under the TCJA than in any year since at least 2001 – when it paid 33.2%. That includes each of the five years from 2013 to 2017 following the Obama tax hikes, when the top rate last stood at 39.6% – the rate Biden is currently proposing.

**You read that right. The highest earners paid a greater share of income taxes after the Republicans' 2017 tax cuts than they paid after the Democrats' 2013 tax increase. But how can that be if the top tax rate in 2018 was only 37%?**

Well, the TCJA increased taxable income for wealthier Americans by reducing the itemized deductions they could claim. High earners generally benefit more from itemizing deductions. Lower earners generally benefit more from the standard deduction. The TCJA increased the standard deduction and limited itemized deductions.

**According to [IRS data](#), following the TCJA, the amount taxpayers claimed for itemized deductions dropped by 55%**, from about \$1.46 trillion in 2017 to about \$650 billion in 2018. That's over \$800 billion that was taxed in 2018 but not in 2017.

The TCJA's capping the deduction for state and local taxes (SALT) at \$10,000 was responsible for \$480 billion of that decrease – a whopping 59%. But Biden [supports](#) restoring the SALT deduction even though that deduction benefits mostly the upper-income taxpayers he so desperately wants to tax. Why would he want to do that?

Well, the SALT deduction primarily benefits high earners in high-tax blue states. So Biden is not alone in seeking to restore it. Repealing the cap President Trump put on the SALT deduction is a top tax priority for Senate Majority Leader Charles Schumer (D-N.Y.) and House Speaker Nancy Pelosi (D-Calif.), who want either to increase or eliminate the \$10,000 cap as part of Biden's infrastructure bill.

Like Biden, these legislators also claim to favor closing tax loopholes for the wealthy – just not for their wealthy supporters. "Do you want to give the wealthiest people in America another tax cut?" Biden asked in his budget introduction speech. Apparently for the Democratic leadership, the answer is: Yes, we do.

So, the TCJA was not a windfall for the rich, and it did not result in the rich paying less than their fair share of income taxes. It closed loopholes – the largest of which Democrat leadership would like to restore – that primarily benefit wealthy taxpayers. Raising the top tax rate to 39.6% under Obama resulted in the rich paying a smaller share of income taxes than they paid in 2018 under the TCJA. There is certainly no guarantee that they would pay a larger share if Biden repeated Obama's tax-increase error – particularly if the Democrats start restoring tax loopholes for their wealthy backers.

**Republicans have the better part of this argument. They need to start making it.**

By Tyler Durden

**Date Created**  
06/05/2021