

**Hearing on The President's Proposed
Fiscal Year 2022 Budget
with Treasury Secretary Janet Yellen**

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HOUSE COMMITTEE ON WAYS & MEANS

CHAIRMAN RICHARD E. NEAL

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

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Chair Neal Announces a Hearing on the President's Proposed Fiscal Year 2022 Budget with Treasury Secretary Janet Yellen

House Ways and Means Committee Chair Richard E. Neal announced today that the Committee will hold a hearing on the President's Proposed Fiscal Year 2022 Budget Treasury Secretary Janet Yellen on Thursday, June 17, 2021, at 10:00 AM ET in 1100 Longworth House Office Building and remotely via Cisco WebEx.

Pursuant to H. Res. 8, Members are encouraged to participate remotely in this hearing. Members will be provided with instructions on how to participate via the Cisco WebEx platform in advance of the hearing. Members of the public may view the hearing via live webcast available at <https://waysandmeans.house.gov/>. The webcast will not be available until the hearing starts.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from the invited witness only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMdem.submission@mail.house.gov.

Please ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, by the close of business on Tuesday, July 1, 2021.

For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

Note: All Committee advisories are available [[here](#)].

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*Chairman Neal. This meeting of the Ways and Means Committee will now come to order.

I want to welcome everyone, and thank Secretary Yellen for joining us this morning.

Pursuant to notice, today's hearing is taking place in our Ways and Means Committee hearing room, with members and our witness permitted to attend remotely, in compliance with the regulations for remote committee proceedings, pursuant to House Resolution 8.

Before we begin I have a few housekeeping matters.

First, consistent with recently updated guidance from the Office of the Attending Physician, members who are present in the hearing room are not required to wear a face mask or practice social distancing, if fully vaccinated. Those who are not fully vaccinated should continue to use a mask and socially distance, or opt to participate remotely.

Second, consistent with regulations, the committee will keep the microphones of those on the Webex platform muted to limit background noise. Members both in the hearing room or via Webex are responsible for unmuting themselves when they seek recognition, or when recognized for five minutes.

Third, we will dispense with our practice of observing the Gibbons Rule and, instead, go in the order of seniority for questioning, alternating between minority and majority for three minutes each to accommodate the Secretary's schedule.

Finally, when members are present in the hearing via the Webex platform, they must have cameras on. If you need to step away to attend another proceeding, please turn your camera and audio off, rather than logging out of the platform.

I thank you all for your continued cooperation and diligence, as we begin to return to normal operations here in the House. And that being said, we will turn to the topic of today's hearing: the President's proposed fiscal 2022 budget with Secretary Janet Yellen.

For the past year and a half, we have focused our energies on responding to the devastation, economic uncertainty, and tragic loss of life brought about by the COVID-19 pandemic. Today we are meeting with renewed optimism and an eye toward the future, not just our next year of recovery, but our next decade ahead.

We are in position to look forward in many ways to the leadership of President Biden in wresting the nation from the depths of the crisis this winter (sic). The President worked with Congress to pass the American Rescue Plan, which quickly began to deploy vaccines, get workers back into jobs, and support Americans with additional rounds of stimulus checks.

Now the Administration is encouraging us to think longer-term, with a budget proposal that lays out the commitments that we must make for our future and our children's future.

The Administration's thoughtful approach to economic recovery and renewal should be of no surprise, given the central role of our guest today: Secretary Janet Yellen. Secretary Yellen is one of the brightest, most accomplished policymakers that it has been my pleasure to know during my time in government. She is the first person in American history to have led the White House Council of Economic Advisers, the Federal Reserve Board, and the Treasury Department. She is someone whose advice I have sought out in the past on many occasions, and whose leadership I am counting on as Congress embarks on this historic round of lawmaking. I can't think of a more qualified person to be before us today.

Rebuilding our nation's infrastructure will be a critical element of our plan to build back better. High-quality infrastructure, from roads, bridges, maintenance, to water systems, electric grid continue to be the backbone of our world-leading economy. And infrastructure investment isn't just economic stimulus, it is also workforce development. It is climate change mitigation, as well.

Building on our members' work with the GREEN Act, the President's American Jobs Plan includes tax credits for clean energy, for energy-efficient home building, for carbon capture, for zero-emission vehicles, and for many other critical investments. I look forward to discussing the importance of these investments with the Secretary today.

Of course, no matter how sophisticated our public infrastructure may be, many Americans will still struggle to fully participate in the workforce and in public life, if they are struggling to take care of their families at home. That is why it is so important that we pair these big infrastructure investments with proposals to support our human infrastructure that are contained in the American Families Plan. These proposals are designed to promote opportunity and inclusion by making significant investments in the Earned Income Tax Credit, the Child Tax Credit, the Child and Dependent Care Credit, Paid Family and Medical Leave, and child care. These programs will make it easier for millions of Americans to balance work and family.

I am grateful to Secretary Yellen, the Treasury Department, and the IRS for helping to get us through the last round of stimulus checks, as they went out the door smoothly. And I know we can count on the same level of precision and care as we expand this set of vital initiatives.

One matter that I know members will agree on today is that we should empower the IRS to collect whatever taxes are legally owed. Years of evidence has made clear that there is no better bang for our legislative dollar than fully funding the IRS. For every \$1 spent on tax administration, we returned almost \$5 to spend on infrastructure investments and social programs. That is why the President has proposed to increase the budget of the IRS to ensure compliance, administer new programs like the Advanced Child Tax Credit, and to improve customer service for all taxpayers.

As my comments have indicated, we have many important policy challenges facing this Congress and this committee, and it is in collaboration with your agency that we hope to address them, Madam Secretary. I am grateful for your partnership, as we work together to build a greater economic opportunity for the American people.

Before I conclude, I do want to note that our colleagues on the other side of the aisle will likely present a different view of the reality today. There are, from time to time, many strong disagreements.

They will say that the Biden Administration wants to increase taxes on the middle class, even though that is not on -- that is not true. The President does not support any new direct taxes on people making less than \$400,000, and neither do I.

They will say that the Biden budget and our Democratic proposals will kill jobs, when, in actuality, investing in infrastructure and technologies of the future are poised to create millions of good jobs that pay well.

I am sure that they will say that tax cuts are still the answer, and our response would be the liquidity that Democrats provided with direct stimulus payments and emergency unemployment benefits are what prevented a worse recession, lifted the economy, and helped businesses stay afloat by giving American consumers enough money to continue buying goods, simultaneously creating supply and demand.

You will hear arguments that inflation is going to spiral out of control. Largely, economists agree that the recent price movements are temporary, and will likely abate, once supply chains catch up with the recent surge in demand. Fear of the inflation bogeyman should not deter the decisive action that President Biden has rightly called for.

Madam Secretary, you, of all people, are equipped to set the record straight when these claims arise. I thank you very much for joining us today.

[\[The statement of Chairman Neal follows:\]](#)

*Chairman Neal. And with that, now let me recognize Ranking Member Brady for the purpose of an opening statement.

*Mr. Brady. Thank you, Chairman Neal, and welcome, Secretary Yellen. I had the pleasure of working with you when you led the Federal Reserve and I chaired the Joint Economic Committee. I respected you then, and still very much do, although I disagree strongly with the damaging economic policies of the Biden Administration.

As we have discussed, I hope we can work together to improve retirement savings; make America medically independent from China; export American greenhouse gas reduction technology, tariff-free, to the world; protect the private taxpayer information of every American; and find consensus on a true infrastructure plan that isn't funded on the backs of working families.

When the Biden Administration promised to focus on climate change, I didn't realize you meant changing the climate of the U.S. economy by cooling off the jobs recovery. But there you have succeeded. President Biden inherited a strong recovery, lifesaving vaccines, a reopening of the economy, and trillions of dollars in COVID stimulus. Yet, through the first five months of this year, the Biden Administration added 546,000 fewer jobs than the last 5 months of 2020, a half-million jobs short already. And due to inflation, real wages have actually declined since President Biden took office.

America's job recovery should be surging, but the April and May jobs reports are disastrous. Main Street businesses are struggling to find workers, labor force participation is at the worst rate since the 1970s, inflation has hit a 13-year high, and many Americans fear the impact of high prices and a slow-growth economy when the sugar high from the Biden stimulus dissipates, which the Administration's budget admits is true. President Biden is sabotaging America's jobs recovery, with crippling tax increases and anti-business policies that hurt working families and Main Street businesses, and drive American jobs overseas.

These are some of the worst economic policies in our lifetime, often justified with false narratives. The biggest whopper is by President Biden himself: "All the Republican tax cuts went to folks at the top in corporations." This false claim earned four Pinocchios from The Washington Post. Similar claims are debunked by factcheck.org, The New York Times, and even the left-leaning Tax Policy Center.

The Treasury claim that the GOP tax cut put America at a disadvantage, with incentives for U.S. companies to offshore their workers' investment, was quickly debunked, as well.

The wave of American companies, jobs, research and investment fleeing overseas during the Obama-Biden Administration came to a dead stop after the passage of the TCJA. Actually, the biggest incentive to move American jobs overseas is President Biden's own reckless proposal to hike business tax rates by one-third, worse than China's, and dead last among our foreign competitors. And virtually all of Treasury's claims about the tax cuts have been easily debunked.

But here are real facts. American workers are hurt by President Biden's crippling tax increases. His insistence on rolling back the Tax Cuts and Jobs Act will cost six million U.S. jobs over a decade. And for the middle-class family of 4 making just \$73,000, it robs their family budget by \$20,000 over time. His Green New Deal attack on American-made energy, including canceling the Keystone XL pipeline, will destroy nearly a million-and-a-half good-paying jobs. Repealing stepped-up basis for local farms and businesses will cost 1 million jobs over the next 12 years. Poisoning infrastructure investment with crippling tax increases will make America a net economic loser.

And while President Biden has repeatedly claimed he will only raise taxes on the wealthy, that promise disappeared fast. The liberal Tax Policy Center recently released an analysis: President Biden's overall tax plan means three-fourths of middle-class families will face a tax increase in 2022, rising to 95 percent in later years. They also reveal that restoring the SALT deduction for wealthy Americans creates a tax shelter to protect them from the higher income and capital gains taxes the President is proposing. So higher taxes on the wealthy, on the middle class, a windfall for the wealthy.

The push for a Global Minimum Tax is also an embarrassing admission by President Biden, as his tax increases will make America uncompetitive, and drive jobs overseas. Under the Biden plan it is better to be a foreign company and a foreign worker than an American company and an American worker. Begging foreign countries for a Global Minimum Tax isn't a victory, it is a surrender.

The bottom line is America can't tax, spend, and borrow our way to prosperity. We won't help people rebuild their lives with endless government checks. America won't recover with the largest tax hikes in generations on Main Street businesses, working families, and family-owned farms. And with the White House leading a global race to the bottom of growth and competitiveness, it is our workers who lose with another wave of U.S. companies, jobs, research, and investment moving overseas.

Mr. Chairman, I yield back.

[\[The statement of Mr. Brady follows:\]](#)

*Chairman Neal. I thank the gentleman.

With that, let me now point out that, without objection, all members' opening statements will be made part of the record.

It is now an honor for me to turn to our witness today.

Madam Secretary, thank you for joining us. We received your written testimony that will be made part of the record in its entirety.

I ask that you summarize your testimony in five minutes or less. To help with that time, please keep an eye on the clock that should be pinned your screen. I will notify you when the time has expired.

Secretary Yellen, please proceed.

STATEMENT OF JANET YELLEN, SECRETARY, UNITED STATES DEPARTMENT OF THE TREASURY

*Secretary Yellen. Thank you. Chairman Neal, Ranking Member Brady, members of the committee, it is a pleasure to be with you.

*Chairman Neal. Madam Secretary, could we have a little bit more volume?

*Secretary Yellen. Can you hear me better now?

[No response.]

*Secretary Yellen. It is a pleasure to be with you.

When I took office back in January, the first and most urgent problem confronting our economy was, obviously, the pandemic, helping people make it to the other side of the crisis, and ensuring they were met there by a robust recovery. Thanks to this Congress and its passage of the American Rescue Plan, I believe we are well on our way towards that goal.

But we have to be clear-eyed about something. The pandemic was not our only economic problem. Long before a single American was infected with COVID-19, millions of people in this country were running up against a series of long-term structural economic challenges that undermined their ability to make a good living.

For instance, wage inequality and healthy -- wage inequality. In healthy economies we see wage growth across the distribution for workers making the highest incomes and those making the lowest. But over the past several decades, that has not been the case in our economy. While the highest earners have seen their income grow, families at the bottom end of the distribution have seen their pay stagnate. Gender and racial pay gaps also persist.

At the same time, labor force participation has been dropping. Even before the pandemic, the share of American women in the workforce lagged far behind many other wealthy nations. These trends have coincided with the reordering of the economic map. There have always been richer areas of the country and poorer areas. But for most of the 20th century, the latter was catching up with the former. The country was rising together, and today this is less true. There is a divergence among local economies, some areas that are growing more prosperous, others that are stagnating.

Climate change adds a fresh layer of crisis on top of this. The average cost of climate-related disasters is expected to double every five years.

And, of course, there is racial inequality. When I started studying economics in 1963, the average Black family's wealth was about 15 percent of the average White family. Maybe that isn't surprising. Jim Crow laws were still in effect. But what is surprising is it is almost 60 years

later, and that ratio has barely changed. These destructive forces, the divergence in wages and of geographic regions, the decline in labor force participation, the rise of climate change, and the persistence of racial inequality, all these are combining to block tens of millions of Americans from the more prosperous parts of our economy.

There are clear reasons why these destructive forces have festered. The private sector does not make enough of the types of investments needed to reverse them: training programs that lead to higher wages, child care and paid leave that would help people rejoin the workforce, or infrastructure that would lower carbon emissions and spur growth in neglected communities.

For 40 years we haven't done that, not as much as we should. And we need to remedy this lack of investment. We need ambitious fiscal policy to start unwinding these trends. And if there is a short summary of the President's budget, that is it.

