Committee on Ways and Means Provisions in the *Build Back Better Act*

Transformational investments in families, workers, and the fight against climate change

INVESTING IN WORKERS AND THE ECONOMY

Universal, Comprehensive Paid Family and Medical Leave for Workers

The *Build Back Better Act* would permanently authorize the first-ever, universal, comprehensive paid leave benefit for all U.S. workers.

- Starting in January 2024, all workers would be eligible for up to four weeks of paid leave for new parents, workers dealing with their own serious medical conditions, and workers who need leave to care for a loved one with a serious medical issue.
    - Benefits would be progressive, with lower-income workers receiving higher levels of wage replacement so they can afford to take leave.
    - Wage replacement would be about two-thirds for the average worker.
- The federal benefits would not be taxed, and the amount has been adjusted to compensate for an expected 5.7 percent budget sequestration (to ensure the benefits are correct after the sequester is applied).
- Workers would receive their guaranteed benefits in one of three ways:
    - Via a public program administered by the Social Security Administration that covers all public and private sector workers without regard to employer size, including part-time and self-employed workers;
    - Via an already-enacted “legacy state” paid leave program which provides benefits that are equivalent to or better than the federal benefit, and for which the state would be reimbursed up to what it would have cost to cover their workers in the federal program; or
    - Via a plan (self-insured for via an insurer) from an employer who voluntarily chose to offer 100 percent of employees paid leave that is **equal to or better than the public benefit in every respect** and includes job reinstatement protection even if a worker is not FMLA-covered. Those employers would be reimbursed for the lesser of 90 percent of the national average cost of paid leave benefits or 90 percent of their insurance premium.
- In addition to providing funding for the full cost of administering the new paid leave benefit, the Build Back Better Act would provide the Social Security Administration with an additional $2 billion to address customer service challenges and backlogs in non-paid leave programs.

Trade Adjustment Assistance (TAA) Programs

The TAA programs provide a critical lifeline to workers, firms, farmers, and communities that have been harmed by trade. Funding for these programs was drastically slashed earlier this year, cuts which were particularly harmful to underserved communities and which kicked out workers harmed by trade with China.

- The *Build Back Better Act* reauthorizes **TAA for Workers** for four years and makes key improvements by expanding eligibility, modernizing benefits, and increasing resources for the Department of Labor (DOL) and the states that administer the program. The bill also raises the cap for training funding to $1,000,000,000 per year.
- The bill reauthorizes **TAA for Firms** for four years and increases funding to $50,000,000 per year. The bill also makes key improvements to the program by expanding eligibility and increasing the support provided to eligible firms.
- The legislation reauthorizes **TAA for Farmers** for four years and injects new funding into the currently dormant program by providing $10,000,000 per year. The bill also expands eligibility and modernizes benefits available to farmers under the program.
- The bill also injects $1.2 billion in funding to both the **TAA for Communities** and **TAA for Community Colleges** programs. The bill revamps the Communities program with an improved design to better serve trade-impacted communities. The Community Colleges program also makes important improvements to better serve students affected by the program.
- The legislation makes key changes in all TAA programs to ensure that services and benefits are more effectively provided to **underserved communities.** The bill contains unique outreach provisions in each program and includes key changes that aim to ensure that workers from all communities will benefit from the program.

Elder Justice Act Long-Term Care Workforce Training Program

The *Build Back Better Act* invests in training and retaining the long-term care workforce through grants to states.

- These grants invest in ensuring the workforce has access vital resources that incentivize entering and staying in the field – such as affordable and accessible child care, wage subsidies, student loan repayment, and transportation.
- It also invests in the people providing these critical services – a population of workers essential to the delivery of health care services to our most vulnerable, who for too long have been overlooked for their important contributions to our nation's health.

Health Profession Opportunity Grant (HPOG) Program

The *Build Back Better Act* reauthorizes and expands the Health Profession Opportunity Grant Program to provide grants in all 50 states, the U.S. territories, and in tribal communities. The HPOG program is a tried-and-tested method for training local, low-income workers for high demand jobs. Participants are overwhelmingly women of color, and often single parents who need help supporting their children.

