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## **Parrott: President's Budget Would Support Children and Families, Strengthen the Economy**

President Biden's 2023 budget calls for a range of policies that would boost opportunity and reduce poverty, improve health and well-being, and advance widely shared prosperity, funded by proposals to make the nation's tax system stronger and fairer. The U.S. has long underinvested in our families and children; the President's call to reverse that trend is both good economics and consistent with our nation's values. The policies presented in the budget would help households with the costs that stretch their budgets and would provide more children with the supports and education they need to thrive. It would pay for these policies and reduce the deficit by requiring well-off households and profitable corporations to pay a fairer amount of taxes, putting forward creative solutions to the long-standing problem that many of the wealthiest households who have gained the most from the nation's economy pay very little taxes, and sometimes none at all.

The nation is grappling with the ongoing fallout of the COVID-19 pandemic and with new challenges due to the Russian invasion of Ukraine. While job growth is strong, inflation is making it harder for families to pay their bills. The nation needs to help families and workers manage their costs while also putting in place long-term policies to help more people share in our nation's prosperity.

The U.S. has unacceptably high levels of poverty and inequality and deep inequities across racial, ethnic, and gender lines; nearly 30 million non-elderly people lacked health insurance before the pandemic; and many households can't afford housing or high-quality child care. The pandemic and economic crisis not only heightened the challenges families faced but also exposed gaps in many economic and health security programs that leave households vulnerable when they fall on hard times. Through a series of relief measures, the nation reduced many of those gaps on a *temporary* basis, but most of those temporary improvements have ended or will soon.

The Administration recognizes that discussions with Congress on an economic package are ongoing. Rather than laying out specific proposals for that package in its budget, it calls on Congress to craft an economic package that reduces costs for families, tackles climate change, and raises revenues to pay for these investments and shrink the deficit. To meet some of families' most pressing concerns, that package should include policies such as expanding health coverage including in states that have refused to expand Medicaid; helping families afford the high costs of necessities such as health care, child care, elder care, and housing; providing an expanded Earned Income Tax Credit to very low-paid workers without children who can be taxed into or deeper into poverty by the federal tax code; and assisting families with children through an expanded Child Tax Credit that ensures that families with low incomes whose budgets are most affected by inflation get help making ends meet.

These types of policies have demonstrated positive impacts on families and children. They would lower structural barriers for people of color and others in communities that have faced systemic limitations to opportunity due to racism and other forms of discrimination, resulting in deeply unequal access to jobs, education, housing, and health care for generations.

The budget increases funding in a number of high-priority areas that will broaden opportunity. These include increases for child care and pre-K education; aid to K-12 schools serving students in low-income communities; Pell Grants for college students and support for Minority Serving Institutions of higher education; housing assistance; and community mental health services and the prevention and treatment of substance use disorders. While the recently enacted 2022 omnibus appropriations bill boosted funding modestly for many important non-defense programs, the budget recognizes that this area has experienced serious funding shortfalls over the past decade and that significant additional funding is still needed to meet national needs.

The pandemic shined a light on the need to improve access to affordable, high-quality mental health care for both adults and children. The need for mental health care and substance use disorder treatment has grown due to the pandemic, and too many people continue to lack meaningful access to care. The budget would invest in mental health and substance use disorder treatment services in Medicaid, Medicare, and the Veterans Affairs health system as well as expand the provider workforce. It would also do more to enforce the rules requiring insurance plans to achieve parity between coverage of physical health and mental health and substance use treatment services, and provide funding to expand school counselors, nurses, and others who can attend to children's mental health needs. The budget would also invest in suicide prevention efforts.

The budget plan also recognizes that the federal government should effectively provide important services. To deliver on that promise, the budget would provide more adequate funding to the Social Security Administration to successfully re-open field offices and help the growing number of older adults and people with disabilities gain access to the benefits they qualify for. And it would fund the IRS to rebuild its depleted staff so that it can fulfill its core responsibilities of collecting the taxes that are legally owed and providing taxpayer assistance so people can get their questions answered and properly file their returns. It would also support efforts to protect public health through the Centers for Disease Control and Prevention and state and local health departments by alleviating shortfalls in staffing and capacity for laboratory analysis, data collection and dissemination, and epidemiology.

The budget puts forward an important tax agenda that would make the system fairer, raise revenues to support much-needed funding for key priorities that expand opportunity and invest in the building blocks of economic growth, and reduce the deficit. It addresses a fundamental flaw in the tax code, which allows many of our nation's wealthiest people to avoid paying individual income tax on much of their income and to enjoy special tax breaks on the income streams that are taxed. The budget builds on the important progressive revenue measures the House included in its economic package, such as a surtax on very high incomes and implementation of a critical multilateral effort to thwart the corporate shifting of profits to tax havens — but recognizes that the House package represents only a first step toward tax fairness.

For example, to ensure that the wealthiest people pay a minimum amount of income tax on their income throughout their lives, the Administration proposes a 20 percent minimum tax on the income of people with more than \$100 million in wealth. The base of this tax would include the primary source of income for many of these people: unrealized capital gains on their investments. This would mean that the wealthiest

people would pay a minimum amount of income taxes annually on their main source of income just like millions of wage and salary earners pay taxes every year on their main source of income: wages and salaries. The proposal is designed to address various implementation issues — including allowing households to pay the amount owed over several years, which helps address situations when households have gains followed by losses because payments can be adjusted going forward — raised around prior proposals with a similar goal of taxing the incomes of very wealthy people each year. It is projected to raise \$361 billion over ten years.

Altogether, the budget raises enough revenue to more than offset the cost of the proposed funding increases and investments, reducing the deficit over the next decade by more than \$1 trillion. Over the past two decades, regressive tax cuts have suppressed revenues and widened inequality while failing to deliver on the promise of economic growth their supporters promised. They have also hampered the nation's ability to put in place policies that help families and children thrive and promote economic security and broadly shared growth. The President's budget would bolster our revenue system and move toward ending this damaging policy of underinvestment. Ultimately, to meet the nation's investment needs and to support an aging population and the rising cost of health care, even more revenue will be needed in the future.

While some key elements of President Biden's budget will be considered through the annual appropriations process, Congress has the chance this year to pass economic legislation through the reconciliation process that can help families address the higher costs they face now, expand health coverage, invest in children, tackle climate change, and expand opportunity. By including sensible revenue measures and prescription drug savings, the package can not only be fully paid for, but also generate deficit reduction. By more than paying for its investments and spreading them out over time, such a package would generate little or no inflationary pressures. This type of legislation remains within reach and is a necessary step to reducing burdens on families today and securing an economy over the long run that delivers for everyone.

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