The budget, which includes both the American Jobs and Families plan, will repair the fractured foundations of our economy. It does so through a series of smart policies, including child care and paid leave, so more parents can join the workforce; a mass modernization and greening of America's infrastructure, to spur commerce and reduce emissions; and investment to make housing and education available to all. And the list goes on.

We need to make these investments at some point, and now is fiscally the most strategic time to make them. We expect the cost of Federal debt payments will remain well below historical levels through the coming decade. We have a window to invest in ourselves.

In fact, this budget is both fiscally strategic and fiscally responsible. It pays for itself through a long-overdue reformation of the tax code that will make it fairer, without touching the vast majority of Americans: those who learn earn less than \$400,000 a year. There are some tough trade-offs in fiscal policy, but this, a fairer tax code for a structurally sound economy, is not one of them.

With that, I am happy to take your questions.

[\[The statement of Secretary Yellen follows:\]](#)

*Chairman Neal. Thank you, Madam Secretary, and I am pleased to learn that the United States Supreme Court has upheld the ACA as the law of the land. And we look forward to building on that landmark law to ensure that every American has --

[Applause.]

*Chairman Neal. And even more pleased to point out that the vote was seven to two.

Without objection, each member will be recognized for three minutes, again, to accommodate the Treasury Secretary's time. We want to make sure that everybody has a chance to ask at least one question.

And following that statement, Madam Secretary, after the 2017 tax law, corporation tax revenue fell by a third. Proponents of the tax cut said that the tax cuts would increase investment and grow jobs. But in 2018 and 2019, investment by companies was largely on the same path that it was before the law.

Would you describe who you believe benefitted most from the 2017 tax law, and how policies to strengthen our revenue benefit system from the American jobs and investment proposal of the President could help out?

*Secretary Yellen. Thank you, Chair Neal. The 2017 tax law reduced government revenues substantially by about \$1.5 trillion over a decade.

While the backers of that legislation hoped it would encourage investment, wage growth, and economic growth, all of these macro indicators continued to follow trends that we had in place before the legislation. We saw the same things before and after.

Although the legislation didn't change trend low levels of economic growth, distributional analysis of the legislation showed very clearly that it provided the largest tax cuts to those at the top of the income distribution. Corporate shareholders were particularly large beneficiaries of those tax cuts, and share buybacks rose dramatically.

The Biden Administration's tax and budget policies, in contrast, seek to provide a stronger foundation for lasting economic growth. The budget proposes investing in research, education, child care, infrastructure, clean energy -- more generally, the sorts of economic fundamentals that create widely-shared economic prosperity.

And we propose paying for these long-term investments over 15 years by reforming the tax system. Our tax proposals modestly increase tax rates on those who can most afford to pay more tax. And we propose reforming international tax rules to end the profit-shifting and offshoring incentives of current law, and investing in the IRS to improve compliance with our tax laws.

*Chairman Neal. Thank you. Madam Secretary, you know of my interest in labor participation rates. We have talked about it many, many times. But the drop in labor

participation has been particularly acute for women. How much of the drop in short-term economics is attributable to the pandemic, versus longer-term mechanisms that underlie structural inequities?

And what particular proposals in the President's budget will best address this drop in women's labor force participation?

*Secretary Yellen. Thank you, Chairman Neal. Labor force participation has partly dropped due to the pandemic, but partly it is something that reflects a longer-term trend in the U.S. economy. Coming into the pandemic, we had seen men's labor force participation gradually dropping over time, although there was a slight improvement with the very strong labor market prior to the pandemic. Women's labor force participation had also been in long-term decline.

But what happened during the pandemic was an acute drop in labor force participation, particularly for women. And these trends are the motivation behind much of what is in the American Families Plan. Lack of access to family-friendly policies like paid leave and child care, research suggests that explains about a third of the gap in women's labor force participation between the U.S. and other OECD countries.

So we propose paid family leave to help women stay attached to the labor force, make labor force outcomes -- labor market outcomes more equitable. And subsidies for childcare costs, which we propose to extend beyond those in the American Rescue Plan, we think, could increase labor force participation and employment among mothers, and increase GDP growth.

*Chairman Neal. Thank you. Let me recognize the ranking member, Mr. Brady, to inquire.

*Mr. Brady. Thank you, Mr. Chairman.

Madam Secretary, I believe your cherry-picked data on the Tax Cuts and Jobs Act is misleading, at best, and flat wrong in many areas.

Today I have several questions in just three minutes. I will be concise, if you will. Lifting the SALT cap creates a huge tax windfall for the wealthy, and a tax shelter against the President's individual tax increases. Does the President support including this giveaway to the rich in the infrastructure package?

*Secretary Yellen. The President has not made a proposal with respect to the SALT tax. He recognizes that it is a tremendous concern in a number of states, and wants to work with Congress to see if there is a way to mitigate the harms that it has caused. But he has not made a proposal in the budget to do so.

*Mr. Brady. Correct. But does he support including it in the infrastructure package?

*Secretary Yellen. It is not a part of the infrastructure package that he has proposed.

*Mr. Brady. And if it is in there, will the President support it?

*Secretary Yellen. I am not going to negotiate here, on behalf of the President. I know he is working actively with Members of Congress on a bipartisan basis.

*Mr. Brady. So, would you please confirm for me the Green Book accuracy?

President Biden is planning to roll back the middle-class tax cut in the Tax Cuts and Jobs Act, which will increase taxes on middle-class families by \$20,000 over time. Is the Green Book accurate?

*Secretary Yellen. Are you referring to the --

*Mr. Brady. Rollback of the TCJA.

*Secretary Yellen. The -- in 2026, or other parts of it in different years, is that what you are referring --

*Mr. Brady. The Green Book reflects a rollback of the Tax Cuts and Jobs Act, including the middle-class cuts. Is that accurate, Madam Secretary?

*Secretary Yellen. That is existing law, and taken as a given --

*Mr. Brady. Madam --

*Secretary Yellen. -- in the Green Book.

*Mr. Brady. Respectfully --

*Secretary Yellen. He has not made a --

*Mr. Brady. I think --

*Secretary Yellen. He has not --

*Mr. Brady. I think we all realize that that was done to deal with Senate reconciliation rules. The House has already passed permanents twice.

Is the President planning to roll back the tax cuts for middle-class families?

*Secretary Yellen. The President hasn't taken a position on what tax policy should be at that time.

*Mr. Brady. The Green Book reflects that, and we will check on that accuracy further.

Will the President sign an infrastructure bill that isn't completely paid for?

*Secretary Yellen. The President is looking to work with members on both sides of the aisle to pass an infrastructure bill that addresses the economy's needs. And he has, himself,

proposed a budget, both for infrastructure and other things that is fully paid for over 15 years, and reduces deficits beyond that time.

*Mr. Brady. I was, respectfully, hoping for a little more direct. But, Madam Secretary, again, I welcome you here. Thank you.

*Secretary Yellen. Thank you.

*Chairman Neal. Let me recognize the gentleman from California, Mr. Thompson, to inquire.

*Mr. Thompson. Thank you, Mr. Chairman. Thank you for holding today's hearing.

And Madam Secretary, thank you for joining us today. And thank you for your comments on the Green Book. I want to just note that it is the first Green Book we have seen in four years.

Madam Secretary, when it comes to paying for infrastructure, one of the simplest and easiest and least controversial tools at our disposal is making sure that everyone pays the taxes that they already owe. And we know, from the work that the investigative press have done, and from your agency also, that this isn't the case. And just this past week we saw a revealing article in The New York Times about, not only people not paying their taxes, but the use of waivers in order to create this convoluted web of partnerships that allow people to avoid paying their taxes.

We had a subcommittee hearing on this matter just recently, and I think everybody agrees that people need to pay their taxes.

I am pleased that the President has put forward in his budget an \$80 billion increase for IRS enforcement over the next 10 years. And that is a lot of money, but the return on that money will benefit not only infrastructure, but our economy, and taxpayers' knowledge that the system is, in fact, fair.

So I would like to get your take on that, and this use of fee waivers, which allows private firms to treat management fees as capital gains.

*Secretary Yellen. So, first of all, the President's proposal with respect to the IRS, I think, is a very important way of addressing what is a huge tax gap, estimated at a loss of seven trillion in revenue that should be collected under our existing tax laws over the course of the next decade. The beneficiaries of that tax gap are largely wealthy taxpayers and the corporations they own. And it results in an inequitable tax system, where workers pay what they owe, and others often do not.

And what the budget is proposing is near -- as you mentioned, nearly \$80 billion in additional resources, first, to make investments that have large, fixed costs like modernizing information technology, improving data analytic approaches, hiring and training qualified agents

who can bring enforcement actions against high income and net worth individuals, and complicated corporate structures.

And the second piece involves providing the IRS with information that will help them target audits. We have proposed to give the IRS some visibility into opaque income streams by adding two pieces of information to the existing interest reporting form that financial institutions file with the IRS, and this would include data on aggregate inflows and outflows from accounts over the course of a year.

With respect to private equity, and the abuses that we see there, an important aspect of the President's proposal is raising the rate on capital gains and dividends so that, for wealthy individuals, high-income individuals, it is taxed at ordinary income rates, just like wage and salary income, which reduce the benefits of trying to turn what really should be wage and salary income into capital gains.

In addition, the President has proposed to get rid of the carried interest provision.

*Chairman Neal. Thank you.

*Mr. Thompson. Thank --

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from California, Mr. Nunes, to inquire.

*Mr. Nunes. Thank you, Mr. Chairman.

And thank you, Madam Secretary, for participating in today's hearing. As you are aware, the Administration's budget projections on inflation -- originally you projected it would be well below two percent, but we have passed that figure with still seven months to go. And in fact, just recently, CPI came out and had the rate pegged at 6.6 percent annual rate so far this year.

So, Madam Secretary, what specifically did we get wrong here, to be this far off on an inflation target, and in just a matter of a few months? Why did it happen?

*Secretary Yellen. Well, let me first say that the Administration's budget, which was produced in February, projected inflation during 2021 at 2.1 percent. Clearly, in recent months, inflation has been higher than that.

It is important to remember that this follows a period in which prices really collapsed after the pandemic shut down large portions of the U.S. economy. Prices in leisure and hospitality and for airfares plummeted. And part of the high inflation we have seen in recent months reflect some of these same --

*Mr. Nunes. I appreciate that, Madam Secretary, and I hate to interrupt, but we only have three minutes here.

The fact of the matter is that prices for everything are well above where they were before the start of the pandemic.

But let me turn to a different subject. We have 26 states that have either ended, or are in the process of ending the \$300 per month Federal unemployment benefits program. We have roughly nine million jobs that are open, and we have nine million people looking for work. There is not one business in this country that is not short of employees. And I hope that the Administration is aware of this, when you get out to rural America, in every single state.

So are you willing to stand here today and say that it is time to end, for the other 24 states that are still using this, the \$300 surplus addition to the weekly unemployment benefit? Should this come to an end for the other 24 states that haven't ended it?

*Secretary Yellen. Well, it is coming to an end in September under the existing law. And states are in different situations. There are some states with extremely high unemployment that are likely to want to continue providing this aid to people who are out of work. So states should have the flexibility to do what is appropriate for their circumstances.

But in any event, this supplemental will end in September.

*Mr. Nunes. Thank you, Madam Secretary.

Mr. Chairman, I yield back.

*Chairman Neal. I thank the gentleman. There are now two votes on the floor. It is chair's intention to keep going with the hearing, and we will encourage members to vote and come right back.

With that let me recognize the gentleman from New Jersey, Mr. Pascrell, to inquire.

*Mr. Pascrell. Thank you, Mr. Chairman.

*Chairman Neal. Vern, you are up next.

*Mr. Pascrell. Madam Secretary, you are here because Democrats and Republicans have respected your credibility and -- on these matters, regardless of what position you are in, and --

*Secretary Yellen. Thank you.

*Mr. Pascrell. -- I trust that your credibility will continue to be excellent among, not only American people, but also those of us who were elected to office.

Madam Secretary, the 2017 tax scam targeted my constituents by capping the state and local tax deduction at \$10,000. It is the oldest deduction on the books. They knew what they were doing in the Civil War to help out the states.

Now, in South Jersey there is not the standard of living that there is in North Jersey. It is not like -- it is not unlike many other states. And so, when you buy a house in South Jersey, it is

going to be for a different amount of money, much less, than the same house in North Jersey. But for instance, in my district, the County of Bergen, the average house, you are paying property taxes at about \$24,000. There are not a lot of billionaires in Bergen County.

So when this came out, not only Republicans, but Democrats participated. Oh, everybody is interested in the middle class. But the fact of the matter is, if the threshold is \$10,000, you know better than I do that that is far from what we had when we had total deduction.

We have the case for -- and we made the case for a full repeal of this cap. You noted this cap has a disparate effect on taxpayers. You said it.

*Secretary Yellen. Yes.

*Mr. Pascrell. But when the Administration's tax proposal came out, there is not a single mention of the SALT relief. Imagine if -- 14 states that are most hit by this, and imagine what they pay in taxes.

And the populations of those states are very interesting, and, of course, the politics of those states are very interesting.

I have many ideas on paying for this -- on paying for it, rather, the SALT. I hope that is not a major issue, and I know we may not get the full relief. I know that. But the Administration's silence on this makes my constituents worry. Let me leave the word there: "worry."

Madam Secretary, will you commit to providing my constituents relief from the Republicans disastrous SALT cap?

*Secretary Yellen. We certainly want to work with you and other Members of Congress to figure out what is the best way to go about doing that.

*Mr. Pascrell. That -- thank you very much, Madam Secretary, and we -- I meant every word I said. Good luck.

*Chairman Neal. I thank the --

*Secretary Yellen. Thank you.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Florida, Mr. Buchanan, and remind all that, because of the floor schedule, we are on a tight timeline here. Mr. Buchanan is recognized to inquire.