Pathway to Practice Training Program

The Pathway to Practice Training Program in the *Build Back Better Act* eliminates the barrier of the high cost of physician education for certain students to train a more diverse physician workforce and more physicians in and from rural and underserved areas, shrink the physician shortage, and ensure these new physicians are equipped with structural and cultural competencies to help them reduce health inequities and disparities.

IMPROVING HEALTH CARE QUALITY AND AFFORDABILITY

Closing the Medicaid Coverage Gap *(Also Reported by Energy and Commerce)*

The *Build Back Better Act* would provide access to affordable coverage in the Affordable Care Act (ACA) Marketplaces beginning next year through 2025 to roughly 4 million uninsured Americans who live in states that have not expanded Medicaid coverage under the ACA.

- Due to the very low incomes of these individuals, they will qualify for coverage with $0 premiums. *(These provisions are within the Ways and Means Committee jurisdiction)*
- The bill also provides enhanced cost sharing assistance for these individuals to ensure out of pocket costs are not a barrier to care. *(This provision is within the Energy and Commerce Committee jurisdiction).*

Improving Affordability and Reducing Premium Costs

- *The Build Back Better Act* extends through 2025 the enhanced premium subsidies in the ACA Marketplace that were included in the American Rescue Plan. These enhanced subsidies have made health insurance in the Marketplace considerably more affordable. In 2021, Americans purchasing their coverage in the Marketplace have seen their premiums decrease an average of $67 per month, which adds up to more than $800 each year. Indeed, 48 percent of new consumers are now paying a monthly premium of $10 or less. Additionally, the median deductible for new consumers has fallen by over 90 percent, from $750 to $50.
- The *Build Back Better Act* makes enhanced ACA subsidies available through 2022 for recipients of unemployment compensation, extending protections provided for those losing their jobs included in the American Rescue Plan. The Congressional Budget Office found that this provision would help 500,000 people newly enroll and receive a premium tax credit. Most of those people would have otherwise been uninsured.
- The *Build Back Better Act* helps workers obtain more affordable health coverage through the ACA Marketplaces. Revises the threshold that determines whether someone has access to affordable insurance for purposes of premium tax credit eligibility through 2025, helping consumers get subsidized Marketplace coverage if they have an offer of employer-sponsored coverage costing 8.5 percent of income or more.
- The *Build Back Better Act* protects recipients of Social Security benefit lump-sum payments from an unexpected tax burden and makes ACA Marketplace coverage more affordable for certain families with children who have part-time jobs or are enrolled in job training programs.

Adding Hearing Coverage Under the Medicare Program *(Also Reported by Energy and Commerce)*

The *Build Back Better Act* makes vital investments in seniors and people with disabilities by expanding Medicare to include coverage for hearing services and hearing aids.

- Beginning January 1, 2023, this provision expands access to services provided by audiologists and licensed hearing aid professionals. It also provides coverage of hearing aids under Medicare Part B for individuals with moderately severe, severe, or profound hearing loss in one or both ears, once every five years.

- Alongside the Biden Administration's recent release of the Food and Drug Administration's over-the-counter hearing aid rule, this provision ensures that all Americans who need hearing aids will be able to access them. The average cost of hearing aids is $4,700 – making this a vital investment for in the health of millions of beneficiaries who previously had to pay for these expensive devices out-of-pocket.

Giving the Health and Human Services (HHS) Secretary the Power to Negotiate Lower Drug Prices, Reducing Costs for Millions of Americans

The *Build Back Better Act* empowers the HHS Secretary to negotiate drug prices directly with drug companies for high-priced drugs without competition with negotiated prices nine years for small molecule and 12 years for biologics.

