



MEDIA BACKGROUNDER

To: Reporters, Editors and Columnists
From: Frank Clemente, Executive Director
Date: Sept. 19, 2018

VOTE ON \$3 TRILLION IN NEW TAX CUTS PLANNED IN U.S. HOUSE NEXT WEEK

*ATF State Reports Detail How Measure Favors Wealthy, Increases Debt and
Jeopardizes Critical Services*

WASHINGTON, D.C. – House Speaker Paul Ryan is expected to [bring legislation to the House floor next week](#) that would provide a second round of tax cuts which, like the first round last year, heavily favors the wealthy and businesses, will add \$3 trillion to the national debt and lead to Republicans calling for deeper cuts in services such as Medicare, Medicaid, Social Security and education.

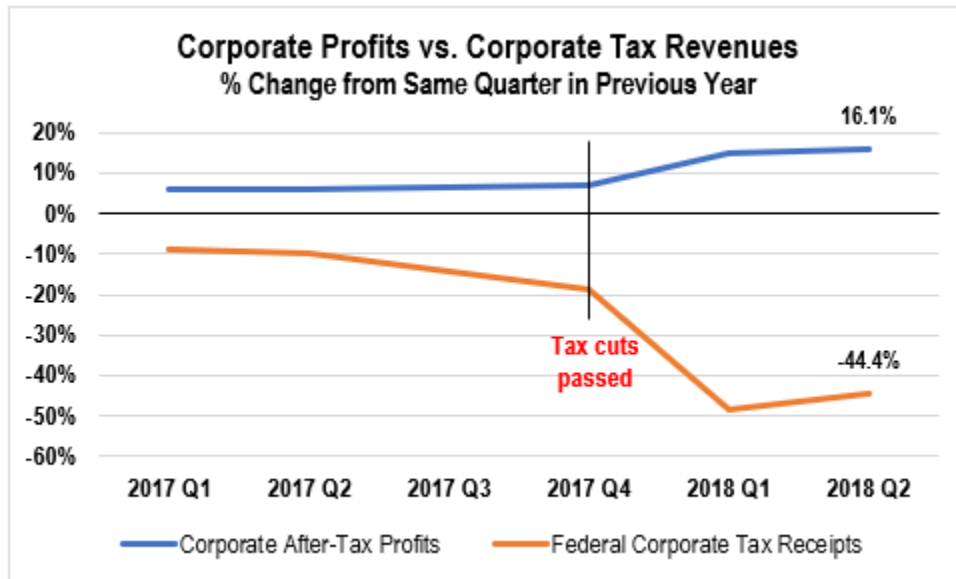
The legislation under consideration would permanently extend the 2017 tax law's provisions affecting individuals and pass-through businesses – sole proprietorships, partnerships and S corporations – that are slated to expire after 2025. (These are summarized at the end of this memo.)

We urge you to consider the documented facts below regarding the effects of the tax cuts and write an article or opinion column informing your viewers or readers of the overwhelming evidence and findings that the tax cuts will, like the first round, largely benefit the wealthy and corporations, balloon the deficit, and lead to GOP demands for steep reductions in spending on health care and many other services.

Americans for Tax Fairness has prepared [state reports available here](#) showing how much the richest 1% will benefit from the new tax cuts and the kinds of services that could instead be provided with that revenue.

- **The new tax bill will [cost at least \\$3 trillion over 10 years](#)—2026 to 2035**, according to the [Tax Policy Center](#). (The cost is \$630 billion over the first three years.) This is 50% *more* than the [\\$1.9 trillion cost over 10 years](#) of the first Trump-GOP tax cuts enacted last December, according to the Congressional Budget Office.
- **The new tax bill provides a [tax cut of over \\$40,000](#) on average for the richest 1%** (those with incomes above \$836,000), according to the Tax Policy Center. The bottom 40% (those with incomes below \$55,000) would get an average tax cut of just \$285—less than \$1 a day.