*Mr. Buchanan. Thank you, Mr. Chairman. I want to welcome Madam Secretary today. I appreciate the opportunity to work with her.

Two questions I would like to get your thoughts on, deficits and debt, do they matter?

When I got here in Congress, we were eight trillion dollars in debt. Today we are closing in on 30 trillion dollars. You could make the argument a few more years, 35 trillion. I think it is immoral, what we are doing. I think at some point common sense tells you it is going to implode.

I know, when I first got here, they had a concept, which I agreed with: PAYGO, you pay as you go. I know we mentioned that this is going to be paid for over 15 years. Another couple, three or four trillion. I don't buy it, because I have been here long enough to know that usually never happens, and we just keep running these massive deficits.

A lot of us have kids and grandkids. And I think what we are doing to that next generation, next couple of generations, is absolutely, positively not right.

I would like to get your comments on deficits and debt. Like I said, 8 trillion to almost 30 trillion, 20 trillion up in a matter of about 13, 14 years. Madam Secretary, what are your thoughts?

*Secretary Yellen. So deficits and debt do matter. We need to have a responsible and sustainable fiscal policy. And as Treasury Secretary, that certainly has to be top of mind for me, and it is.

But there is -- some of the metrics that we have historically used to judge the magnitude of debt, what is safe and what is sustainable -- conditions in our economy have changed a lot, and we need to take that into account, too, in judging what a responsible fiscal policy is.

Importantly, interest rates have been trending down for several decades, not just because the economy is weak right now --

*Mr. Buchanan. Madam Secretary, we only have three minutes, so let me jump into my -

*Secretary Yellen. Okay, so --

*Mr. Buchanan. -- second question or comment --

*Secretary Yellen. Well, can I just say that the real interest burden on the debt is a very important measure of the cost to society of running deficits, and have had --

*Mr. Buchanan. But let me --

*Secretary Yellen. -- and that is negative --

*Mr. Buchanan. I reclaim my time.

*Secretary Yellen. Sure.

*Mr. Buchanan. Yes, let me just say, I don't buy a lot of that. I just see the reality, common sense.

The other thing I wanted to mention, the President's proposal of looking -- you know, there is a lot of talk about corporations and capital gains, but I want to zero in on small business. As a guy that was chairman of the Florida Chamber, I can tell you they are looking at -- if I am wrong on this, let me know -- on small business, the tax rate is going to go -- most of our pass-through entities, as you know -- 39 percent, 39.6, plus the ACA is another 3.8 percent, so 43, and many states have a 10 or 15 or 8 percent tax. It is going to be 50 percent or more on a lot, I mean a lot, of small businesses that are the job creators in the country.

Is that your proposal? Is that the President's proposal, is to have tax rates, including the states' portion, over 50 percent?

*Secretary Yellen. Well, the President has proposed raising the top rate for -- back to 39.6 percent, but the higher rates on capital gains and dividends that would bring them up to levels you mentioned --

*Mr. Buchanan. But small business --

*Secretary Yellen. It only applies to individuals earning over \$1,000,000 a year.

*Mr. Buchanan. No, there are a lot of companies that are, I am telling you, a lot of businesses in every state, 39.6 plus 3.8, plus 7 or 8 percent, you are at 50 percent and above in terms of impacting small business, which impacts jobs.

Thank you, I yield back, Mr. Chairman.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Oregon, Mr. Blumenauer, to inquire.

*Mr. Blumenauer. Thank you, Mr. Chairman.

Madam Secretary, thank you for being here. We deeply appreciate your efforts, and your leadership, and your concern about how we deal with the overall economy.

I would just make one footnote here. I am concerned about what we do with escalating health care costs for the Federal Government. I totally agree with extending access. But if we don't have some cost constraint at some point, we are going to have some serious problems.

I would commend the experiment that was started in the Obama Administration in Oregon with 1115 waivers that have helped us keep the cost of medical inflation down, and hit our metrics, and work that is going on now in Maryland. I know it is not exactly in your wheelhouse, but it is something that I think the Administration should look at.

But let me focus on the -- making the transformational investments in clean energy and combating climate change. I really appreciate your commitment to tax fairness, helping rich people understand that they have to report all their income, and some modest adjustments.

I was pleased to see the Treasury Department's Green Book recognizes the importance of repealing tax preferences for fossil fuels, and advocates for the reinstatement of the Superfund tax. Could you talk about the importance of these provisions, particularly when paired with long-term extensions of wind and solar tax credits, and the direct pay option that was pioneered in the Obama Administration with the Recovery Act?

*Secretary Yellen. Thank you for that question. We see no policy justification for subsidizing fossil fuels, and the American Job Plan -- Jobs Plan proposes to end these fossil fuel subsidies. That will help reduce incentives for producing oil and gas, and help position the United States as a global leader in clean energy.

Clean energy is a really rapidly-growing industry. There is large potential high-wage job creation there. And we are looking to address, in a very meaningful way, climate change. The American Jobs Plan includes subsidies for green energy production, and there will be many multiples the size of the fossil fuel subsidies.

On the Superfund tax, we have proposed that it be reinstated, because there is a continuing need to fund -- to mitigation of damages that has been caused by the release of hazardous substances.

So on balance, we think this set of proposals encourages the creation of high-wage jobs, and we are using tax policy, or propose to do so, to respond to the existential threat of climate change.

*Mr. Blumenauer. Thank you very much.

Mr. Chairman, I appreciate the opportunity.

*Chairman Neal. Let me recognize Mr. Smith to inquire.

*Mr. Smith of Nebraska. Thank you, Mr. Chairman.

Thank you, Madam Secretary, for your service and appearing here today. Obviously, my time is short, but I have many concerns with the President's tax proposals.

Repealing the stepped-up basis and taxing capital gains at death will hurt Nebraska farmers, ranchers, and small businesses hardest at the absolute worst possible time. Your recommended exemption won't help most working farms, and Treasury liens would only stretch out the pain. And we have seen in the past that exemptions for ag land and small businesses simply are not workable.

I am concerned about the President's proposal to raise corporate rates alongside SHIELD and the G7 minimum tax agreements, which would undermine the success of the TCJA -- more competitive for investment and job creation, ending inversions, and making American companies return profits from abroad and pay a tax on them. Obviously, many concerns.

Even President Obama understood the importance of international corporate tax reform, like we included in the 2017 tax law, and I am concerned that your proposals to expand IRS enforcement through mandatory spending will harm the vast majority of Americans, who are law-abiding taxpayers most, and that your projections for the revenue it would collect are overly optimistic, especially in light of much more pessimistic CBO projections.

At least your testimony is straightforward about your goal for these changes, making the tax code supposedly more fair, but with no attempt to pretend these proposals are really about raising revenue or restoring economic growth to pre-COVID levels.

Because we have already had hearings on many of these proposals in the Select Revenue Committee, I would like to ask you about something you said recently that concerns me greatly. I know it is a topic that a number of Senators raised with you yesterday as well, and I share those concerns.

On June 6, Bloomberg reported that you had said the following in an article: "We have been fighting inflation that is too low, and interest rates that are too low now for a decade." You went on to say, and this is not out of context, "That is not a bad thing. That is a good thing."

I would like to ask unanimous consent to submit the Bloomberg article for the record.

*Chairman Neal. So ordered.

[\[The information follows:\]](#)

*Mr. Smith of Nebraska. Secretary Yellen, we know that inflation hits hardest those who can least afford it already, lower-income folks, retirees on fixed incomes, and so forth. Has Treasury done an analysis of what the impact of higher inflation would have on lower-income Americans and retirees?

And can you explain why higher inflation would actually be good for them?

*Secretary Yellen. I would like to explain what I meant by those remarks.

The Fed has established a goal of two percent inflation on average, and has done a great deal to justify why that is a sensible goal.

*Mr. Smith of Nebraska. Is there an analysis of what the impact on lower-income Americans and retirees of inflation, what the impact would be?

*Secretary Yellen. The --

*Mr. Smith of Nebraska. Is there an analysis?

*Secretary Yellen. The Treasury has not done that analysis, but I believe I have a strong basis for what I said.

For most of the last decade, inflation in the United States has run below -- has run under - - meaningfully under that two percent goal. And there are costs to inflation being too low, as well as too high. And one of the costs is that interest rates have been at zero levels, and the Fed has been forced to rely on asset purchases, and other unconventional policies. So very low inflation and low interest rates erode the ability to use monetary policy actively to support the economy.

So what I am supportive of is inflation in line with the Fed's targets, and interest rates at slightly higher levels that would give the Fed the ability to use monetary policy to address weakness in the economy when that is --

*Chairman Neal. I thank the gentleman.

*Mr. Smith of Nebraska. Thank you.

*Chairman Neal. Thank you. Let me recognize the gentleman from Connecticut, Mr. Larson, to inquire.

*Mr. Larson. Thank you, Mr. Chairman.

And it is an honor to have you in front of the committee today, as well. And I appreciated your opening comments, especially in having to deal with COVID. And again, I thank the Administration for focusing on science, both as it relates to COVID and this pandemic, and also as it relates to climate change.

In a hearing yesterday that we had on Social Security, one of our erstwhile colleagues asked a question of one of the panelists that said, what would it be -- what is better off, funding Social Security or climate change?

And the gentleman responded, Mr. Blair from Maryland responded, "What is that, a trick question? We need to do both." And I commend this Administration for understanding the need for us to address these inequities.

My first question, with regard to the 2017 tax cut, which, I believe, was around \$2 trillion, was any of that paid for?

*Secretary Yellen. No, it was not. It was not paid for.

*Mr. Larson. Oh, okay, okay. So \$2 trillion in tax cuts -- and I believe statistics will bear out, and we will go back and forth with this -- with 83 percent of that tax cut going to the wealthiest 1 percent in this country, clearly unfair.

And, as you said in your opening remarks, COVID had to be addressed, but it also underscored an existing problem that we have with regard to Social Security and, specifically, with women who, as you acknowledged in your statement as well, who have been out there in the labor force and working hard. But over millions of them, and most of them being -- it is women, but predominantly women of color and Black males who, on Social Security checks, get a below-poverty-level check.

I am glad the President has signaled that Social Security is a sacred trust between the people and its government, and has put proposals forward that I think can be embraced bipartisanly.

What do you say to that inequity that exists, and is Social Security a way to address that?

*Secretary Yellen. The President has indicated a desire to see some of those inequities addressed. And, as you said, Social Security is a critical system that supports workers in retirement and with disabilities.

*Mr. Larson. Thank you, I yield back.

*Mr. Blumenauer. [Presiding] Mr. Reed, are you on the call?

*Mr. Reed. Thank you, I am on the call.

*Mr. Blumenauer. There you are, okay, you are recognized.

*Mr. Reed. All right. Well, thank you, Mr. Chairman, and thank you, Madam Secretary, for being here.

Madam Secretary, I think it is about time to be honest with the American people. And the concept of modern monetary policy, modern monetary theory, has become, in my opinion, the de facto policy of America.

And I am very troubled by that position we find ourselves in, with \$30 trillion worth of essential debt.

I see the President's budget spending \$7.2 trillion -- they are worried about the tax cut bill adding \$2 trillion to the deficit -- but your own budget adds \$14.5 trillion to the national debt.

And so my question to you -- and it follows up on the commentary you made to Bloomberg that was reported -- that "Yellen took issue with those promoting modern monetary theory who suggest you don't have to worry about interest rate payments, because the Central Bank can buy the debt. She said at an Asian investors conference hosted by Credit Suisse in Hong Kong, 'That is a very wrong-minded theory, because that is how you get hyperinflation'."

So my direct question to you is, yes or no, do you oppose modern monetary theory?

*Secretary Yellen. I do not support modern monetary theory, and I would stick by what I said previously.

On the other hand, it is the case that interest rates have been very low. That is not just a recent phenomenon. It is something that has occurred over decades, and that does matter to what is a sustainable level of debt, and what is a responsible fiscal policy. And that is the point that I have tried to emphasize today.

*Mr. Reed. Madam Secretary, if I could -- and I only have a minute left, here -- and now, because you share a concern on MMT, like I do, and we are concerned about inflation as we see these numbers coming down, and you recognize that hyperinflation is the scenario upon which MMT can result in. Are we not in a position, as a country, of facing hyperinflation as a risk to our stability and position as the world leader, from an economic perspective?

And what are we doing about inflation to make sure it doesn't become hyperinflation under MMT policies?

*Secretary Yellen. So I don't believe that we are at risk of hyperinflation. We have had several months of high inflation that most economists, including me, believe will be transitory, as our economy gets back in full swing after the pandemic, and prices recover from the very low levels they have --

*Mr. Reed. And so --

*Secretary Yellen. -- fallen to. But --

*Mr. Reed. So then, Madam Secretary, why do we have to add \$14 trillion to the national debt under President Biden's own budget proposal?

*Secretary Yellen. We are proposing critical investments in our economy and our people, in R&D, in education, in public infrastructure that will make our economy more productive, and address long-term structural challenges, make us more resilient to climate change, and lead to higher labor force participation. These are long-run policies intended to improve the functioning of our economy, and address inequities that have existed for too long.

*Mr. Reed. Thank you, Madam Secretary.

*Mr. Blumenauer. Thank you.

*Mr. Reed. I don't mean to be short, but the time was short. Thank you for your service, ma'am.

*Secretary Yellen. Thank you.

*Mr. Blumenauer. Congressman Kind.

*Mr. Kind. Thank you, Mr. Chairman.

Madam Secretary, welcome, and congratulations on making history, being the first female Treasury Secretary in our Nation's history.

But more importantly, you are the right person, right job, right skill set, at the right time. And we look forward to working with you and the Administration as we emerge from this global pandemic, and make America even stronger.

First, a couple of comments, and then a question for you on the Global Minimum Tax. But my first comment, earlier this year I led a bipartisan letter with many members on this committee expressing concerns about final regs coming out of Treasury involving Section 199A, the so-called grain glitch. We hope to be able to follow up with you and your team to meet in the near future to see if we can make progress on that issue.