- Under the bill, the Secretary would negotiate the prices of up to 10 drugs for plan year 2025, which then ramps up to 20 drugs by plan year 2028 and each plan year thereafter.
- The Secretary would collect important information for drugs selected for negotiation, such as R&D costs, prior federal financial support, extent to which the drug addresses an unmet need, and more. The Secretary uses this information to engage in a back-and-forth negotiation with a manufacturer to arrive at an agreed-to fair price. The Secretary is explicitly directed to consider the innovation that a selected drug represents.
- Depending on how long the drug has been on the market, the Secretary will achieve at least a 25-60 percent reduction on a drug's price.
- The bill would limit the scope of negotiations for small biotechnology companies.
- The bill ensures that any negotiated drug is covered for Medicare beneficiaries.

Requiring Drug Companies to Pay Rebates If Drug Prices Increase Faster than Inflation, Also Lowering Costs for Millions of Americans

The bill prevents drug companies from unfairly increasing their prices beyond inflation for Medicare beneficiaries and those with private insurance. In the case a manufacturer increases their price beyond inflation, they will have to pay a rebate back to the federal government, repaying the excess amount above inflation.

- Under the bill, the inflation rebates are calculated with the cost of the drugs millions of Americans with Medicare Part B and Medicare Part D drug coverage, but also those with private insurance.

Capping Out-of-Pocket Costs on Drug Spending in Medicare and Reforming the Medicare Part D Benefit

This bill creates a new, out-of-pocket cap in Medicare on prescription drug costs at $2,000, adding an important protection for Medicare beneficiaries and lowering beneficiaries' cost sharing in the initial coverage phase.

- Under current law, Medicare Part D does not have an out-of-pocket maximum.
- In addition to the new out-of-pocket cap in Medicare on drug costs, the bill also lowers insulin prices so that Americans with diabetes don't pay more than $35 per month for their insulin.

- Finally, the bill also reforms the Medicare Part D benefit design to bring down seniors' costs. It increases the liability of drug manufacturers to provide downward pressure on prices and also increases the liability of private insurance plans to incentivize insurers to better manage costs.

Skilled Nursing Facilities

The *Build Back Better Act* invests in the foundation of nursing home care, filling much-needed gaps in transparency, quality of care, and staffing to ensure nursing homes are better prepared to face future public health emergencies. Specifically, the *Build Back Better Act*:

- Invests in nursing home staffing to improve quality and safety issues in nursing homes.
- Improves nursing home quality and cost data to ensure patients and families have access to accurate quality data.
- Invests in nursing home survey and enforcement process to improve patient safety.

Elder Justice Programs

The *Build Back Better Act* makes key investments to fund vital elder justice programs that help protect America's seniors and people living with disabilities by investing in existing Elder Justice Act programs. It provides increased support for state and local Adult Protective Services offices and long-term care ombudsman programs to better detect and prevent elder abuse, neglect, and exploitation.

- It also creates and invests in three new programs that address:
  - training and retention of the long-term care workforce;
  - social isolation; and
  - linkages between social support services, health services, and legal services to address more effectively social determinants of heath in vulnerable communities.

EXPANDING OPPORTUNITY THROUGH THE TAX CODE

The Child Tax Credit

The *Build Back Better Act* makes permanent the refundability of the Child Tax Credit (CTC), ensuring that Americans who are most in need can benefit from the credit in the same way that all other families do. The legislation also extends the American Rescue Plan's enhanced CTC for one year, through the end of 2022.

- Taxpayers will receive a total of $3,000 per child under 18 or $3,600 per child under six. Those filing as single filers, heads of household, and joint filers with incomes below $75,000, $112,500, and $150,000, respectively, will receive the tax credit in 2022 as an advance monthly payment of $250 per child under age 18 and $300 per child under age six deposited in their bank account.

The Earned Income Tax Credit

The bill extends the American Rescue Plan's expansion of and improvements in the Earned Income Tax Credit for workers without qualifying children for one year, through the end of 2022.

State and Local Tax Deduction

The Build Back Better Act increases the limitation on the deduction for state and local taxes from $10,000 to $80,000 through 2030 to ensure that high cost of living states are able to fund schools, public transit, emergency services, and other critical government operations.