- **The richest one-fifth would get [65% of the tax cuts](#)**, the middle fifth would get 10%, and the poorest fifth would get 2%, according to the Institute on Taxation and Economic Policy.
- **The new tax bill will increase the deficit even more than the first Trump-GOP tax cuts, giving Republicans additional excuses to demand even deeper cuts in Medicare, Medicaid, education and more to pay for tax breaks that mostly favor the wealthy and businesses.** Six months after their first round of tax cuts were signed into law, the [House Republican budget proposed slashing \\$5 trillion](#), including from:
 - Medicare (\$537 billion)
 - Medicaid and the Affordable Care Act (\$1.5 trillion)
 - Food for families (\$157 billion from SNAP)
 - Veterans benefits (\$59 billion)
 - Transportation and infrastructure (\$317 billion)
- **The first round of Trump-GOP tax cuts has not lived up to its promises or proven successful in improving or strengthening the economy for the middle-class.**
 - Working families are still waiting for their \$4,000 raise that [President Trump promised](#) corporations would give employees due to their steep tax cuts. Under the Trump-GOP tax law, the corporate tax rate was slashed from 35% to 21%, and the effective [tax rate on offshore profits is half of that](#). This gives corporations even more incentives to shift jobs and production offshore than they had before.
 - Just [4.4% of America's 155 million workers](#) have received a one-time bonus or pay raise from the tax cuts, according to a comprehensive database maintained by Americans for Tax Fairness.
 - Last year's tax cuts have not improved wages. Real (inflation adjusted) [wages have been flat](#) for all employees from August 2017 to August 2018.
 - Corporations are mostly using their tax cuts for stock buybacks, which are [expected to reach \\$1 trillion this year alone](#) and [largely benefit wealthy shareholders](#) and CEOs. Since the tax law passed, corporations have announced [102 times more in stock buybacks](#) than they are giving in worker bonuses or raises connected to the tax cuts—\$717 billion in buybacks vs. \$7 billion in wage hikes. The full list of announced stock buybacks so far can be found [HERE](#).
 - Republicans claimed their December 2018 tax cuts would increase government revenues due to increased economic activity. That hasn't happened. Corporate tax receipts have plummeted by 44%, from [\\$288 billion at the end of June last year](#) to \$160 billion in June this year. Meanwhile, year-over-year profits were up 16% in June, climbing from [\\$1.7 trillion a quarter](#) in June last year to \$2 trillion this year. (See chart)



Source: [Corporate profits](#) and [corporate taxes](#) from Bureau of Economic Analysis, retrieved from FRED, as of August 20, 2018

KEY FEATURES OF THE NEW TAX BILL

The second round of tax cuts would make permanent individual provisions of the Trump-GOP tax law that expire in 2025:

- Cuts in personal income tax rates
- Increases in the standard deductions, and the elimination of the personal exemption
- 20% deduction for pass-through business income, which [mostly benefits the richest 1%](#); owners of pass-through businesses pay taxes as individuals not as corporations
- Doubling the value of estates and gifts exempted from tax (from \$11 to \$22 million a couple)
- Increasing the amount of income exempt from the Alternative Minimum Tax; the AMT ensures that wealthier taxpayers pay more in taxes than they would due to loopholes
- Expansions of the child tax credit
- \$10,000 cap on the State and Local Tax (SALT) deduction and limitation to the mortgage interest deduction, which are tax increases

WHAT OTHERS ARE SAYING

The Washington Post (Editorial): [The House GOP stages a political show on taxes](#), 9/15/2018

The Washington Post: [New Estimate: GOP's second tax cuts would add \\$3.8 trillion to deficit](#) 9/13/2018

Forbes: [Extending The TCJA Would Cut Revenue By \\$3.8 Trillion Through 2038, Mostly Benefit The Well-Off](#), 9/12/2018

Center on Budget and Policy Priorities: [New House Republican Tax Proposal Fails Fiscal Responsibility Test, While Favoring the Wealthiest](#), 9/11/2018

Committee for a Responsible Federal Budget, [Further Tax Cuts are the Height of Fiscal Irresponsibility](#), 9/11/2018

Institute on Taxation and Economic Policy: [Latest GOP Tax Package Is Also Skewed to the Rich](#), 9/10/2018

Tax Policy Center: [Analysis of the Protecting Family and Small Business Tax Cuts Act of 2018](#), 9/12/2018

Center for American Progress: [Congress Should Not Give a Second Helping of Tax Cuts to the Rich](#), 6/14/2018

Vox: [The GOP tax cuts aren't popular, so Republicans want to do more of them](#), 9/11/2018

Contact:

Dennis Bailey

Director of Communications

[Americans for Tax Fairness](#)

dbailey@americansfortaxfairness.com

202-733-3444