Also, as one of the original sponsors of the legislation that created the opportunity zones, I would hope that, with your help in the Administration, the Administration will embrace it, and make it work the way it was intended, and that is bringing some early-stage capital in those areas of the country that have been bypassed from the 21st century economy. And it was a way of doing this, and doing it well, so we would like to follow up with you on the opportunity zones, and how we can better shape that for the results intended.

Also, you probably read earlier this week the op ed that Senators Carper and Cornyn submitted to The Washington Post titled, "Don't Cede Leadership in the Asian Pacific," and their argument, which I concur, is we need to develop a plan or a strategy to get back into the TPP, which is now the comprehensive and progressive Trans-Pacific Partnership trade agreement. This is the fastest-growing economic region in the globe, the Pacific Rim region.

It makes no sense for us to be on the outside, looking in. And the structural reforms that we are demanding China to make are actually contained in the TPP trade agreement. And at some point, everyone is suspecting that they are going to want to be a party of that, as well. So we hope to be able to work with you and the Administration to -- in developing that path to rejoining the TPP, where we belong, and I think it is doable.

And finally, on Global Minimum Tax, I congratulate you on the progress that you have made, the announcement that came out. Obviously, a lot more work needs to go into reaching consensus to avoid the forum-shopping, the race to the bottom, certain multinationals trying to become stateless in the modern economy, and avoiding their fair share of taxation.

How confident are you that you are going to be able to develop that type of consensus to move forward on that basis?

*Secretary Yellen. So I am very optimistic about it. We are not there, we -- but we have taken an important first step. I am really pleased to see unanimity in the G7 that we should establish a Global Minimum Tax, that it should be at least 15 percent.

I recently contributed an op ed piece. It was in The Washington Post, and I was joined in writing that by the finance ministers of Germany, South Africa, Mexico, and Indonesia. And I think that can give you the sense that support for this approach is not confined to the G7, that there are countries around the world who think this would be an important step forward.

We have been working in the OECD with more than 100 countries, and see a great deal of support. There are countries that have concerns. We have to work to address those. But I am hopeful and I am optimistic that this is something we can get done.

*Mr. Kind. Great. Well, thank you, Madam Secretary, and I yield back.

*Mr. Blumenauer. Congressman Rice.

*Mr. Rice. Thank you, Mr. Chairman, and thank you, Madam Secretary for being here. It is always a pleasure to be with you and have an opportunity to ask you about some of the policies that you propose.

I very much appreciate your commentary at the beginning about the concern about the stagnation of middle-class wages, and the income disparity that that created. I believe that Americans --

[Audio malfunction.]

*Mr. Rice. -- Tax Cuts and Jobs Act --

*Secretary Yellen. Congressman, I am having a hard time hearing you.

*Mr. Rice. Can you hear me better now?

*Secretary Yellen. That is better, thank you.

*Mr. Rice. And I believe the Tax Cuts and Jobs Act made our tax code competitive. And as a result of that, in the year before the COVID pandemic, for the first time in a long, long time, we had the same middle-class wage growth of three percent plus, which is one of the things we have to do if we are going to close the gap on income disparity.

But the actual policies that have been adopted and proposed by the Biden Administration are shockingly bad, and they are exactly the opposite of what we need to do, in my opinion, to close that gap.

The American Rescue Plan was a bailout of blue states, a bailout of union pension plans, without even requiring that they be reformed to avoid future under-funding. They are paying people not to work. That has been a big part of the slowing of the economic growth. But certainly, people staying out of the workforce is holding our economy back, and it has created an inflationary jump-off point that we see today as we have six percent annualized inflation, which hits the people who are the most vulnerable, people who are on fixed incomes, people on Social Security, and seniors.

And secondly, proposed tax increases, doubling the capital gains rate and raising taxes on dividends and interest -- there is the reason that almost every single developed country in the world allows preferential rates for investment, and that is because they want to attract investment, because investment creates innovation, and that makes workers more productive, and that grows our economy and gives workers more opportunity. And we want to do away with that?

If we do away with that, watch our economy stagnate, and another million American jobs flow overseas.

And then this idea about ending stepped-up basis, and expanding the estate tax, along with the exemption up to \$3.5 million, would cripple small businesses and family farms.

And finally, the Administration's policy which encourages illegal immigration, and creates a humanitarian crisis at the border, and adds to this endless flow of workers coming to our country who are willing to work for nothing. And if it is of any surprise, this particularly hurts people on the lower end, particularly people --

*Mr. Blumenauer. The gentleman's time has expired. The gentleman's time has expired.

*Mr. Rice. I yield.

*Mr. Blumenauer. Ms. Plaskett?

*Ms. Plaskett. Yes, good morning, and thank you so much, Madam Secretary, for being with us.

Thank you to the chairman for the opportunity to inquire.

First, Madam Secretary, I was really -- the discussion that you had with my colleague, Mr. Kind, about opportunity zones, I am really grateful that the Treasury is interested in supporting how to assist these opportunity zones to really get into those areas that need it most, that -- we are not using the investment of opportunity zones to really continue to build in areas that have already had the tax credits and the support through new market tax credits and others, but really to expand that to rural areas, and even underserved urban communities. So I am grateful for that, and really commit myself and our team to work with you on that.

Another area that I wanted to talk with you about is, when we talk about areas with unique challenges, the Virgin Islands and other insular areas face unique economic challenges as a result of their geographic distance, lack of natural resources, and their general small-island limitations on scale. In the 2017 Tax Act, it created a new tax on U.S. investments in U.S. territories, as a result of GILTI. The GILTI provision, because U.S. territories -- corporations are considered corporation -- foreign corporations, we, in fact, had an unintended consequence of having those companies have a detriment to being in the Virgin Islands.

Under the Administration's recent proposal, the GILTI tax would increase to 21 percent, and eliminate the existing exclusion for the first 10 percent. We are concerned that this will have an even greater impact on disincentivizing companies to come into the Virgin Islands and Puerto Rico and the other territories because of this GILTI provision.

And I am asking if you will commit to working with the committee and my office to develop appropriate and effective resolutions to these issues.

*Secretary Yellen. Absolutely --

*Ms. Plaskett. Including -- that would affect -- to encourage investment in the territories, while at the same time making sure that those individuals who come to the territories are, in fact, good actors.

*Secretary Yellen. Yes, I commit to working with you on this. This is a complex issue. I understand the concerns that you have expressed, and we will work with you to see if we can find a constructive approach to address this concern.

*Ms. Plaskett. I yield back.

[Pause.]

*Mr. Blumenauer. Thank you --

*Chairman Neal. [Presiding] Let me recognize the gentleman from Arizona, Mr. Schweikert, to inquire.

*Mr. Schweikert. Thank you, Mr. Chairman. And just quickly, because it is getting quite old, the 83 percent comment for the top 1 percent, as you know, that has been debunked so many times. I know it is part of urban folklore for the Democrats. I would like to submit to the record the actual facts.

Madam Secretary, we have been actually doing a project in our office of trying to go over -- because I know you have made a commitment that the tax hike will cover these spending proposals, you know, the increase in spending proposals. We are actually noticing they don't line up. And now that we are actually seeing some outside groups, both moderate to liberal to conservative, score the actual receipts coming from the tax hikes that, you know, many of -- at least our current math right now is the revenues would actually only cover about half the new spending proposals.

But knowing your commitment that you intend to cover all the new spending with new revenues, new receipts, am I to expect, is the country to expect, a soon-to-be value-added tax, a VAT tax proposal?

How are you going to cover that differential?

*Secretary Yellen. Okay --

*Mr. Schweikert. Should a VAT actually be something in your consideration, Madam Secretary?

*Secretary Yellen. We have not proposed a VAT tax. That is not part of our budget or the American Family Plan or Job Plan.

And we do believe -- we can discuss the details of that scoring. I know that the scoring that has been proposed for the compliance parts of our proposal, the IRS investment, is less than our scoring.

*Mr. Schweikert. Well, Madam Secretary --

*Secretary Yellen. I think this is a fairly large change, and it is very difficult --

*Mr. Schweikert. Well --

*Secretary Yellen. -- for CBO, or Joint --

*Mr. Schweikert. And -- well, Madam Secretary -- and I am sorry, it is the tyranny of the three-minute clock.

And look, we all have to live by Joint Tax's scores. That is how you will move towards reconciliation. But when we start to see -- is it Penn Weber, or -- you know, some of the scores coming out, they actually only gave you almost one-third the revenue calculations on your capital gains tax. And without the changing of basis, it actually lost 33 billion. And if those

actually flow into the Joint Tax, you are nowhere near covering this increase in spending with your tax hikes.

And I know you and the President have made a commitment that you are covering the new spending --

*Secretary Yellen. We --

*Mr. Schweikert. -- with these tax hikes --

*Secretary Yellen. I am sorry, what we --

*Mr. Schweikert. What other revenue sources will you be planning to pursue to cover that spending?

*Secretary Yellen. I am sorry. What we said is that we had proposed a series of spending proposals and tax changes that -- and we estimated would cover the cost over 15 years. We didn't set down a marker, that it is utterly necessary --

*Mr. Schweikert. I don't think that is what you said, actually, in your opening statement.

So with that, Mr. Chairman, I yield back.

*Chairman Neal. I thank the gentleman. And without objection, the gentleman's reference to an article will be included in the record.

[\[The information follows:\]](#)

*Chairman Neal. And with that, let me recognize the gentleman from Texas, Mr. Doggett, to inquire.

*Mr. Doggett. Thank you, Mr. Chairman.

And thank you, Madam Secretary, for an extraordinary bit of world leadership in trying to stop the global race to the bottom on corporate taxation.

Why is it important for our country to exert its leadership around the globe on this, rather than to just, as some of my colleagues have suggested, be a follower, perhaps those who are indifferent to corporate tax avoidance?

And how can we set our rate higher than the Global Minimum Tax, without putting American corporations at a competitive disadvantage?

*Secretary Yellen. Well, we see the G7 announcement as an historic commitment that, in turn, reflects our tax reform proposals here at home, raising the headline rate, and moving GILTI to a country-by-country system. With a Global Minimum Tax of at least 15 percent, the gap between the U.S. tax on foreign earnings and the tax that is imposed by other jurisdictions will actually be narrower, with a GILTI of 21 percent than the gap is today, with a Global Minimum Tax of zero. So these proposals would, with 15 percent abroad, 21 percent here, if that is how it goes, we would have a narrower gap than we have today.

And I think it is clear from the experience of the last couple of years that even the larger gap created by the 2017 Act hasn't been a big impediment for U.S. firms. So, if we lead in moving toward a higher rate domestically, we will motivate and give ambition to other countries to move higher, as well.

*Mr. Doggett. And overall, in your revenue proposals isn't the objective not only to avoid accumulating more national debt with more revenue, but to achieve some equity in our tax system?

*Secretary Yellen. Yes, we want to achieve equity that is critically important with respect to compliance with the existing tax code. We think it is extremely unfair that hard-working wage and salary earners, they are -- largely, I mean, 98, 99 percent -- complying with paying the taxes that are due. But high-income individuals and corporations, their tax compliance, they have streams of revenues that are less well captured by the IRS, and compliance is far lower. And we really think it is critical to remedy that.

In addition, taxing income from capital dividends and capital gains at lower rates than workers face on their wages also seems unfair. So President Biden has pledged not to raise taxes on anyone earning under \$400,000, and he has been assiduous in making sure that the additional taxes do not come from that group.

*Mr. Doggett. Thank you.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Pennsylvania, Mr. Kelly, to inquire.

*Mr. Kelly. Thank you, Mr. Chairman.

Madam Secretary, thank you for being here. One of the things I want to cover with you is the safety of tax information. And I just think, watching what has happened with -- in the latest couple of days with ProPublica, and what they are putting out for people to see, raises a tremendous question, I think, in the American people's minds that -- what in the world is going on?

We no longer have faith and trust and confidence in the system that we have. This is a voluntary tax system. And for the idea that this can be taking place right now, and ProPublica is saying, "We have got 15 years and thousands and thousands of these things that we can reveal," there should be -- I think there should be an absolute outrage throughout the entire country, and both parties need to be involved in this.

So can you tell me on what specific basis any American can be confident that their private tax information is not going to be published from this leak, given that we don't even know yet how this happened?

To me, it looks like it can only be one source, and that, I would suggest, is probably coming from the inside of the IRS. But what is your opinion on that? And are you going to call for that, too?

*Secretary Yellen. Look, this is a very serious matter. We can't tolerate the disclosure of confidential personal data. I take this extremely seriously, the protection of government data. We have referred the matter to the Treasury inspector general --

*Mr. Kelly. Right.

*Secretary Yellen. -- and to the Department of Justice. The IRS commissioner is looking into this, as is the Treasury inspector general --

*Mr. Kelly. Yes, ma'am.

*Secretary Yellen. -- for tax administration.

*Mr. Kelly. Yes, if I can just interrupt you, because we are on such a short schedule.

So I have seen this happen before, and so have you. I have not seen any type of an investigation that led to anybody being prosecuted for anything, whether you go back to Lois Lerner, or you go to President Trump's taxes being exposed. So yes, we are outraged by it.

And so the question is, so what are you going to do about it? And the answer is probably nothing. And I think that is where the American people sit back and say, "If you tell me there is

not a double standard, you are going to have to come from a completely different angle, because this just doesn't fly."

One other thing I just want to cover with you, and this is incredible. We have expanded our money supply by 180 percent since January of 2021, and now we are talking about trillions more in additional spending. I would think that, if anybody were to look at our M1, or our money supply, and would see how this has accelerated since January and today, they would swear that there is somebody out there counterfeiting 24 hours a day, 7 days a week, and filling our economy with money that is no longer worth anything.

I would submit to you that inflation, right now, is being caused by the fact that what we are printing is no longer worth what the perception of it should be. And that is one heck of a thing to be facing, especially when we are the reserve currency of the world. We are putting ourselves in a very dangerous position of people saying, "oh, yes, right, I have complete faith and trust in that system."