Supporting Low Income Students

The *Build Back Better Act* uses the tax code to support low-income students by repealing the American Opportunity Tax Credit's (AOTC) felony drug conviction ban. The bill also exempts Pell Grants from tax and determining a student's maximum AOTC benefit through 2026.

Infrastructure Financing and Community Development

- The bill invests in affordable housing through a historic expansion of the Low-Income Housing Tax Credit (LIHTC) that is estimated to increase the number of affordable units by over 800,000 in the next decade. The legislation substantially increases state allocations for three years, increasing allocations by 10 percent, 20 percent, and 30 percent for 2022, 2023, and 2024, respectively. The bill also unlocks more affordable housing by lowering the bond threshold test from 50 percent to 25 percent. Last but not least, the legislation better targets LIHTC investments for the most vulnerable by providing enhanced credits for certain projects serving extremely low-income tenants as well as certain tribal projects.
- The bill establishes a new Neighborhood Homes Tax Credit that would support neighborhood stabilization and pathways to home ownership by encouraging the rehabilitation of affordable homes in low-income communities while protecting the character of those communities with guardrails like income requirements for owners, sales price caps, and anti-flipping policies.
- The bill promotes parity for tribal communities by making long overdue changes to the tax rules related to tribal issuance of government bonds, creating a more generous low-income tax credit subsidy for tribal projects, and establishing a new $175,000,000 New Markets Tax Credit allocation exclusively for use in low-income tribal communities and for projects that serve or employ low-income tribe members.
- The bill provides assistance to the territories by creating a new tax credit for qualifying U.S. companies with business operations in the territories. The credit amount is 20 percent of up to $50,000 in wages and fringe benefits paid to each full-time employee working in any of the five territories.
- The bill also addresses the tax treatment of certain payments to farm loan borrowers that was described in the American Rescue Plan. Such payment will not be included in the gross income of the payee and any otherwise allowable deductions continue to be deductible notwithstanding the tax-free treatment of the payment.

PROMOTING GREEN ENERGY, COMBATTING CLIMATE CHANGE, AND CREATING JOBS

The *Build Back Better Act* invests over $320 billion in renewable energy and energy efficiency tax incentives in order to meet President Biden's goal of reducing U.S. carbon emissions by 50 percent below 2005 levels by 2030 while creating good, well-paying jobs in the emerging green economy.

Renewable Electricity and Reducing Carbon Emissions

The *Build Back Better Act* builds on current successful tax incentives that promote the deployment of green energy technologies, while providing new incentives for activities that reduce greenhouse gas emissions.

- **Extension and Modification of Credit for Electricity Produced from Certain Renewable Resources:** Extends the production tax credit (PTC), which allows energy producers to claim a credit based on electricity produced from renewable energy resources. The PTC for the following facilities is extended through the end of 2026:
    - Municipal solid waste,
    - Qualified hydropower,
    - Marine and hydrokinetic renewable energy facilities, and
    - Geothermal.
  - The PTC for wind energy is increased to the full applicable credit rate through the end of 2026.
  - The PTC for solar energy is revived and extended through 2026.
- **Extension and Modification of Energy Credit:** Extends the investment tax credit (ITC), which allows taxpayers to claim a tax credit for the cost of energy property. In most cases, the provision extends the credit for property for which construction begins by the end of 2026.
- **Increase in Energy Credit for Solar and Wind Facilities Placed in Service in Connection with Low-Income Communities:** Provides for an enhanced incentive for solar and wind facilities qualifying for the section 48 ITC with respect to which the Secretary of Energy makes an allocation of environmental justice solar and wind capacity limitation. Property eligible for the credit includes energy storage technology related to such solar or wind property.
- **Investment Credit for Electric Transmission Property:** The bill provides for a tax credit for the basis of qualifying electric transmission property placed in service by the taxpayer.
- **Extension of Credit for Carbon Oxide Sequestration:** Extends the credit for carbon oxide sequestration facilities that begin construction before the end of 2031.
- **Green Energy Publicly Traded Partnerships:** Expands the definition of qualified income for publicly traded partnerships from certain income derived from minerals and natural resources to include income derived from green and renewable energy.
- **Zero-Emission Nuclear Power Production Credit:** Provides a credit for the production of electricity from a qualified nuclear power facility.

