AMERICANS FOR TaxFairness

To: Editors and columnists
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U.S. HOUSE TAX PLAN VOTE THIS WEDNESDAY, NOV. 15

36 Million Middle-Class Taxpayers Face a Tax Hike

The U.S. House of Representatives is likely to vote this Wednesday, Nov. 15, on a tax plan that would:

- **Shower nearly half of the tax cuts on the richest 1% of taxpayers.** They would get 47% of the tax cuts when the tax plan is fully implemented in 10 years—a tax cut of $62,000 on average, according to the Tax Policy Center (TPC). They benefit so much because of the deep cuts in corporate and business tax rates as well as the repeal of the estate tax and the alternative minimum tax (AMT).
- **Require 36 million low- and middle-income taxpayers to pay more in taxes.** More than one-quarter of middle-income taxpayers would pay an average of $1,300 more in taxes by the tenth year because the tax plan repeals or limits deductions that these taxpayers rely on. And 30% of those making $55,000-$93,000 will see a $1,230 tax increase on average. [TPC and table below]
- **Jeopardize funding for critical public services. The plan would increase the deficit by $1.5 trillion because it fails to close tax loopholes to pay for its tax cuts.** By ballooning the deficit, funding for Social Security, Medicare, Medicaid, education, and other services that America's families rely on will be put at significant risk, according to the Center on Budget and Policy Priorities.

This is not a tax "reform" plan. It is a massive tax cut for the wealthy and corporations that will jeopardize critical investments. **We urge you to write an editorial or column recommending that the members of the U.S. House representing your readers vote "NO" on the tax plan.** Below is more background on the topics highlighted above, as well as additional information.

DISTRIBUTION OF THE TAX CUTS TO THE WEALTHY
Based on the TPC analysis (Tables 1 and 2), the richest 1% (those making at least $733,000 a year) will get:

- 20% of the total tax cuts in 2018 and *47% in 10 years* (2027)
- A tax cut of $37,000 in 2018 and $62,000 in 10 years, on average

People in the middle quintile (making about $49,000 to $86,000 annually) will get a tax cut of $830 on average in 2018, but that figure will *actually go down* to just $360 in 2027—less than a dollar a day.

For analyses of how the House tax plan affects taxpayers in your state go to this Institute on Taxation and Economic Policy report. Americans for Tax Fairness has prepared state and, in some areas, congressional district analyses combining data from ITEP and other sources that summarizes: tax cuts for the 1% and tax increases for the middle class; the importance to taxpayers of state and local tax deductions (SALT); and the number of estates taxed each year.

The richest 1% receive most of the benefits due to the plan's deep corporate and business tax cuts and the repeal of the estate tax and AMT, as explained below.

- **The plan cuts the corporate tax rate from 35% to 20%**, costing $1.5 trillion in lost revenue over 10 years, according to the Joint Committee on Taxation (JCT). This is the same amount the tax plan will add to the deficit. Fully 70% of corporate tax cuts go to wealthier Americans, according to the TPC. U.S. corporations do not need a massive tax cut—they are not suffering from supposedly uncompetitive tax rates. Corporate profits are at near record highs, while corporate tax revenues are at record lows. Profitable corporations already pay just a 14% U.S. tax rate, according to the non-partisan Government Accountability Office, due to all of the generous tax loopholes. Internationally, U.S. corporations face a worldwide *effective* tax rate—what companies actually pay—very much in line with our major competitors, per a report from the U.S. Treasury.

- **The plan cuts the top rate on pass-through businesses from 39.6% to 25%, losing $596 billion.** Pass-throughs are sole proprietorships, partnerships, LLC's and S Corporations, which pay taxes at the individual tax rate of the owners, not the corporate rate. While the plan is misleadingly sold as a "small business tax cut," the reality is that nearly 90% of businesses already pay a tax rate of 25% or lower, according to TPC. So the only real beneficiaries of the cut would be wealthy business owners like President Trump, who, as the sole or principal owner of 500 pass-through entities that comprise the Trump Organization, would benefit handsomely.

- **The plan repeals the Alternative Minimum Tax (AMT), losing $696 billion.** The AMT prevents the wealthy from using excessive deductions and other breaks to sharply reduce or even eliminate their tax bill. It prevented Trump from cutting his taxes by $31 million in 2005, the one year for which any portion of his federal tax returns has been made public. His tax rate would have been less than 4% if the AMT had not been in place. The AMT is paid almost exclusively by taxpayers making over $200,000 a year—and nearly half is paid by those making over half a million dollars a year.