So I would like it if somehow, somebody -- and I -- Mr. Chairman, I would like to submit this piece from TradingEconomics.com, showing the money supply, M1 supply, and the incredible, incredible amount of new money that is entering our economy every single day. At some point we have got to sit back and look at that.

I can't believe that the prices -- I am a car dealer. I never -- nobody could tell me that, "Hey, you know what, Kelly? If you hold on to that used car long enough, it will be worth more, not less." That justifies any type of economic basics that we have in the form of retailing, business, or just business in general.

So Ms. Secretary, I appreciate your being here today.

Mr. Chairman, thank you so much, and I hope we continue. And we should have a really deep investigation with TIGTA on what took place with the revealing of these tax returns.

So I thank you, and I yield back.

*Chairman Neal. Without objection, the gentleman's comments will be inserted into the record.

[\[The information follows:\]](#)

*Chairman Neal. With that, let me recognize the gentleman from Illinois, Mr. Davis, to inquire.

*Mr. Davis. Thank you, Mr. Chairman, and thank you, Madam Secretary.

Madam Secretary, I applaud President Biden for taking action to ensure that everyone has the ability to provide for and care for their families. Paid family and medical leave, substantial child care assistance, and a permanent modernization of the Child Tax Credit, Child and Dependent Care Tax Credit, and the EITC.

In addition, I raise the importance of three other refundable tax credits.

One, a tax credit to renters who spend at least 30 percent of their gross income on rent and utilities. Direct grant assistance is essential, but only helps a limited number of families. An advanceable, refundable renter's credit could help every eligible taxpayer afford housing.

Making the Adoption Tax Credit refundable would help thousands of children join permanent loving families. The ATC currently disadvantages low and middle-income families, which is why the ATC was refundable during the great recession. Substantially expanding the American Opportunity Tax Credit would help millions of low and middle-income families afford college.

Also, I want to work with you to ensure that billionaires pay their fair share of taxes on the hundreds of millions of dollars of capital gains profit.

So Madam Secretary, could you speak about the Administration's openness to enhancement any other refundable tax credits to help struggling workers and families?

*Secretary Yellen. Sure. Let me just say on housing, housing affordability, we absolutely recognize, is a key challenge, and we have made proposals there to expand Low-Income Housing Tax Credits that helps address the supply side of the problem. But on the demand side, we certainly would be interested in working with you on the kind of proposal that you have made.

And you mentioned ideas on the Adoption Tax Credit, the American Opportunity Tax Credit. Those are also important areas that are high priority for us. And we would like to work with you on those, as well.

In terms of education support, if you look at the President's full set of proposals in the budget, there really is a lot there to support education. He makes two years of community college free, and there is a major increase in Pell Grants.

So the policies he has proposed will drastically reduce the cost of an education beyond high school, but we look forward to working with you on these matters.

*Mr. Davis. Thank you, Madam Secretary.

Thank you, Mr. Chairman, and I yield back.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Missouri, Mr. Smith, to inquire.

*Mr. Smith of Missouri. Thank you, Mr. Chairman.

And Secretary Yellen, thank you for joining us virtually today.

We have heard President Biden, Speaker Pelosi, and Washington Democrats repeat over and over that a budget is a statement of one's values. Reading through President Biden's budget, it is very clear that his administration values making Americans dependent on government, and giving Washington greater command and control over our daily lives.

The President's budget adds \$17 trillion to our national debt, skyrocketing it to unsustainable levels, a sentiment you shared as recently as February 2020, Secretary. It fails to support small businesses, and promises to raise taxes on low-income, hardworking Americans.

But the devil is in the details. Once we get past the astounding level of spending and taxes, we see that this budget weaponizes the IRS to target Americans. The additional \$80 billion in IRS funding will add 87,000 new IRS agents, more than doubling the size of the agency. I can't even imagine the egregious violations of Americans' privacy that will undoubtedly occur. I wouldn't be surprised if it is something similar to the appalling actions that took place at the IRS under President Obama.

In case anyone has forgotten, during the Obama Administration, Lois Lerner used her role as the Director of the Exempt Organizations unit to target and discriminate against conservative groups, based on inappropriate criteria, including their names and principles. When Congress started asking questions, she covered it up, destroying 422 backup tapes containing over 24,000 emails. Lerner faced zero repercussions, and was rewarded with a generous government pension.

Undoubtedly inspired by the lack of consequences for Ms. Lerner's actions, last week we learned an IRS employee leaked the tax returns of Americans in an effort to build support for President Biden's political agenda. Think about that. For the second straight Democrat administration, we had an IRS employee or employees weaponize personal tax information for political purposes. Given the IRS's past willingness to target conservatives, this should scare everyone who opposes the President's agenda straight to their core.

And so, Madam Secretary, has anyone been held accountable for this breach?

*Secretary Yellen. I am sorry. We did not find that an IRS employee is responsible for this information becoming public. We don't know what happened, and we are investigating. We have referred this matter. It is extremely serious matter, and we have referred it to independent

investigative authorities to figure out what did happen. But we have to be very careful not to jump to conclusions.

*Mr. Smith of Missouri. I see my time has expired --

*Chairman Neal. I thank the gentleman, thank the gentleman. Let me recognize the gentlelady from California, Ms. Sanchez, to inquire.

*Ms. Sanchez. Thank you, Mr. Chairman, and thank you, Madam Secretary, for joining us today.

It is definitely going to take a long time for our communities to heal from the devastation of the COVID pandemic. And unfortunately, we can't just wave a magic wand and go back to 2019, nor, I would contend, should we, because the communities that I represent will still suffer if we try to just snap back to the normal of 18 months ago. If 2019 is all that we aim for, children in the communities that I represent are still going to face higher rates of asthma, working parents from Southern California will still struggle to find quality, affordable child care, and the cities that I represent will still be unable to afford the major investments that they need to make in their roads and water systems. I am glad to see that the President's budget makes sure that we do not miss this historic opportunity to move our country forward and advance.

But I want to focus on a couple of key steps that we need to think about and make along the way. Madam Secretary, one of the biggest obstacles to working parents in my district for them to return to work is a lack of quality and affordable child care. It is not the supplemental unemployment benefits; it is the lack of childcare. And we have seen that that sector pays very low wages and, as a result, that sector tends to be plagued by huge turnover and instability.

Earlier in your testimony today you spoke about how the President's proposal for investments in child care can keep women attached to the workforce. Can you explain why it is better to keep working parents attached to the workforce than to allow them to leave the workforce all together?

*Secretary Yellen. Well, I think it is important for the supply of labor and -- in America, so that we have the talented workforce we need to grow, and it is also important for women, that they have the opportunity to realize their potential.

Most advanced countries do provide more generous child care and paid leave than we do in the United States, and I think that is a very healthy thing. It enables women to work, to realize their potential, and to contribute to the economy.

*Ms. Sanchez. And isn't it true that, once somebody leaves the workforce, it is harder to get them back into the workforce, so keeping them attached to the workforce by providing childcare is a smart incentive to keep people in the workforce?

*Secretary Yellen. Yes, I think it is a smart incentive, and that is why one of the reasons we have been so worried about the pandemic, the effect it has particularly has on women dropping out of the labor force, we have worried very much about the potential for scarring, of people being -- finding it difficult to get back to work. And that is a rationale for many of our proposals.

*Ms. Sanchez. Thank you so much --

*Chairman Neal. I thank the --

*Ms. Sanchez. -- and I yield back.

*Chairman Neal. I thank the gentlelady. Let me recognize the gentlelady from Indiana, Ms. Walorski, to inquire.

*Mrs. Walorski. Thank you, Mr. Chairman. During the COVID-19 panic, we saw rampant unemployment fraud that shows no signs of slowing, even as we try to get Americans back to work. So many states removed identity verification measures to speed up the processing of benefits. This lack of safeguards made it easier for fraudsters and international crime syndicates to file claims using stolen IDs, and rip off taxpayers to the tune of hundreds of billions of dollars. Millions of Americans have had their identities stolen.

Secretary Yellen, my understanding is that the IRS has instructed states to zero out 1099-G forms that are confirmed to be a result of identity theft due to unemployment fraud. The states should then send a revised form to the IRS, reflecting zero reported income from unemployment benefits. It certainly makes sense to hold individual taxpayers harmless, but I am concerned that the IRS is not keeping track of how much money we are talking about here, in the aggregate. So I have two questions.

One, can you tell me how many 1099-G forms have been flagged by the IRS, or by state agencies, as a result of ID theft related to unemployment insurance payments, including those flagged as unreported income after taxes are filed?

*Secretary Yellen. That is a good question. I regret I do not have an answer for you. I will look into it, and get back to you on that.

*Mrs. Walorski. So do you know, Madam Secretary, is there any recordkeeping going on that would track the amount of unemployment benefits paid by states and reported to the IRS resulting from unemployment fraud?

Who is keeping track of this? That is my concern.

*Secretary Yellen. Well, my understanding is that this whole issue is being addressed by an interagency task force, and I promise to look into it more carefully, and get back to you with details.

*Mrs. Walorski. So let me understand this. You can't just tell states to zero out the form, and sweep it under the rug like it didn't happen?

I mean, somebody really is keeping a record of this? Because this is up to, like, \$400 billion now.

*Secretary Yellen. It is a significant issue. I agree with you about that.

*Mrs. Walorski. And you will get back to me?

*Secretary Yellen. Yes, my staff will --

*Mrs. Walorski. Thank you so much --

*Secretary Yellen. My staff will contact you.

*Mrs. Walorski. -- yield back.

*Chairman Neal. I thank the gentlelady. Let me recognize the gentlelady from Washington State, Ms. DelBene, to inquire.

*Ms. DelBene. Thank you, Mr. Chairman, and thank you very much, Madam Secretary, for your testimony, and for coming before the committee today.

I am very thankful to see the attention and strong commitment that the Administration has made in your budget proposal to address the affordable housing crisis, specifically through the Low-Income Housing Tax Credit.

Our nation was in a deepening affordable housing crisis before the pandemic, and that has only become worse since. We have made important incremental improvements, but much more is needed. And bold action is necessary now, so that we can truly tackle this growing crisis.

I have been leading the effort in the House to expand and strengthen the housing credit through the bipartisan Affordable Housing Credit Improvement Act, together with Representatives Walorski, Beyer, and Wenstrup. The Affordable Housing Credit Improvement Act would allow us not only to build new homes, but also preserve affordable housing, which is increasingly important, not only for residents, but for the communities that they live in. It would make more than two million more affordable homes available in our country, and specifically in low-income, rural, and tribal communities.

Our legislation also includes several provisions that support the Administration's goals of building more affordable homes in high opportunity areas. For example, it would lift the cap on what areas can currently be designated as difficult development areas, which are areas that have been high cost, relative to the area median income, to allow for more development by giving critical projects a basis boost, and thus more equity to invest in affordable housing.

Our proposal would also prohibit local approval and contribution requirements that have allowed not-in-my-backyard, or NIMBY, opposition that have derailed affordable housing developments. Many of these proposals are complementary to what the Administration has proposed, while also having the benefit of broad bipartisan support in Congress.

Last Congress, our bill had the bipartisan support of more than half of Congress. So -- and that momentum continues to grow. So, given our broad consensus of support, Madam Secretary, I hope the Administration would be willing to support our proposals that are in the Affordable Housing Credit Improvement Act to achieve our mutual goal of creating more affordable housing.

We have a tremendous opportunity to make real progress on this issue, and I hope that you will help us.

*Secretary Yellen. Well, first of all, let me thank you for your leadership in this area. It is very important.

It is a key goal of the President to improve the affordability of housing. And he has proposed, you know, in the budget, a significant increase in Low-Income Housing Tax Credits. You know, there is also a proposal that would result in the rehabbing of many housing units. But it is a very big problem, and we would like to work with you on it.

*Ms. DelBene. Thank you. Again, we have strong bipartisan support, so I hope you will work with us on our legislation.

And I yield back, Mr. Chairman --

*Chairman Neal. I thank the gentlelady. Let me recognize the gentleman from Illinois, Mr. LaHood, to inquire.

*Mr. LaHood. Thank you, Mr. Chairman.

Secretary Yellen, welcome. Secretary Yellen, I traveled across my district the last couple of weeks, and what I heard consistently from my small and medium and large businesses is the lack of workers.

But let me just talk a little further about that. Kanpheide Manufacturing, Quincy, Illinois, they could hire 50 new welders tomorrow; Dot Foods, Mt. Sterling, Illinois, looking for truck drivers; Avanti's Restaurant, Peoria, Illinois, can't find enough waiters and waitresses or cooks; Alwan & Sons Meat Market in Peoria Heights could hire numerous people at their operation there.

Consistently throughout my district, small, medium, large businesses, family-owned entities that can't find workers. And there is a collective frustration with them, as they compete against the Federal Government. And when I meet -- when I talk about competing against

Federal Government, it relates to the unemployment insurance, and the fact that we are really disincentivizing work when it comes to finding people to fill these jobs.

And I guess my question to you, Secretary Yellen, is what do I tell these small, family-owned businesses throughout my district on why they can't get workers to fill these jobs because of the unemployment insurance?

*Secretary Yellen. Well, I think there are many, many reasons why firms are seeing labor shortages. It is not only a matter of the additional unemployment benefits. Child care and the fact that schools aren't on normal schedules remains a significant barrier for many families. And we are really only now getting up to vaccination rates that make many people who have felt uncomfortable going back to work --

*Mr. LaHood. Well, I --

*Secretary Yellen. Because --

*Mr. LaHood. And I hate to interrupt, but I have limited --

*Secretary Yellen. But --

*Mr. LaHood. I have limited time, Secretary. But let me just say this --

*Secretary Yellen. But --

*Mr. LaHood. But let me just say this. I understand --

*Secretary Yellen. But --

*Mr. LaHood. I understand what you are saying on those items, but the unemployment insurance --

*Secretary Yellen. There --

*Mr. LaHood. This is what they are telling me, right? They are telling me that they can't find workers because of the unemployment insurance.