Renewable Fuels

The *Build Back Better Act* builds on successful tax incentives to reduce transportation emissions and further promote the production and uptake of renewable fuels.

- **Extension of Incentives for Biodiesel, Renewable Diesel, and Alternative Fuels:** Extends the income and excise tax credits for biodiesel, renewable diesel, and alternative fuels through 2026.
- **Clean Hydrogen:** Creates a new tax credit for the production of clean hydrogen produced by a taxpayer at a qualified clean hydrogen facility beginning in 2022 during the ten-year period beginning on the date such facility is placed in service.

Green Energy and Energy Efficiency Incentives for Individuals

The *Build Back Better Act* expands incentives for energy efficiency and conservation in homes and buildings, with updated standards.

- **Extension, Increase, and Modifications of Nonbusiness Energy Property Credit:** Extends the nonbusiness property credit to property placed in service before the end of 2031.
- **Residential Energy Efficient Property:** Extends the credit for the cost of qualified residential energy efficient property expenditures, including solar electric, solar water heating, fuel cell, small wind energy, and geothermal heat pumps.
- **Energy Efficient Commercial Buildings Deduction:** Starting in 2022, updates and expands the energy efficient commercial buildings deduction by increasing the maximum deduction, determined on a sliding scale. The bill also changes the maximum from a lifetime cap to a three-year cap.
- **Extension, Increase, and Modifications of New Energy Efficient Home Credit:** Extends the Section 45L new energy home credit through 2031.
- **Modifications to Income Exclusion for Conservation Subsidies:** Excludes from gross income water conservation, storm water management, and wastewater management subsidies provided by public utilities, state or local governments, or storm management providers.
- **Credit for Qualified Wildfire Mitigation Expenditures:** Creates a tax credit equal to 30 percent of qualified expenditures for individuals and businesses who participate in a qualified state-based wildfire resiliency program. The provision applies to expenditures paid or incurred after the date of enactment.

Greening the Fleet and Alternative Vehicles

The *Build Back Better Act* supports widespread adoption of zero-emission cars, vans, and buses through tax credits for purchasing vehicles, and supporting deployment of publicly accessible electric vehicle charging infrastructure:

- **Refundable New Qualified Plug-In Electric Drive Motor Vehicle Credit for Individuals:** Provides for a refundable income tax credit for new qualified plug-in elective drive motor vehicles placed into service by the taxpayer during the taxable year.

- **Credit for Qualified Commercial Electric Vehicles:** Creates a new credit for qualified commercial electric vehicles placed into service by the taxpayer.
- **Qualified Fuel Cell Vehicles:** Extends the credit for the purchase of a qualified fuel cell motor vehicle through 2031, but only with respect to vehicles not of a character subject to depreciation. Beginning on January 1, 2022, commercial fuel cell vehicles otherwise eligible for this credit will be eligible for the new section 45Y credit for qualified commercial electric vehicles.
- **Alternative Fuel Refueling Property Credit:** Extends the vehicle refueling property tax credit through 2031.
- **Reinstatement and Expansion of Employer Provided Fringe Benefits for Bicycle Commuting:** Eliminates the temporary suspension of the exclusion for qualified bicycle commuting benefits and increases the maximum benefit from $20 per month to $81 per month.
- **Credit for Certain New Electric Bicycles:** Provides for a 30 percent refundable tax credit for qualified electric bicycles placed into service before January 1, 2027.

Investments in the Green Workforce

The *Build Back Better Act* invests in the green workforce by providing tax credits for advanced manufacturing facilities and mechanical insulation.

