

# NEW DEMOCRAT COALITION TAX FRAMEWORK



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*New Dem Economic Growth and Cost of Living Working Group &  
New Dem Tax Task Force*

## I. Introduction

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The New Democrat Coalition supports growth-oriented, fiscally responsible tax reform that will improve the lives of all hard-working Americans and their families. Smart tax policies will not just help individuals and families make ends meet, they will empower them to get ahead. New Dem tax policy ideas – rooted in fairness, inclusion, and economic opportunity – follow our [Vision for the Path Forward](#) for the Democratic party. We believe common-sense tax reform can drive economic growth, create good, well-paying jobs, expand American innovation, and help address national priorities such as lowering child care costs, making quality health care more affordable, and tackling our national housing shortage.

Unfortunately, the Republicans have different goals in mind. Their fiscally irresponsible and morally bankrupt tax plan represents the largest rollback on health care and anti-hunger programs in American history and will add \$3-5 trillion to our national debt to pay for tax cuts for billionaires.

New Dems offer an alternative path. Our New Dem Tax Framework is based on three fundamental principles focused on working families, small businesses, and long-term economic strength. It advances a clear vision: tax policy should not just raise revenue to fund our national priorities, it can shape a growing and fairer economy for all.

## II. New Dem Principles for Tax Reform

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1. Our nation's tax policies should **lower costs and make life better for middle class families and hardworking Americans**:
  - Relief should be targeted to reduce costs Americans face every day, from child care to housing to health care, to help families achieve their economic dreams.
  - Give a hand up to working families and individuals hoping to climb the economic ladder, not a handout to those already at the top.
  - Hard work and innovation should be rewarded, not stifled.
2. Good tax policy should **expand economic opportunity & grow American jobs and businesses**:
  - Lift up small businesses and new entrepreneurs in more places.
  - Drive innovation, entrepreneurship, and job creation so that our nation's innovators and entrepreneurs can continue to succeed and compete globally.
  - Encourage investment in growing industries, like technology and manufacturing, and jobs throughout the U.S.

3. Smart tax policies can **promote fiscal responsibility and long-term economic security**:
  - A stable fiscal foundation is essential to sustained economic growth and national security.
  - Tax policy should be fiscally responsible, evidence-based, and transparent about the true costs of tax reform, while lowering our deficits and slowing the growth of our debt.

### III. Goals

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1. **Lower Costs for Working Families**, as measured by:
  - a. Reduced household tax burden
  - b. Higher after-tax, disposable income
  - c. Increased savings, including retirement accounts
2. **Sustained Economic Growth**, as measured by:
  - a. Rising real GDP growth
  - b. Accelerating new business formation
  - c. Expanding construction of new housing stock and lower housing costs relative to income
3. **Fiscal Responsibility**, as measured by:
  - a. Lower annual deficits
  - b. Stabilized and then declining debt-to-GDP ratio

### IV. Policies

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1. **Lower Costs and Make Life Better for Middle Class Families and Hardworking Americans.**
  - a. **Support American Families and Children**
    - i. Extend the expanded, refundable Child Tax Credit (CTC) to reduce child poverty and provide meaningful support to working families.
    - ii. Update and modernize the Child and Dependent Care Tax Credit (CDCTC) and the Dependent Care Assistance Program (DCAP) to help parents afford high-quality child care.
    - iii. Strengthen and broaden the Low-Income Housing Tax Credit (LIHTC) to encourage investment and expand the availability of affordable housing for residents across the country.
    - iv. Extend the enhanced Affordable Care Act (ACA) premium subsidies to lower out-of-pocket health care costs and ensure continued access to affordable coverage for millions of working-class Americans.
    - v. Protect the cost-saving energy tax credits in the Inflation Reduction Act (IRA) that promote America's clean energy dominance, strengthen energy production and generation, and lower energy costs for Americans.
  - b. **Reward Work and Support Economic Mobility**
    - i. Strengthen the Earned Income Tax Credit (EITC) to ensure it continues to reward work, reduce poverty, and boost take-home pay for low- and moderate-income workers.
    - ii. Simplify and expand access to work-related tax benefits, including commuting and caregiving expenses, to reflect the modern workforce and support labor force participation.

**c. Make Higher Education and Training More Affordable**

- i. Reform higher education tax incentives to better support students pursuing both traditional degrees and non-degree credentials.
- ii. Update the tax code to recognize modern training and credentialing programs to support lifelong learning and upskilling that help workers get high-quality jobs and thrive in a changing economy.
- iii. Expand and simplify tax deductions and exclusions related to student loan repayment and employer contributions to provide tax relief for student loan borrowers.

**2. Expand Economic Opportunity & Grow American Jobs and Businesses.**

**a. Strengthen Innovation and Investment**

- i. Support tax incentives for domestic research and development (R&D), manufacturing, and intellectual property (IP) creation and retention.
- ii. Restore full and immediate expensing for R&D costs. The TCJA provision to amortize R&D costs over 5 years hurts U.S. innovation, particularly for startups and small businesses, and must be repealed.
- iii. Provide American manufacturers and businesses certainty around capital investment planning by fixing harmful changes to the business interest deduction and preserving full and immediate expensing of equipment and machinery purchases.

**b. Support Small Business and Entrepreneurs**

- i. Modernize and simplify small business tax provisions to reduce compliance burdens and help startups and small businesses scale and compete. Growth and opportunity require robust new business formation all across the country.
- ii. Increase access to capital by expanding targeted tax incentives for investment in small businesses, particularly those investing in underserved or long-neglected communities and emerging industries.
- iii. Create robust tax credits for paid family and medical leave that allow more entrepreneurs and employees of small businesses to gain access to this critical benefit.

**c. Promote Long-Term, Broad-Based Growth**

- i. Create incentives to invest domestically and boost the competitiveness of the U.S. manufacturing sector, rather than raising tariffs that are increasing the cost of operating in the U.S.
- ii. Ensure international tax rules encourage U.S. investment and onshoring, keep IP in the U.S., and American companies are globally competitive, while maintaining a fair and stable system that prevents a race to the bottom. Taxation of multinational corporations should not encourage offshoring, profit-shifting, or inversions.

**3. Promote Fiscal Responsibility and Long-Term Economic Security.**

- a. Reject irresponsible tax policies that primarily benefit the wealthiest individuals at the expense of working families and future generations. Tax reform should promote economic growth without exacerbating the long-term fiscal situation or cutting essential programs like Medicaid and SNAP.
- b. Higher deficits directly impact the cost of living for American workers and families. Higher debt contributes to increased near-term inflation and can result in higher interest rates in the long term, making it more expensive to buy a home or a car or to start a business.

- c. High deficits and debt also threaten the ability of the federal government to invest in our priorities in the future – the more the U.S. spends on interest on the debt, the less it can spend on children, on SNAP, on Medicaid, on Medicare, and on defense.
- d. Tax reform should prioritize policy that promotes investment, increases revenues, and ensures long term economic growth by reducing deficits.

## **V. Next Steps**

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Building on this framework, New Dems will translate these policy ideas into legislation that reflects our commitment to economic growth, fairness, and fiscal responsibility. We will develop a strategic plan to advance key elements of this legislation in the 119th Congress, leveraging opportunities for bipartisan consensus while laying the groundwork for broader reform. At the same time, we know that comprehensive tax reform will require a governing majority. New Dems are focused on winning back the majority in 2026 so we are in a stronger position to pass comprehensive, pro-growth tax reform that delivers for working families and strengthens America's long-term competitiveness.