

Food and Fuel Family Savings Act

Sen. Jack Reed

Background

Pandemic and war-related supply and demand pressures are pushing prices upwards at their fastest rate in decades – the Consumer Price Index (CPI) rose by 8.3% in April.

Prices are rising particularly quickly for food and gasoline, two basic necessities for American families. According to AAA, the average price for a gallon of gas was \$4.59 on May 20, up from \$3.04 a year ago, while CPI data showed grocery prices rose 10.8% in April – their largest annual increase in more than 40 years.

Proposal

S. 4060, the Food and Fuel Family Saving Act, would provide most Americans with a \$600 tax rebate in the form of a debit card that can be used exclusively at grocery stores and gas pumps. The bill would be fully offset within two years, reduce the deficit over a decade, ease inflation, and build a fairer tax code.

Targeted Assistance to Those Who Need It:

- Individual tax filers would receive a \$600 rebate and married couples would receive a \$1,200 rebate.
- Families would receive an additional \$600 per dependent.
- The rebate would begin phasing out above income of \$40,000 for individuals, \$60,000 for head of household filers, and \$80,000 for joint filers.
- The rebate would phase out completely at \$45,000 for individuals, \$67,500 for head of household filers, and \$90,000 for joint filers.
- Seniors and other Americans who may not normally file tax returns would be eligible for payments.

Cutting the Deficit & Reducing Inflation: The rebate would be more than offset by increased taxes on multimillionaires and corporations. These sensible, permanent tax reforms would ensure that the bill's tax rebates do not exacerbate inflation by injecting more money into the economy. Specifically, the bill would:

- Create a 5% surcharge on taxpayer earnings above \$10 million and an additional 3% surcharge on earnings over \$25 million.
- Reform the corporate tax structure from a single rate of 21%, into a progressive, three-tiered tax rate structure. Corporate income would be taxed at the following rates:
 - 18% for income of \$400,000 or less;
 - 21% (the current corporate rate) for income between \$400,000 and \$5 million; and
 - 26.5% for income above \$5 million.

Collectively, these pay-fors would cover the cost of the entire rebate in just two years, reduce inflation in the medium- and long-term, make tax rates fairer, and reduce deficits.