Let me just switch for a second. You don't dispute that there are nine million unfilled jobs in this country, correct?

*Secretary Yellen. There are many. I don't know the exact number, but there are many.

And look --

*Mr. LaHood. Would you disagree with the statement that there is nine million jobs unfilled?

*Secretary Yellen. I don't know the number. That is probably correct.

Look, the unemployment benefits are not intended to stop people from looking for jobs. People are supposed to look, and there are penalties for failure to accept jobs.

*Mr. LaHood. Well, and let me just --

*Secretary Yellen. And look, they are disappearing. They are ending in September, and states have the latitude to end them sooner, and many are.

*Mr. LaHood. All I would say, Madam Secretary, is that statement to my small businesses and employers throughout my district, that doesn't mean anything to them.

*Chairman Neal. I thank the gentleman. Let me recognize the gentlelady from California, Ms. Chu, to inquire.

*Ms. Chu. Secretary Yellen, Treasury has provided an unprecedented amount of direct relief to families over the last year, first through three rounds of stimulus checks, and soon the Advanced Child Tax Credit payments. However, I have concerns about how taxpayers are seemingly randomly selected to receive debit cards to distribute these payments, and how some have difficulties using those cards.

How does the Fiscal Year 2020 -- 2022 budget request address the need to update the Bureau of Fiscal Services, Technology, and Capacity to print more physical checks for taxpayers for whom direct deposit is not an option?

And how does the budget request address the need to update the IRS's technology to give taxpayers choices in such payment methods?

*Secretary Yellen. Well, you know, the main goal of IRS in Fiscal Services is to try to pay people by direct deposit. And the vast majority of funds were distributed in that way. That is really most efficient and safest. They are trying not to have to rely on debit cards and checks. In some cases, there are fees for checks, and also for debit cards.

But we have requested significant appropriations for IRS, and hopefully that will increase their capacity. There are limitations, as you mentioned, on the capacity to print checks, but we really would like to see more direct deposits.

*Ms. Chu. Thank you for that. And as a member of the Small Business Committee, it was disheartening to see banks provide preferential access to their large, long-established clients for the initial rollout of the Paycheck Protection Program loans as Congress tried to keep small businesses afloat during the pandemic. However, including community development financial institutions, or CDFIs, in subsequent rounds was so critical to getting these loans to traditionally underserved businesses and communities, and we know that they were successful in doing so.

So how does the budget request support CDFIs to help small businesses recover and grow, especially as we look to rebuild an equitable economy after the COVID-19 pandemic?

*Secretary Yellen. Well, the budget suggests -- proposes additional funds for the CDFI fund, so that it is in a better position to be able to support CDFIs and the important work that they do.

But very importantly, in the Act that was passed in December or January, there is a huge infusion of funds into CDFIs, roughly \$12 billion for direct support, and grants to them, and, very importantly, for injections of equity capital that we are moving forward on with -- at Treasury right now. This will vastly increase their capacity, and it is an important change.

*Chairman Neal. I thank the gentlelady. We are now in the midst of a two-to-one ratio that is consistent with committee practice. So the chair will now recognize the gentlelady from Wisconsin, Ms. Moore, to inquire.

*Ms. Moore. Thank you so much, Mr. Chair, and I do want to thank the -- and join others in thanking the Secretary for taking so much time with us.

I really appreciate the American Families Plan that the President is putting forward, and I really do appreciate the changes that we have made to the Child Tax Credit and to the Earned Income Tax Credit. And I do hope that we will be able to achieve a permanent change to the CTC, and to advance those payments.

I have written to you before, and I have brought this subject up before. As we try to level the playing field for, particularly women, who are dropping out of the workforce at precipitous rates, as you have indicated earlier in your testimony, I am wondering. Has the Administration thought about the \$522 billion of uncompensated care that people provide to their relatives?

I mean, there is, you know, 10,000 people turning 65 every day. All of them aren't in nursing homes. They are at home, being provided care: \$522 billion, 30 billion hours a year of free care. So that when we start talking about those people who are exploited, you know, who are they?

Guess. They are women, primarily. And I think that might explain some of the low workforce participation rates.

I have had a proposal to expand the Earned Income Tax Credit to include these -- this uncompensated care. It is a lot cheaper than what it would cost to put -- to impose it on Medicaid, for example. Unskilled care, having people come into your home on the Medicaid rolls, is \$220 billion a year. And then, skilled nursing home, that is \$642 billion. I wonder if the Administration is willing to work with me on this, what I think is an important thing, in leveling the playing field for women.

And while we are on the topic, I just want you to respond to whether or not the Administration is willing to work with me on the domestic violence replacement checks for the EIP. And I would yield for your answer.

*Secretary Yellen. Yes, we would very much like to work with you on both of those things. I think the idea of extending the EITC is an interesting one. Our plan, the American Families Plan, does extend it to workers without children, but there is undoubtedly more to do. And this is a very important area. So we look forward to working with you.

*Ms. Moore. And on the EIP payments to victims of domestic violence?

*Secretary Yellen. Yes, we would like to work with you on both of these things.

*Ms. Moore. Thank you so much.

I yield back, Mr. Chair.

*Chairman Neal. I thank the gentlelady. Let me recognize the gentleman from Texas, Mr. Arrington, to inquire.

*Mr. Arrington. Thank you, Mr. Chairman.

And Madam Secretary, congratulations, and thank you for your service to our country. I only have three minutes. I would love to dialogue with you, but, in the interest of time, I am going to share observations and deep concerns about the President's and this Administration's massive tax-and-spend proposals. I would say, taken all together, it is a major, unforced surrender of America's economic prowess. It is a fundamental retreat from the policies that gave America unprecedented prosperity.

And I know you know well all the metrics: unemployment, record wage increase, jobs coming back to this country overseas as a result of those incentives. And, taken together, this is a unilateral energy disarmament. We will cede, we will enrich, we will empower the likes of Russia and China, who are expanding their conventional fuel sources, and supplying that energy to our allies.

I am deeply, deeply concerned with the largest expansion of government, redistribution of wealth, and transfer of power in the history of the United States of America.

You mentioned a couple of phrases I would like to key on. One was a "stronger economy." The other was "fairer tax code." Let's start with "stronger economy."

I don't think Americans have to have a Ph.D. or be experts in monetary or fiscal policy to know that, when you are subsidizing people to the point that they are incentivized to stay on unemployment instead of going back to work, there is no surprise we have a labor shortage, we can't get people back to work, small businesses are suffering, we are spending our way into debt oblivion that is beyond unsustainable, and we are seeing runaway inflation, and that is a direct result to the massive reckless spending that we have seen.

We are also full-on assault now on our bread and butter, our lifeline, and the lifeblood of this economy, in terms of oil and gas. And it is driven by a climate radical, alarmist ideology. It

is not balanced stewardship of the environment and economic growth, by any stretch. And everybody is deeply concerned about that, especially my oil and gas producers that give our nation not only the greatest economy in the world, and an affordable, clean supply of energy, but also energy independence.

But let me key on fairness in the last remaining seconds. I have a message from West Texas and my family farmers, Madam Secretary. They do not believe that this proposal is fair in any stretch. What you are going to do, if you pass this repeal of stepped-up basis, doubling the capital gains tax, you will have the largest fire sale of farm equipment and farming operations in the history of the United States. They simply can't afford it, Madam Secretary.

What do I tell them about the fairness of the tax code in that regard?

And I yield back.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Michigan, Mr. Kildee, to inquire.

*Mr. Kildee. Thank you, Mr. Chairman.

Secretary Yellen, thanks for being with us. I have a couple of areas I want to ask you about. But before I get to that, I have heard from my state officials that, because in Michigan and in other states, state legislatures have to appropriate all dollars, regardless of their source, the Michigan legislature dragged their feet and are only now getting around to appropriating the American Rescue Plan dollars. So I would ask that you work with those states to make sure that, if there are extensions that are required, that they be granted, so that they can get those dollars out.

But the area that I -- two areas I want to address. One has to do with something you and I have talked about in various roles that you have held, and that is chronically distressed communities. I have been working on a revamped Trade Adjustment Assistance for Communities proposal. It has two parts, one that deals with direct government support and technical assistance for communities to prepare an economic redevelopment plan and fund certain activities that related to that. And secondly, a targeted -- highly-targeted tax credit for investment in those highly, most highly distressed communities.

Your testimony focuses on inequality in our economy, and I believe that there is economic inequality along geographic and, basically, on the basis of place. So I would hope that we could work together, and would love any comments you have as to whether you are open to a highly-targeted tax credit for the most chronically distressed communities.

And secondly, as we have discussed previously, as well, I am imploring that the Administration work with us to work for an equitable resolution for the Delphi salaried retirees, to get their earned pensions. As you are aware, as a result of the General Motors bankruptcy proceedings, which the U.S. Government had a significant role in, the Delphi salaried employees

lost, in some cases, 70 percent of their earned pension benefits. This is an issue that needs to be resolved. It has resulted in tremendous pain for these families. And I would ask that you work with us to try to address that.

If you could comment on those two issues, I would appreciate it.

*Secretary Yellen. Sure. Well, starting with the Delphi issue, I know that there was a very serious impact there, and that the Delphi retirees haven't been really helped by other benefits that have been passed, for example, for multiemployer plans. So we would look forward to working with you in discussing what can be done.

With respect to distressed communities, this is a critical priority for President Biden. There are many, many pieces of the proposals that are in this budget that attempt to address that issue, creating greater opportunities, and particularly opportunities targeted in distressed communities or in low-income communities. We haven't proposed a tax credit for that, but we would certainly be happy to discuss that with you.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Pennsylvania, Mr. Boyle, to inquire.

*Mr. Boyle. Well, thank you, Mr. Chairman, and thank you, Secretary Yellen, for being here.

I was very pleased in your prepared statement to read, and then to listen when you said it -- and to paraphrase you -- that, while COVID-19 created a number of problems, there were problems that existed prior to COVID-19. And in many ways, the pandemic shone a spotlight on those pre-existing issues.

*Secretary Yellen. Yes.

*Mr. Boyle. So toward that point, I believe perhaps the single most vital accomplishment of the American Rescue Plan was what we did on the Child Tax Credit. So I am very happy to see the Fiscal Year 2022 budget proposing to make those -- that refundable tax credit, as well as the others, permanent.

Can you please talk about why that is so necessary in this country?

And a reminder that what we just did will cut child poverty by one half, by 50 percent in the United States of America.

*Secretary Yellen. Well, you just gave the most important statistic showing why it is important. Child poverty is incredibly high in the United States, and this is a targeted approach that has the potential to really address it. As you mentioned, the support that was provided for the child credit in the American Rescue Plan is estimated to cut child poverty by 50 percent. And, of course, President Biden wants to see that extended.

So that is a core part of his proposal —

*Mr. Boyle. Yes.

*Secretary Yellen. It will be --

*Mr. Boyle. Well, thank you, Madam Secretary --

*Secretary Yellen. -- better opportunity.

*Mr. Boyle. I am sorry, I didn't mean to cut you off there, but just in the minute I have remaining, let me now perhaps do something politically very stupid, and defend the IRS. While I know the tax collector has not been popular at any point in human history, it is, obviously, a very necessary and important public service that dedicated public servants at the IRS perform.

I was quite struck when Commissioner Rettig gave such a high figure in recent testimony, I think over in the Senate side, about the amount of tax that goes uncollected. Could you offer your thoughts?

I know this is a very hard number to pin, but if you were to offer a number of just how much tax is legally owed but is not being collected, not because of legal avoidance, but because of other underpayment issues.

*Secretary Yellen. The estimate that I tend to use is \$7 trillion over the next decade as an estimate of the tax gap. The commissioner has cited numbers and possible estimates that are even higher than that.

*Mr. Boyle. Thank you.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Georgia, Dr. Ferguson, to inquire.

*Mr. Ferguson. Thank you, Mr. Chairman.

Madam Secretary, glad to have you with us today. A couple of quick questions.

Could you share a list with us today of the businesses that will be in scope under the Pillar 1 foundation?

And can you talk about whether or not you think more than half of the companies that will be listed there will be American companies?

And how many Chinese companies do you anticipate being on the list?

*Secretary Yellen. So, I mean, what is being discussed at the OECD are companies with sales -- I believe the cutoff is 20 billion euro, a little more than \$20 billion, and they would be U.S. companies, Chinese companies, and other companies --

*Mr. Ferguson. Right, well, I understand that.

*Secretary Yellen. And --

*Mr. Ferguson. But surely, on a proposal this large, you would have some idea of the number of American companies and the number of Chinese companies that would be there. So if you would just simply commit to giving us those numbers, so that we can look at the data, as well, these are major decisions, and we need to be able to make informed decisions on that. And so far, we haven't seen what is behind the curtain there. And I don't think it is right for the Administration to do that, without Congress having full -- you know, a full view of the numbers and the data.

The second question I have for you, the Fed has raised their forecast on inflation for 2020 (sic). It is going up. You have talked about this being transitory, kind of an interesting term here. But it doesn't feel transitory to families that are paying higher prices for groceries, and for gas, housing. Housing affordability is becoming a real question for way too many American families.

Can you give us a clear date or timeframe of when this transitory inflation will end?

*Secretary Yellen. I certainly can't give you a clear date. We are watching this very carefully. We have had several months in which inflation has been high. We have an economy that came close to shutting down, had massive shifts in demand --

*Mr. Ferguson. Yes, we got all that, but --

*Secretary Yellen. -- services --

*Mr. Ferguson. But Madam Secretary, reclaiming my time here, right. But, you know, if it is transitory, then that that gives an indication that you have clarity on the timeline, but you don't.

One final question here in my limited amount of time. You know, we are talking about the OECD, and how it disproportionately affects American companies. Why in the world would we be thinking -- I am going to put this in simple terms -- why would we be taking taxpayer dollars and money generated here in the U.S., and transferring it to Europe, to fund their social programs?

