

Chart of the Day



Summary Overview: Last week, the White House released a framework for the highly anticipated \$1.5-2.0 trillion Democrat-only “soft” infrastructure bill, which Democrats in Congress hope to pass this year along with the \$1.2 trillion bipartisan “hard” infrastructure bill. The framework, which is subject to change, outlines a number of tax code changes necessary to fund the \$1.75 trillion of proposed social and climate-related spending. While there are numerous tax provisions that currently have less support than had initially been expected, and, as such, are not currently in the draft legislation (most notably, increases to the corporate statutory rate, individual rate and capital gains), we do expect these provisions to be heavily negotiated over the course of November and December.

Timing Expectations: Speaker Nancy Pelosi has indicated the House could vote on both the \$1.2 trillion bipartisan “hard” infrastructure bill and the \$1.5 - 2.0 trillion Democrat-only “soft” infrastructure bill as early as this Thursday (Nov 4). If both of those votes were to take place, the smaller “hard” infrastructure bill would become law (the Senate passed the bill in August). The larger, “soft” infrastructure bill would have to be sent to the Senate where numerous revisions are likely and a negotiated bill would have to be sent back to the House for a final vote. Expect negotiations on the \$1.5 - 2.0 trillion package to take place over November and final passage by mid-December.

Tax Code Changes Currently More Likely by Year-end

Corporate	Provision	Effective date	Revenue (USD, bn)
	Increase GILTI (to 15% area) and BEAT	2023	\$350
	15% corporate minimum tax on profits above \$1 billion	2022	\$325
	Other Tax Provisions (inc. tobacco / spirits taxes)	2022-2042	\$226
	1% excise tax on certain share buybacks	2022	\$125
	Limitation on deductions for interest expensing	2022	\$34

Individual	Provision	Effective date	Revenue (USD, bn)
	IRS Auditing	2022	\$400
	5% surtax on income over \$10 M / year; additional 3% above \$25 million	2022	\$250
	Bank reporting for individuals with more than \$400,000 in annual income	2022	\$100
	Limitation on deduction for QBI	2022	\$78
	Retirement plan reforms	2022	\$4

Healthcare	Provision	Effective date	Revenue (USD, bn)
	<u>Limited</u> Medicare drug price negotiation for a subset of drugs	2025	\$150
	Inflation cap on Medicare Part B & D drugs	2024	\$85
	Redesign Medicare Part D benefit	2024	\$5

Total: \$2.1 tn

Tax Code Changes Currently Less Likely by Year-end

Corporate	Provision	Effective date	Revenue (USD, bn)
	Raise corporate tax rate to 23-24%	2022	\$350
	Carbon tax	2022	\$100

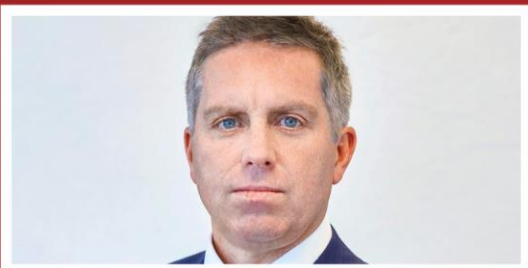
Individual	Provision	Effective date	Revenue (USD, bn)
	39.6% income tax bracket +\$400k	2022	\$170
	Wealth tax of some kind (e.g. 3% on taxpayers with \$5 million+ earnings/year)	2022	\$127
	25% capital gains tax rate	2022	\$123
	Carried interest	2022	\$14

Healthcare	Provision	Effective date	Revenue (USD, bn)
	Medicare Advantage adjustments (coding intensity; benchmark discount factors)	2023 / 2024	\$120
	Site neutrality in Medicare for hospital outpatient departments	2023	\$100
	Lower Medicare payment updates for post-acute	2023	80

Total: \$1.2 tn

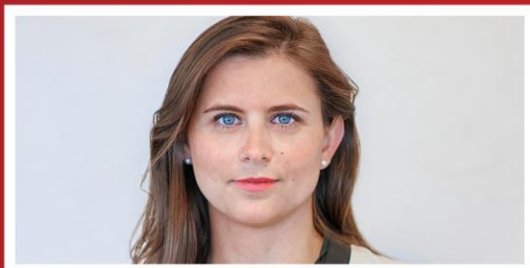
Source: Veda Partners (Henrietta Treyz) "Progressives Win" October 28, 2021; "Mess Around and Find Out" October 28, 2021. KPMG. Deloitte. Ernst & Young. PwC. Tax Foundation. Tax Policy Center. Bloomberg Tax. AEI.

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