April 2, 2021

INSIGHTS

BIDEN INFRASTRUCTURE PLAN: FIRST LOOK

- The White House proposes to spend roughly $2.2 trillion over 10 years.
- Around $558 billion will go toward traditional heavy infrastructure projects such as highways, transit, water and sewer.
- Another $374 billion would go to high-tech areas such as broadband, grid modernization clean energy and storage and electrical vehicle-related spending.
- $378 billion would go toward the building and upgrading of residential and non-residential structures.
- A further $480 billion are set aside for manufacturing incentives.
- $500 billion is dedicated to caregiving and workforce development.

A deeper breakdown is as follows:

- ***Traditional transportation infrastructure:*** The President proposes to spend an extra $447bn on transportation infrastructure. This includes $115bn for highways, $85bn for transit, $80bn for passenger rail, $25bn for airports, and $17bn for waterways and ports.
- ***Transportation electrification:*** The White House proposes $174bn in funding for electric vehicles (EVs). This figure includes point-of-sale consumer rebates and tax incentives to purchase US-made EVs and establish grants for the state and local sector and tax incen tives for the private sector to build a network of 500,000 charging stations.
- ***Clean water:*** $111bn for clean water initiatives.
- Broadband: $100bn in funding. This would provide funding to expand coverage in under served areas and would prioritize non-profit and government-affiliated providers.
- ***Electricity modernization:*** $100bn in funding. Among the proposals are an investment tax credit for high-voltage capacity power lines, and an extension and phase-down of the in vestment tax credit and production tax credit for clean energy generation and storage.
- ***Affordable housing:*** $213bn in spending to build and retrofit affordable housing units.
- Building schools: The President proposes $100bn to upgrade and build schools. An addi tional $12bn would go to community college capital projects.
- ***Health and child-care construction:*** $25bn to upgrade childcare facilities, $18bn for VA hospitals, and $10bn for federal buildings.
- C***aregiving incentives:*** $400bn in funding to expand access to home- or community-based care for the elderly and people with disabilities. The Medicaid program would be the pri mary vehicle for this.
- ***R&D incentives:*** $180bn in R&D funding, including $50bn for the National Science Founda tion (NSF), $30bn in other incentives, and $40bn in federal funding for upgrading research plant and equipment, including computers and networks, and would be allocated to fed eral research agencies including the Department of Energy. An additional $30bn would be devoted to climate-related research, and $25bn to research at historically black colleges and universities.

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- ***Manufacturing incentives:*** $300bn in manufacturing incentives, including $50bn to support production of critical goods, $50bn for semiconductor research and manufacturing incentives, $30bn in pandemic preparedness, $46bn in federal procurement of clean power-related products, $52bn to subsidize manufacturers, and $31bn for small business credit and R&D assistance.
- ***Workforce development:*** The White House proposes $100bn for job training, apprenticeships, and other programs.

The plan will be paid for with corporate tax increases the White House says would fully offset the 10-year cost after 15 years. Two main points of the proposal are:

- A 28% corporate rate – Each 1% hike in the corporate tax rate raises roughly $100bn a year. This would raise between $700- $800 billion depending on when the tax is implemented. Analysts believe that a hike to 28% would run into resistance in Congress, so a rate closer to 25% will probably be passed.
- Hiking GILTI – The Administration proposes to raise the effective tax rate on Global Intangible Low Income (GILTI) to 21% from an effective 10.5% today. Additionally, it is proposed to move the system to a country-by-country basis that would keep companies from using tax credits from high tax jurisdictions to offset GILTI earnings in low tax jurisdictions. Furthermore, it is expected to rescind the policy that applies the tax to income only above 10% return on physical capital – broadening the tax base to most companies with foreign earnings, not just IP-intensive industries. It is estimated that this tax proposal would raise $442 billion over ten years.

It should be noted that capital gains and individual tax changes are absent from this proposal but are likely still coming – probably to be announced in a second proposal later in April.

Further details around this proposal are expected to be released in May, with analysts only expecting the legislation to reach the President's desk late July or August.

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