- **The plan repeals the estate tax, losing $151 billion.** The plan weakens and then, in six years, completely repeals the estate tax, allowing Trump's kids and other rich heirs to inherit huge fortunes tax-free. The estate tax is paid only by estates worth $5.5 million or more. Just 2 out of every 1,000 estates owes any tax—or only 5,500 estates in all of 2017. By curbing the accumulation of dynastic wealth, the estate tax helps narrow the nation's wide and destabilizing economic inequality.

- **The plan is not really about competitiveness and workers but will give multinational corporations with profits stashed offshore a $500 billion tax cut.** The plan is touted as being good for American jobs, but it creates an international tax system where the tax rate U.S. corporations pay on their offshore profits will be, at best, half the U.S. tax rate. This will create enormous incentives to shift jobs offshore and serve to be a U.S. jobs killer. Also, big American corporations hold $2.6 trillion in profits offshore on which they owe about $750 billion in U.S. taxes. The House plan would slash the tax rate on these profits from 35% to 14% (for cash assets) and 7% (for non-cash assets). This would raise $293 billion, giving corporations a $460 billion tax break. Corporations with profits offshore should pay what they owe, just like working families and small businesses do.

President Trump and his family would personally benefit from many of these tax cuts. For more details, see this story in *The Washington Post*.

MIDDLE-CLASS TAX INCREASES

A total of 36 million low- and middle-income taxpayers will get a tax increase from the House plan, once it is fully implemented in 2027, per TPC data in the table below.

- Overall, 24.2% of taxpayers would face a tax increase in 2027 average $2,080. (Table below).
- One-quarter (24%) making $28,000-$55,000 would pay on average $760 more in taxes in 2027.
- 3 out of 10 (30%) making $55,000-$93,000 would pay on average $1,230 more in taxes in 2027.
- 27% making $93,000-$155,000 would pay on average about $2,100 more in taxes in 2027.

TAX INCREASES IN 2027 UNDER H.R. 1: TAX CUTS AND JOBS ACT					
Income Groups	**# of Taxpayers**	**Pct w Tax Increase**	**# with Tax Increase**	**Avg. Tax Increase**	**Top Income Level in Quintile**
Lowest Quintile	50,190,000	13.0%	7,026,600	$320	$28,100
Second Quintile	42,290,000	24.0%	10,149,600	$760	$54,700
Third Quintile	36,880,000	30.0%	11,064,000	$1,230	$93,200
Fourth Quintile	30,280,000	27.3%	8,266,440	$2,090	$154,900
Fifth Quintile	25,810,000	35.5%	9,162,550	$5,830	Above $154,900
All	**186,640,000**	**24.2%**	**45,166,880**	**$2,080**	
Bottom 80%	**159,640,000**	**22.6%**	**36,004,740**	**$1,130**	
Middle 60%	**109,450,000**	**26.9%**	**29,480,040**	**$1,309**	

Source: Tax Policy Center, Table T-17-0256, Nov. 13, 2017

http://www.taxpolicycenter.org/model-estimates/house-tax-cuts-and-jobs-act-passed-ways-and-means-committee-nov-2017/t17-0256-major

The tax increases are due, in part, to the elimination of two tax breaks important to many middle- class families: the personal exemption, which is worth $4,050 per family member; and the deductibility of state and local income and sales taxes (SALT), plus a new $10,000 limit on the deductibility of property taxes. The SALT deduction is used by over a third of taxpayers making $50,000 to $75,000 and by over half of taxpayers making $75,000 to $100,000, according to the Government Finance Officers Association (Figure 4). If SALT is repealed, federal taxes would jump by $825 and $1,800, respectively, for an average family in the two income groups above (Figure 6). **State and congressional district data is available in Figure 7 and the Appendix.**

Many other deductions that benefit the middle class are also eliminated and are detailed here, such as the medical expense deduction, assistance to pay for college, and the $250 deduction for teachers' out-of-pocket expenses.

EFFECT ON CRITICAL SERVICES AMERICANS RELY ON

The threat these large tax cuts pose to the basic living standards of America's families is not abstract. The budget approved by both the House and Senate in late October proposes $5.8 trillion in cuts to federal spending, including nearly $500 billion from Medicare and $1.3 trillion from Medicaid and other healthcare programs. Another $650 billion may be cut from income security programs, such as the Supplemental Nutrition Assistance Program (SNAP, or food stamps), Supplemental Security Income (SSI) for disabled individuals, and tax credits for working families, according to the Center on Budget and Policy Priorities.

