HARDWOOD FEDERATION

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Hardwood Federation Update

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The Biden Administration recently unveiled **The American Jobs Plan**, a $2.25 trillion infrastructure proposal to infuse funds into our nation's transportation pathways—namely highways, bridges, ports, mass transit, as well as other elements of the nation's economy. The proposal was coupled with a measure titled, **The Made in America Tax Plan,** that seeks to raise over $2 trillion in the next 15 years to help pay for investments envisioned under the American Jobs Plan.

Specific legislation is yet to be introduced. However, a 25-page summary document is available which describes - at a high level - all of the proposals that the Administration would like to see included in the legislation Congress will be considering in the coming months.

The Hardwood Federation will be monitoring developments closely - and will engage in the process, as appropriate - to protect the interests of hardwood forest product manufacturers and our supply chain. The ramifications will likely be significant, and your awareness is key. Continue reading, please.

On the infrastructure front - $621 billion is targeted to repairing roads and bridges. Out of this amount, $115 billion is dedicated to modernizing bridges, highways, roads and main streets in need of critical repair, and specifies that funds be used to modernize 20,000 miles of highways and to fix the most economically significant large bridges in need of reconstruction.

- 10,000 smaller bridges would be targeted for repair, including those that provide critical connections to rural and tribal communities.
- $17 billion would be spent on improving inland waterways, coastal ports, land ports of entry, and ferries.

To assist the manufacturing sector - $52 billion is proposed to support existing capital access programs, particularly those that fund rural manufacturing and clean energy. $50 billion is set aside to create a new Department of Commerce office dedicated to domestic industrial capacity. And the measure authorizes a financing program to bolster debt and equity investments in the manufacturing sector, specifically those that increase supply chain resiliency.

To promote building projects/jobs in the construction sector - the Plan authorizes $20 billion in new federal tax credits to spur the construction and rehabilitation of 500,000 homes for low- and middle-income homebuyers.

In the workforce space - the Plan dedicates $48 billion to bolster American workforce development infrastructure and worker protection. This includes registered apprenticeships and pre-apprenticeships, creating one to two million new registered apprenticeships slots, and strengthening the pipeline for more women and people of color to access these opportunities.

In the tax area – a number of revenue raisers are included that affect the business community. You will recall that the Tax Cuts and Jobs Act (TCJA) lowered the corporate tax rate to 21 percent. Biden's plan would **raise** that rate to 28 percent. The proposal is silent on treatment of S-corporations estate taxes and other pass-through entities that are popular in our sector.

TCJA also lowered the effective tax rates for businesses in this category, and we expect that a tax increase on businesses utilizing these tax structures will be on the table, as negotiations commence. Other tax provisions would:

- Amend the global intangible low-taxed income (GILTI) regime to increase the global minimum tax to 21 percent on a country-by-country basis, while also eliminating the rule allowing exemption on the first 10 percent of foreign investments.
- Seek a global agreement on minimum taxation, while denying deductions for payments made to a corporation based in a country that does not adopt the agreement.
- Prevent U.S. corporations from inverting or claiming tax havens. Under current law, U.S. corporations can acquire or merge with a foreign company to minimize U.S. taxes by claiming to be a foreign company, even though their places of management and operations are within the U.S.
- Impose a minimum tax on large corporations' book income. A 15 percent minimum tax on the income corporations use to report their profits to investors (book income). The TCJA repealed the alternative minimum tax for corporations. (Democrats intend to target companies that reported large net profits, while paying little or no federal income tax.)
- Eliminate tax preferences for fossil fuels, such as the existing tax deduction for costs associated with domestic oil and gas drilling.
- Increase funding for the Internal Revenue Service to increase tax collection enforcement, namely through audits of corporations.

The reception among Republican Members of Congress - and some moderate Democrats - to these two measures has been cool. The revenue raisers on the business community have attracted opposition from lawmakers, as well as businesses and trade associations representing various industrial sectors across the economy. A private sector, multi-industry coalition has already been formed and funded with $50 million to wage a media campaign against the tax increases in the proposal.

During the coming months, the legislative process of assembling this package in Congress will be a priority. And in the near term, the action will be focused in the House, where committees of jurisdiction over portions of this plan will begin drafting legislation to achieve the goals of the measure.

Speaker Pelosi has announced that she would like a floor vote on the bill by the July 4 holiday. The Hardwood Federation will be monitoring developments closely.