That doesn't make sense. Shouldn't we be looking at increasing revenues for Americans, not other countries?

*Secretary Yellen. Well --

*Chairman Neal. The gentleman's time has expired. I will let the Treasury Secretary -- if you would like to, give a brief answer, Madam Secretary.

*Secretary Yellen. Well, I think that the global economy has changed substantially in ways -- source of income and residency of corporations is not clearly the proper basis for all tax collection decisions.

*Chairman Neal. Thank you. Let me recognize the gentleman from Virginia, Mr. Beyer, to inquire.

*Mr. Beyer. Thank you, Mr. Chairman and, Madam Secretary, thank you so much for coming to be with us.

You know, my Republican friends keep making this specious, empty argument that, because someone, somewhere illegally was able to leak taxpayer info on a handful of the richest billionaires, we should give all American businesses an exemption, a pass on paying their fair share of the cost of our democracy.

Freedom is not free. I have been a businessman for more than 45 years. Is there any reason that my family business should have lower reporting requirements than you or I or any of the coworkers as individual taxpayers?

And what reporting changes would be most helpful in improving IRS enforcement and tax compliance?

*Secretary Yellen. Well, I think the IRS needs some insight into streams of income that are currently opaque, if there is not reporting on a W-2 or a 1099.

And according to our analysis, if financial institutions were required to report, directly to the IRS, just two additional pieces of information, in addition to the interest earned on an account, if they produced information on the aggregate annual inflows into that account, and the aggregate annual outflows, that would be significant addition. It would, you know, not require very much reporting at all about an individual's transactions, but it would be a significant help in identifying where there is possibly income that hasn't been appropriately reported.

*Mr. Beyer. Yes, which might also help, by the way, with illegal money laundering, as an aside.

But, you know, the President has proposed that multinational corporations be required to calculate their GILTI tax liability on a country-by-country basis, so they can't blend their foreign earnings from low-income and high-income -- low tax in high-tax jurisdictions. Some of the companies we talk to say that this is going to be way too complex, and that profits in one country could be offset by losses in another. How do you respond to their concerns?

*Secretary Yellen. Well, I think it is a very important provision to change, to go to a country-by-country calculation, because allowing U.S. companies to blend the -- blend their income from different countries perversely creates a kind of America-last problem, that

companies are incented to go to both low-tax jurisdictions and high-tax ones, since they can blend these two streams.

And I would say that companies are already compiling the information that would be necessary to do this on a country-by-country basis, so I believe it is entirely feasible and practical.

*Mr. Beyer. Thank you very much.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Pennsylvania, Mr. Evans, to inquire.

*Mr. Evans. Thank you, Mr. Chairman.

Madam Secretary, we must ensure that our tax code addresses community needs, as Representative Kildee has talked about. My Rehabilitation of Historical Schools Act would allow rehabilitation expenditures for qualified school education facilities qualify -- tax credit.

I would like to ask you this question. I appreciate that the President's budget includes investment in public school infrastructure. And what are your thoughts on allowing our nation's public schools to address historical tax credits under the Rehabilitation School Act (sic)?

*Secretary Yellen. Well, certainly, that is something we would be happy to discuss with you and work with you on. This is an important issue.

As you noted, the President's budget does contain money for rehab of schools. But we would be happy to discuss further steps.

*Mr. Evans. I thank you, Mr. Chairman, and I yield back the balance of my time.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Kansas, Mr. Estes, to inquire.

*Mr. Estes. Well, thank you, Mr. Chairman, and thank you, Madam Secretary, for your time today. Just in the interest of time, I will say a couple of quick things, and then dive right into a couple of questions.

You know, we had, as you have mentioned before, we had a great economy before COVID started to shut things down. And there were a lot of things going right. I really want to make sure that we emphasize, in terms of remembering, that we had growing wages, we had growing wages across the scale, particularly low- and middle-income folks. We had increased wages for minorities, and high school graduates, and non-high school graduates. And that is a big positive that we need to get back to in the country, and continue that process, which was actually closing that wage income gap that is so important in the country. You made a comment in reference to that, about how important that is.

Let me dive right into a couple of questions, in the interest of time. We -- you know, I really have some concerns about this IRS leak. And I know there were some comments earlier about reference to paying taxes, and how much we should pay. And obviously, we have taxes because we need to fund the critical roles of government. But this is an issue that -- it really does put the entire credibility of a major department in your area of responsibility at risk, and the entire credibility there.

And I want to ask you -- one question around that is, I mean, will you seek criminal charges for anyone who released this information, whether they are IRS, or Treasury employees, or whether they are just somebody who took information from the IRS, and released it out into the public?

*Secretary Yellen. I believe this is a criminal violation. And, of course, we would support whatever law enforcement finds appropriate to do.

As I mentioned previously, we immediately referred this to independent parties, to our Treasury inspector general, to the DoJ to look into this. And this isn't -- this is something that is illegal. And, yes, wherever it occurred, it is appropriate to pursue actions.

*Mr. Estes. Thank you, Madam Secretary. Just real quickly, I am going to try to squeeze in another question, and change the topic, going to the Global Minimum Tax proposal that is out there. I have some major concerns that we are going to critically damage U.S. competitiveness and job opportunities for Americans by taking tax money that should be collected by the Federal Government, and allowing it to be taken in other countries.

And particularly, as we are going through this process, and negotiations are already at the point where there is exemptions and carve-outs that is being requested -- we already know, you know, UK is bringing up demands for carve-outs; France will shortly, with luxury goods; China is, as well -- you know, how are we going to -- why would we want to put in a policy that takes money away from the United States, and still helps other countries?

*Secretary Yellen. Well, the GILTI isn't really going to take money away from the United States. It is -- we are going to raise the tax that we apply to foreign income, and we would like to see foreign countries do exactly the same thing.

*Mr. Estes. Thank you, Madam Secretary --

*Chairman Neal. I thank the gentleman.

*Mr. Estes. I will yield back.

*Chairman Neal. Let me -- we now are -- as advertised, if members adhere to the questions that we have talked about, in terms of the three-minute limit, we would satisfy the Secretary's time, and everybody will have a chance to inquire.

The gentleman from Illinois, Mr. Schneider, is recognized.

*Mr. Schneider. Thank you, Mr. Chairman.

And Secretary Yellen, thank you so much for joining us today. I will try to be brief.

I want to first commend the Biden Administration and you, in particular, for shepherding the American Rescue package, the fruit of which can be felt in every corner of our country, and across the United States economy. We can now truly see the light at the end of the long tunnel, and there is near universal belief that coming financial quarters are going to be some of America's best ever. But we know that the economic recovery from the pandemic risks leaving many behind, including businesses that have permanently closed their doors, or many women who have left the workforce for good.

Secretary Yellen, two questions, I will combine them. For the small business owners who have had to close their doors for good, what can -- what work can this committee do to help get them back in business? What tax policies and Federal resources do you think might help them get reopened?

And then secondly, for the women who have left the workforce completely, what can we do to help bring them back, and give them the opportunities to continue their careers, or start their businesses, et cetera?

*Secretary Yellen. Well, for the small businesses, we tried to get PPP aid, emergency loans, EIDL out to those businesses. We continue to have policies to provide small business loans. We have a new small business credit initiative that may be helpful.

Really, most important is getting the economy back on its feet, so that the demand is there, so that we have addressed the pandemic so the service sector can open up again, and all the restaurants and other small businesses that have been so badly affected see people coming into their stores and restaurants again, so that they can run profitable businesses. And I think we are seeing success there. But we have lost businesses and, you know, need to be able to help people reopen them, or start new ones.

And for women in the workforce, similarly, we have tried to direct a good deal of relief to people who are unemployed, or have had to drop out of the labor force: the child credit, the economic impact payments, paid leave. And the President's proposals are designed to help us build back better, so that some of those policies stay in effect and can aid women participate in the workforce in greater numbers, going forward.

*Mr. Schneider. Great, thank you. And in my last couple of seconds I just want to appreciate the climate focus of the President's plan. And I have introduced legislation, Sustainable Skies on sustainable aviation fuel, and I look forward to working with you on that, as well.

I yield back.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from New York, Mr. Suozzi, to inquire.

*Mr. Suozzi. Thank you, Mr. Chairman.

And thank you, Madam Secretary. You and your team have made an effective and persuasive argument that we need a Global Minimum Tax. As you have said, there is a race to the bottom. Logically, businesses and people are fleeing higher-tax countries like the U.S. for lower-tax countries. And when people flee the U.S. for lower-tax countries, we have less tax revenues available for infrastructure, education, health care, and to fight climate change.

So it is my understanding that one of your goals is to try and mitigate some of the international pressure from tax competition. Is that pretty much correct?

*Secretary Yellen. That is absolutely correct. We want to make sure that other countries don't keep lowering their taxes to try to attract our businesses and make it more difficult for them to compete —

*Mr. Suozzi. Thank you, Madam Secretary.

I would argue that we have a problem that needs to be addressed, which is a domestic tax competition, as well. In your testimony earlier today you talked about the need to try and mitigate some of the harms of the SALT cap. And the SALT cap is hurting my state and many other high-tax states in the United States. States -- the top 10 SALT-affected states make up a third of the population of the United States, over 115 million people. People are leaving New York, where I am from, for example.

And New York, New Jersey, Massachusetts, California, Connecticut, Illinois, we have higher taxes. You know why? Because we have lower rates of uninsured children. We have higher union involvement. We pay our teachers more. We pay our workers more. We are competing against states like Texas, and Florida, and Arizona, North Carolina, South Carolina, where they have the highest rates of uninsured people, where they have low rates of union workers because they are right-to-work states. We have a mass transit system in our state and other states that are high-tech states that have the lowest carbon footprint, whereas in lower-tax states they don't have mass transit. They don't even have sewers, in some cases, and have red tide, and they don't regulate their utilities. And when it gets really cold out, their utilities shut down, because they are not regulated.

So we need your help to help mitigate the harms, as you said in your testimony earlier today, mitigate the harms caused by the SALT cap. So I know we are not going to negotiate that today, Madam Secretary, I just want to argue that there is a logical consistency between your efforts and something I support strongly to stop this international tax competition, to try and mitigate the harms created by that, by having a Global Minimum Tax. We can't have a global domestic tax, that would be against the Constitution, but we can address this global competition

from high-tax states to low-tax states, where they have lower services in the low-tax states, and higher services in the high-tax states. We can mitigate that by reinstating the SALT deduction.

Thank you so much, and I --

*Chairman Neal. I thank the gentleman.

*Mr. Suozzi. -- yield back my time.

*Chairman Neal. Let me recognize the gentleman from Pennsylvania, Mr. Smucker, to inquire.

*Mr. Smucker. Thank you, Mr. Chairman.

Thank you, Secretary, for your time here today. As a new member of the committee, it is a pleasure to meet you. I look forward to working with your team in the years to come.

I must say, when I heard your comments about the Tax Cuts and Jobs Act and the economic impact, I felt like we may live on different planets. I can tell you, in my district, constituents appreciated the impact, felt the impact of the wage increases for middle-income households, and they appreciated that Republicans put money back in their pockets, in the pockets of hardworking Americans.

And by the way, nonpartisan budget scores, even liberal think tanks, found that that is true: every income group received a tax cut. The left-leaning Tax Policy Center showed that middle-income families received, on average, a tax cut of \$780, as a result of the TCJA.

And last week the Tax Policy Center -- and, Mr. Chairman, I would like to enter this into the record, if I may -- they say that the Biden plan would result in 75 percent of middle-income families facing a tax hike in 2022, averaging \$300 per family. They went on to say that, by 2031, 95 percent of those middle-income families will have higher taxes, \$500 on average.

Secretary Yellen, can we agree that the Biden plan to let taxes increase on middle-income families is the last thing that Americans need?

*Secretary Yellen. The President pledged not to have tax increases on any family making less than \$400,000, and he has been assiduous in living up to that pledge. So I wouldn't agree that there are tax increases proposed here on middle-income families.

The proposed tax increases --

*Mr. Smucker. As I said, I will enter this into the record. I want to ask one additional question.

The ProPublica release -- which I find appalling, but I will let that go, that has been talked about -- but they refer to something as a "true tax rate," which would either tax or measure

unrealized capital gain or wealth against actual reported income. So it, essentially, would be a wealth tax.

This, by the way, has been introduced in the Senate. Senator Warren has introduced a wealth tax.

Secretary Yellen, do you agree with Senator Warren's wealth tax?

*Secretary Yellen. We haven't supported a wealth tax. We have proposed a different approach. But our approach would result in higher taxation on capital gains for high-income individuals, and would end up -- would end step-up of basis, which is kind of a way of escaping capital gains taxation at all by holding until death.

*Chairman Neal. I thank the gentleman for his inquiry. Let me recognize the gentleman from California, Mr. Panetta, to inquire.

*Mr. Panetta. Thank you, Mr. Chairman, and thank you, Secretary Yellen, for being here.

I do believe that our country is real lucky to have someone as experienced and accomplished as a policymaker as you -- nice article in The Washington Post today -- but to have you at the helm of the Treasury at this important time, but also have your hand on the wheel at this important time for the future of this country. So thank you for that.

Look, I think you will agree that our response to this pandemic, especially by the Federal Government, has been remarkable. I do believe that, because of our efforts, especially the American Rescue Plan, our economy may avoid permanent scarring, and consumers are sure as heck ready to spend again.

That is why I believe that, as we recover from this pandemic, we should not hesitate to make long-overdue investments in our infrastructure, in our environment, and in our families. But, as you will agree, we have got to do it carefully, and we have got to monitor the economic conditions, and ensure that the indicators of inflation are transitory. Now interest rates are low, and government borrowing is cheap. But I think you will agree it ain't going to last forever.