The budget cuts proposed by Congress and the tax cuts in the House plan offer stark tradeoffs:

- A **$1.3 trillion cut to Medicaid** and other healthcare programs vs. a **$1.5 trillion corporate tax-rate cut**.
- An **$800 billion cut to housing**, infrastructure, education, medical research, and other non-defense "discretionary" spending vs. a **$600 billion tax cut for wealthy owners of "pass-through" businesses,** including real estate developers like President Trump.
- A **$473 billion cut to Medicare** vs. a **$700 billion tax cut for wealthier Americans** (including President Trump) from eliminating the Alternative Minimum Tax.
- A **$200 billion cut to education**, job training, and social services vs. the **estate tax repeal costing $151 billion**.
  Go here for sources on the spending cuts.

REPUBLICANS ARE RUSHING THE PROCESS TO WIN ONE FOR THEIR DONORS

House leaders introduced their bill about 10 days ago, failed to hold a single hearing on its far-reaching effects, and then rushed it through the Ways and Means Committee last week on a straight party-line vote. They are rushing in the hopes of passing their plan before the American people have a chance to find out what's in it—they know the measure is already unpopular with voters. Even business groups that would be expected to back the plan have balked at the breakneck speed of the legislative process, according to *The Washington Post*.

Recent statements by top Republicans indicate what's at stake and why the process is being rushed: their donors will abandon them if they don't get big tax cuts.

> "The financial contributions will stop" if Republicans fail to pass tax reform. *-- Sen. Lindsey Graham (R-S.C.).*
>
> "(Donors) would be mortified if we didn't live up to what we've committed to on tax reform." *--Steven Law, former chief of staff to Senate Majority Leader Mitch McConnell (R-KY) and director of the Senate Leadership Fund, a super PAC affiliated with McConnell.*
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> "My donors are basically saying, 'Get it done or don't ever call me again."*-- Rep. Chris Collins (R-N.Y.).*
>
> "The most excited group out there are big CEOs, about our tax plan." *--Gary Cohn, White House economic adviser and former chief operating officer at Goldman Sachs.*

Meanwhile conservative groups, many of them financed by the Koch Brothers, are vastly outspending opponents of the tax plan on the airwaves. This *Wall Street Journal article* estimates at least $25 million has been spent by supporters and $5 million by opponents. We can report that the progressive groups under the Americans for Tax Fairness coalition umbrella have spent far less than $1 million.

FALSE CLAIMS THAT THE TAX CUTS WILL PAY FOR THEMSELVES

Advocates of the Trump-GOP tax plan claim it will generate significant economic growth and create many jobs. Some even say the plan will "pay for itself" through greater public revenue. The president claims the corporate tax cuts will give workers a $4,000 wage hike, as outlined in a report from his Council of Economic Advisers. Each of these claims has been thoroughly debunked.

- FactCheck.org and a broad range of economists have widely discredited the White House claim that workers would get a $4,000 raise from a cut in the corporate tax rate. They've criticized the methodology of the study and pointed to the large body of economic research that says the wealthy get the lion's share of corporate tax cuts.
- Corporate profits are already near record highs; corporate taxes are at record lows. Many corporations pay little to nothing in taxes due to tax loopholes, while sitting atop mountains of cash. Profits are mostly used to pad the pockets of top executives and wealthy shareholders through dividends and stock buybacks. If corporations are not investing the profits they have now in their businesses and employees, there's no reason to believe they will use money from tax cuts to expand operations, hire workers or raise wages.
- Rather than spur growth, these tax cuts for the rich and corporations could hurt the economy and cost jobs by causing big cuts to education, healthcare, infrastructure construction and other critical public investments. Tax cuts for the rich and corporations create few jobs compared with investing in education, healthcare and infrastructure. According to Bruce Bartlett, a top adviser to President Ronald Reagan who helped craft Reagan's 1981 tax cuts, "There's no evidence that a tax cut now would spur growth."
- Huge tax cuts for the rich and corporations do not pay for themselves through miraculous economic growth. History shows that they just increase the deficit and force cuts to services while the rich get richer.

The GOP tax plan being voted on in the House this week is bad for working families, Main Street businesses and communities across America. **The wealthy and corporations should not get one penny in tax cuts.** Instead, they need to start paying their fair share, so we can protect Social Security, healthcare, and public education from future cuts, as well as finance the investments needed to rebuild our infrastructure, improve education, expand health care, and research new medical cures. Such investments will create many more jobs than giving tax breaks to the well-off, and they will make working families much more productive and secure.