- **Extension of the Advanced Energy Project Credit:** Revives the Section 48C advanced energy property credit, allowing the Secretary of Energy to allocate an additional $5 billion in credits for each calendar years 2022 through 2023 and $1.875 billion for each of calendar years 2024 through 2031.
- **Advanced Manufacturing Investment Credit:** Creates an investment tax credit worth up to 25 percent for advanced manufacturing facilities.
- **Advanced Manufacturing Production Credit:** Provides a production credit for each eligible component which is produced and sold. Eligible components include solar polysilicon, wafers, cells, and modules, and wind blades, nacelles, towers, and offshore foundations.

Incentives for Clean Electricity and Transportation

- **Clean Energy Production and Investment Credits:** Creates an emissions-based incentive that would be neutral and flexible between clean electricity technologies. Under the provisions, taxpayers would be able to choose between a production tax credit or an investment tax credit.
- **Clean Fuel Production Tax Credit:** Creates a technology-neutral incentive for the domestic production of clean fuels.

Environmental Justice

The *Build Back Better Act* advances environmental justice using tax credits for research and other academic programs

- Provides a capped, competitive credit for university programs focused on the impacts of climate change on low-income communities and communities of color.
- Prioritizes projects including Historically Black Colleges and Universities and other Minority Serving Institutions.

Superfund

- Provides new revenue streams for Superfund cleanup efforts by reinstating excise taxes on petroleum products and chemicals.

FUNDING OUR PRIORITIES THROUGH A FAIRER TAX CODE

Below is an overview of the eight sources of revenues in the *Build Back Better Act.* Under this legislation, no one making less than $400,000 a year will pay one cent in additional taxes.

A 15 Percent Corporate Minimum Tax

- Establishes a new "minimum tax" of 15 percent on all U.S. corporations earning more than $1 billion a year in profits. The minimum tax would be assessed on "book" income reported to shareholders, rather than profits reported to the Internal Revenue Service (IRS).
- Estimated to bring in $325 billion in additional revenues.

Strengthening the Global Minimum Tax for Large Multinational Corporations

- Ensures that U.S. companies pay a minimum tax of 15 percent on profits they earn overseas, as part of our international agreement to end the "race to the bottom" in taxing large corporations.
- Estimated to bring in $350 billion in additional revenues.

A Surcharge on the Wealthiest 0.02 Percent of Americans

- Provides a new surtax on the income of multi-millionaires and billionaires – the wealthiest 0.02 percent of Americans. The surtax would apply a five percent rate above income of $10 million, and an additional three percent surtax on income above $25 million.
- Estimated to bring in $230 billion in additional revenues.

IRS Investments to Close the Tax Gap

- Provides for closing the tax gap – the difference between what is owed to the IRS in taxes and what is actually collected each year.
- Provides that the Administration will invest $80 billion in the IRS for the hiring of new agents and modernization of the agency's technology. The new funds will help enable the IRS to pursue wealthy tax cheats.
- Estimated by the Treasury Department to bring in $400 billion in additional revenues.

Closing Medicare Tax Loophole for Wealthy

- Closes the loopholes that allow some wealthy taxpayers to avoid paying the 3.8 Medicare tax on their earnings.
- Estimated to bring in $250 billion in additional revenues.

Limiting Business Losses for the Wealthy

- Limits the business losses the wealthy can claim to reduce their tax liability. For example, some high-income taxpayers claim their business losses against their investment income, zeroing out their tax bill. This limits the amount of business loss that can offset non-business income.
- Estimated to bring in $170 billion in additional revenues.

Tax on Stock Buybacks

- Provides a one percent surcharge on corporate stock buybacks, which corporate executives too often use to enrich themselves rather than investing in workers and growing their businesses.
- Estimated to bring in $125 billion in additional revenues.

Repealing Trump Rebate Rule

- Repeals the Trump rebate rule, saving taxpayers and seniors money. Among its negative effects, the Trump rebate rule increased the monthly Medicare premium that seniors pay.
- Estimated to bring in $145 billion in additional revenues.