Now, the Federal Reserve expects, as according to a couple of reports that came out yesterday, that inflation will be about 3.4 percent this year, a full point higher than it was in March, and higher than the Federal Reserve's target. However, the Fed chose to keep interest rates at zero, with Federal Chair Powell noting, one, that this may be due to a large and rapid shift in demand; and two, that the Fed has the tools to deal with the more persistent inflation.

Now, the Chair Powell also noted that some price increases, such as lumber and used cars, are due to temporary shocks, and maybe looking at the prices of lumber yesterday. He may be right. Secretary, how -- looking at inflation this year, how much can we attribute that to short-term demand surges and transitory conditions, one; and two, how is the Administration

thinking about inflation, as it relates to the economic recovery and our infrastructure investments?

*Secretary Yellen. So, you know, we have looked very carefully at price movements and recent inflation, trying to understand what is driving them. And I agree with the general comments that Chair Powell made yesterday about transitory factors. You know, reopening an economy that was largely shut, and has seen huge shifts in demand away from services towards goods, now back to services, and is suffering from a number of bottlenecks, a shortage of semiconductors that is affecting the car industry, lumber shortages, and the like, this is a bumpy reopening.

You know, we are hearing about worker shortages. A lot of people have permanently lost jobs, and it is going to take a while for them to settle into a new permanent thing. So I believe there is going to be a bumpy process of reopening, but we are well on track. But we are watching inflationary pressures very carefully.

When it comes to addressing it, we are looking at what we can do to ease supply bottlenecks carefully. And the proposals in the President's budget -- okay, the American Rescue Plan was a surge of spending this year and, to some extent, next. But the other spending is on a much smaller scale over a long period of time. And I don't believe that that is a program that is going to add to inflationary pressures in the economy.

*Mr. Panetta. Thank you --

*Chairman Neal. I thank the gentleman. Let me recognize the gentlelady from Florida, Ms. Murphy, to inquire.

*Mrs. Murphy. Thank you, Mr. Chairman.

And good afternoon, Secretary Yellen. I helped lead the bipartisan effort to establish an Employee Retention Tax Credit, basically to try to help businesses retain or rehire workers, rather than to lay them off during the economic crisis that ran in parallel with our -- the pandemic. And we basically established the ERTC in CARES, and then expanded and extended it in the end-of-year COVID package. And then, most recently, we extended it through the end of 2021 in the American Rescue Plan Act.

And I am proud to say that JCT estimates that the ERTC could help businesses retain or rehire 13 million workers. It is not a program that has attracted a ton of attention, but it has been a hugely important initiative to help employers who want to help their employees. And so I have been really focused on implementation.

And I did send you a letter asking for an update on the Treasury's efforts to inform employers about the ERTC. We had made that requirement for Treasury and SBA, as part of the legislation.

And then secondly, we provided Treasury with a memo laying out all of the different challenges that we have been hearing from employers that they have been facing when they try to claim the ERTC. Your staff responded, and I think later today we are going to be receiving a briefing.

But can you just provide a broad update on Treasury's efforts to implement the ERTC?

Do you find that employers, especially smaller firms, are aware of the credit?

And do you think the IRS is able to process these claims efficiently?

*Secretary Yellen. So it -- I -- first of all, I agree the ERTC is a very important and useful tax credit, and it is critical that employers know about it.

I know that one thing the IRS has been doing is working with those who provide tax services, firms like Intuit, to make sure that, when they work with small businesses or larger businesses, when they are filing tax returns, that they are a source of information to these businesses about the availability of this credit. And I gather from conversations I have had with executives of those firms that there is good awareness of the availability of this credit. But I believe IRS -- and, you know, people will brief you this afternoon -- is doing what they can to get out information about the availability of this important credit.

*Mrs. Murphy. Thank you, and I yield back.

*Chairman Neal. I thank the gentlelady. Let me recognize the gentleman from Oklahoma, Mr. Hern, to inquire.

*Mr. Hern. Thank you, Mr. Chairman.

My time here today is short, so I will be brief with some yes-or-no questions, Madam Secretary.

I have been a job creator for the past 35 years, living on the receiving end of big-government policies. I have spoken to, literally, hundreds of business owners over the last months. They and I disagree with your assertion that the extra \$300 weekly unemployment benefits haven't contributed to the worker shortage in America.

Madam Secretary, just yes or no, because I know you have answered these questions, but I just want to get a clarity on this, do you think we should extend the \$300-per-week benefit beyond September 6?

*Secretary Yellen. Well, you know, it is -- expires in September. I have no plans to extend it.

*Mr. Hern. That is great news for all the job creators out there. We will look forward to seeing that occur or not.

Speaking of jobs, since the passage of the 2017 historic tax reform, zero companies have moved overseas, some 4,000 prior to that. I am going to say that again: there have been zero inversions since passage of the Tax Cuts and Jobs Act. Tax provisions like GILTI and FDII put America first and bring American IP jobs home.

Madam Secretary, do you support U.S. multinationals bringing IP and jobs back to America, yes or no?

*Secretary Yellen. Yes. Yes, I do.

*Mr. Hern. Okay, so do you believe FDII brought IP back to America, yes or no?

*Secretary Yellen. I -- the -- what did, the FDII?

*Mr. Hern. Yes. Do you think the tax implications of that -- being able to take a piece of paper and move it anywhere in the world -- do you think that what we did with FDII in the 2017 Tax Cuts and Jobs Act, do you think that encouraged American businesses to repatriate those IP properties?

*Secretary Yellen. I mean, that is a complicated question. I just -- I can't answer with a yes or no.

*Mr. Hern. Well, can you give us a 30-second answer, so I can wrap up after that?

*Secretary Yellen. Well, we are proposing to change that, to make it into a more effective tax credit, or a support for R&D.

*Mr. Hern. Madam Secretary, aren't you going after the very thing that other countries have to reach out and bring manufacturing to their countries, their tax sovereignty, their rights to do what they need to do to bring the jobs to their country, by trying to justify them raising taxes so that we can raise ours higher on the multinationals that we have based here?

*Secretary Yellen. Well, capital is globally mobile, and labor far less so, and the consequence of that is that it becomes globally hard to tax capital. Countries compete with one another for business by lowering their tax rates, and we propose --

*Mr. Hern. So, Madam Secretary --

*Secretary Yellen. -- to end something that --

*Mr. Hern. -- in my remaining --

*Secretary Yellen. -- hurts all countries --

*Mr. Hern. With my remaining three seconds, would -- wouldn't you say also, Madam Secretary, that we have had no inversions? So that must have been a real incentive for American jobs to stay in America.

And Mr. Chairman, I yield back.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from California, Mr. Gomez, to inquire.

*Mr. Gomez. Thank you, Mr. Chairman.

First, let me -- I represent the 34th congressional district, downtown LA, the east side of Los Angeles, and you can call it a tale of two cities, a tale of two districts, one that is very well-off, like Hancock Park, and one that is working class and poor, like Boyle Heights and El Sereno, who felt the pandemic very, very differently. One struggled, you know, once succeeded and did extremely well.

And I am -- want to learn the lessons from this past pandemic, because I don't want us to be in that same situation, where the working class are just decimated when it comes to their jobs, it comes to staying in their homes, when it comes to a lot of different things that they suffered, that other people didn't. And you can say it is a microcosm of the United States.

I am really glad to see that the President's budget is making substantial investments in the workers and families who power our economy. But I sent a letter just recently to the President and to your office in support of automatic cash payments and enhanced unemployment insurance tied to economic conditions. And that is because, when these crisis hit, we need to make sure that it responds quickly, the Federal Government, that there is no delays.

So I know that you are looking at the unemployment insurance portion, but I want to ask specifically, you did note once before that the \$1,400 stimulus checks in the American Rescue Plan were critical, critical to mitigating economic pain for many individuals, including people in my district. Do you think it is a good idea, or an idea that has merit, for direct cash payments to be tied to economic conditions?

*Secretary Yellen. Well, it is something I think we should analyze and discuss more. I am broadly supportive of the idea of making it more automatic, that relief we want to provide goes out based on movements in the economy quickly, like, you know, the unemployment rate, when it rises. That tends to stabilize the economy. And often it takes a long time for Congress to act.

Exactly -- certainly for unemployment insurance, I -- it is something I am supportive of. With respect to stimulus checks, there are different ways and different causes of weakness in the economy. And sometimes stimulus checks are the -- a really good approach, sometimes less good. I think we need to look into the economics and consequences of that a little bit more, but we would be --

*Mr. Gomez. Yes.

*Secretary Yellen. -- happy to work with you on it.

*Mr. Gomez. And I look forward to it. And I know that my time is up, and I yield back to the chairman, but thank you so much for answering that question.

*Chairman Neal. I thank the gentleman. Let me recognize the gentleman from Nevada, Mr. Horsford, to inquire.

*Mr. Horsford. Thank you very much, Mr. Chairman.

Secretary Yellen, thank you.

According to the Southern Nevada Home Builders Association, Nevada has a shortage of roughly 79,620 affordable housing units available to extremely low-income renters.

And while Nevada is experiencing a looming housing affordability crisis, we also struggle with access to healthy food options. Addressing food insecurity has been a longstanding priority for me and our community. In fact, Las Vegas was recently selected to participate in the Local Foods, Local Places program with the Federal Government to develop an urban agriculture park and co-op in the historic West Side, which is located in my district.

Secretary Yellen, the Green Book includes a proposal to create a novel pool of Low-Income Housing Tax Credits, which are allocated to states based upon a formula determined by the Secretary. Can you briefly explain how you plan to carry out this proposal? Because it sounds like a program that my home state of Nevada would greatly benefit from.

*Secretary Yellen. Sure. I think a portion of the housing tax credits we have proposed to allocate to opportunity zones, or neighborhoods that indicate that they have the potential to really have the conditions in place to help kids succeed, and a demonstrated ability to improve on their fortunes. And often it is very difficult to find affordable housing in these neighborhoods. And so this new program would target some of the housing tax credits on these particular neighborhoods.

It is something that would be largely invisible to those who use Low-Income Housing Tax Credits, but we think would help to target them in a way that would be particularly beneficial for people living in poverty areas.

*Mr. Horsford. Thank you. I look forward to working with your Department.

On the issue of tax credits for expanding healthy food options and food deserts, are there any programs within Treasury seeking to address this issue?

And if not, will you commit to working with my office on this important issue?

*Secretary Yellen. Sure, it is a very important issue. I am not aware of any program specifically focusing on that, but we would be glad to work with you on that.

*Mr. Horsford. Thank you, Madam Secretary, and I want to commend you, your entire team at Treasury. It has been a pleasure to work with Secretary -- Deputy Secretary Adeyemo on

the racial equity and inclusion work. Thank you for your commitment to that, and so many other important issues.

And I yield back.

*Chairman Neal. I thank the gentleman.

*Secretary Yellen. Thank you.

*Chairman Neal. The gentlelady from West Virginia, Mrs. Miller, is recognized to inquire.

*Mrs. Miller. Thank you, Chairman Neal and Ranking Member Brady, and thank you, Madam Secretary, for being here today.

As many of my colleagues have raised during today's hearing, we are gravely concerned with many of the promises made over the course of President Biden's campaign, the policy proposed in the fiscal year 2022 budget, and the ability of the Department of Treasury to complete its duties effectively. With our limited time here today, I would like to quickly get to my questions.

Secretary Yellen, in April Democrats introduced a discussion draft titled, "Building an Economy for Families Act." This proposal would create a new paid family and medical leave entitlement program run by the Treasury Department. Given the massive amounts of unemployment insurance fraud that already exists, I am not convinced of the Department's ability to operate a program of this magnitude, and was hoping that you could help me understand why this is the right approach.

I know you have limited time, so if you could keep your responses short, I would appreciate it. Does the Treasury have field offices that handle claims, and people to appeal to, and interact face-to-face with American citizens?

*Secretary Yellen. To the best of my knowledge, we don't have such offices. We have set up a new office of recovery programs in order to make sure we have the strength, the programs, the oversight to be able to carry out many of the programs that have been assigned to us under the American Recovery Act.

*Mrs. Miller. Okay --

*Secretary Yellen. And we recognize the importance of that.

*Mrs. Miller. Does the Treasury have call centers to handle constituent appeals and benefit determinations, yes or no?

*Secretary Yellen. Well, not for that program, which doesn't yet exist. But we do have call centers for other things --

*Mrs. Miller. Good.

*Secretary Yellen. -- implement.

*Mrs. Miller. Does the Treasury have access to wage and income data that would be required to determine an individual's earnings and benefits?

*Secretary Yellen. I can't answer, you know, those detailed questions.

*Mrs. Miller. Okay. Are there any other comparable programs that the Treasury runs that you can point me to?

*Secretary Yellen. We are running many, many programs that were authorized by the CARES Act, and later Acts, and the American Rescue Plan, and I think doing so capably and efficiently.

*Mrs. Miller. Okay, thank you. What kinds of functional and operational expertise does the Treasury have to implement a benefits program like this?

*Secretary Yellen. You know, we have agencies that are -- I think you have seen us efficiently, including Fiscal Services and the IRS getting economic impact payments out to millions and millions of Americans quickly and efficiently.

And we have IRS's -- we are working with the IRS to implement monthly payments of the Child Tax Credit that will go out in just a month from now, on July 15th. And --

*Mrs. Miller. I am sorry, I know your time and mine is both up, but I look forward to working with you. Thank you.

*Chairman Neal. I thank the gentlelady.

I want to thank Secretary Yellen for joining us today. As always, informative.

Please be advised that members have two weeks to submit written questions to be answered later in writing.

Those questions and your answers will be made part of the formal hearing record.

*Chairman Neal. And with that, the Ways and Means Committee stands adjourned.

[Whereupon, at 12:40 p.m., the committee was adjourned.]

Questions for the Record

A.Smith QFR

Arrington QFR

Blumenauer QFR

Brady QFR

Ferguson QFR

Hern QFR

LaHood QFR

Larson QFR

Nunes QFR

Schweikert QFR

Walorski QFR

Wenstrup QFR

Waiting on Yellen Responses

Submissions for the record

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