Biden Proposal to Allow Trump Tax Cuts to Expire Would Negatively Impact Just About Everyone

June 18, 2024 - President Biden has announced plans to allow the tax cuts enacted during the Trump administration to expire. This proposal, if implemented, would have significant financial implications for American families, particularly those with children. The Tax Cuts and Jobs Act (TCJA) of 2017 introduced several tax benefits but it also set an expiration date for the cuts that arrives in 2025. In a recent speech, the president stated that if he is reelected in November, he will let these provisions lapse. Since roughly 90% of Americans saw their taxes reduced when the TCJA was enacted, Bidenâ€™s proposed change means that roughly 90% of us will see our taxes increased if he actually follows through with his statement. Thatâ€™s something which will be particularly difficult for families with young children.

Bidenâ€™s proposal would mean that married couples filing jointly with income between $22,001 to $89,450 would see their tax rate increase from 12% to 15%. Those with income between $89,451 to $180,000 would see their tax rate increase from 22% to 25%.

The proposal would hit families with minor children especially hard. The TCJA doubled the child tax credit from $1,000 to $2,000 per child. If the tax cuts expire, the credit would revert to $1,000 per child.

For an average family, these changes mean an increase in their tax liability. Using an example of a family of four with an Income of $85,000, this family currently falls within the 12% tax bracket and benefits from a $2,000 per child tax credit. That would change to a 15% tax bracket and only $1,000 per child tax credit. In hard dollar terms, this means that the family would see their tax bill increased by $2,550 annually. When combined with the reduction in the child tax credit, they would lose another $2,000, increasing their overall tax burden by $4,550 annually. For most families, that isnâ€™t chump-change.

None of the financial implications of Bidenâ€™s proposal are good for families or for the economy in general. The reduction in the child tax credit will be particularly impactful. The current $2,000 credit per child provides substantial relief, helping cover expenses related to childcare, education, and general upbringing. The proposed reversion to $1,000 per child means parents will lose a significant financial buffer.

Additionally, higher tax rates would mean less disposable income. Families might need to adjust their budgets, potentially cutting back on non-essential spending or savings. This change would affect not just day-to-day living but also long-term financial goals such as saving for college or retirement.

While the immediate increase in taxes is a primary concern, there are broader economic implications to consider. Reduced disposable income always leads to decreased consumer spending, potentially slowing economic growth. This in turn has a significant impact on jobs.

This proposal really couldnâ€™t come at a worse time. Raging inflation has already whittled away at any disposable income that many working families have. And this proposal will hit them even harder. If enacted, it would be one of the largest across-the-board tax hikes in American history.
by Jim Malmberg
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