



## MEDIA BRIEFING MEMO

To: Reporters, Editors and Columnists

From: Frank Clemente, Executive Director, Americans for Tax Fairness

Date: December 13, 2018

### ANALYSIS: THE TRUMP-GOP TAX CUTS ONE YEAR LATER

The Trump-GOP tax cut law, formally known as the Tax Cuts and Jobs Act (TCJA), passed Congress Dec. 20, 2017, and was signed into law by President Trump two days later. As we approach the law's first anniversary, [Americans for Tax Fairness](#) recaps the major elements of the plan and analyzes its effects so far on our government, economy and society.

#### Key Features and Effects of the TCJA

- **The law's main focus was on cutting corporate taxes.** It reduced the corporate tax rate on domestic profits by 40%—from 35% to 21%. It also cut individual taxes, mostly helping the well-off.
- **The law was sold as a boon to the middle-class, but it primarily benefits the wealthy.** That's because it's the rich who own most corporate stock and therefore benefit most from the corporate tax cuts. The richest 1% are expected to [get over a fifth \(21%\) of the tax cuts](#) this year. By 2027 when the law is fully implemented, 83% of the tax cuts will go to the top 1%. [Tax Policy Center]
- **The law mostly fails in its promise to end profit shifting by corporations to offshore tax havens.** Multinational corporations shift about \$300 billion out of the United States each year, according to the Congressional Budget Office (CBO). The new tax law will only reduce that by [\\$65 billion](#) [p. 127]. In other words, 80% of the existing profit shifting will continue under the new law. And it gave U.S. corporations with accumulated offshore earnings [a tax cut of over \\$400 billion](#) on those profits. [Institute on Taxation and Economic Policy]
- **Worse, the new law actually encourages offshoring of American jobs.** It effectively taxes foreign profits of American firms at [half the rate on domestic earnings](#), giving corporations added incentive to outsource jobs and production. Under another provision of the law, the more factories corporations build in foreign countries, the less U.S. tax they pay on their foreign profits. [NYT]
- **The law's supposed "small business" tax cut overwhelmingly goes to wealthy owners of big firms.** Most owners of pass-through businesses—sole proprietorships, partnerships and S corporations—are now generally allowed to exclude 20% of their business income from taxation. [Over three-fifths of the value of this tax break](#) will go to the richest 1% by 2024, in part because business income is so concentrated: the richest 1% of business owners [receive over half of all pass-through-business income](#). [Center on Budget and Policy Priorities, (CBPP)]
- **The law weakens the estate tax, thereby widening the wealth gap.** The estate tax is the only curb on the accumulation of dynastic wealth. Before the TCJA, only the richest one in 500 families paid the tax; by doubling the exemption amount, that number will fall to [fewer than one in a thousand](#). [CBPP]

### **Contrary to GOP Promises, the Tax Law Has Ballooned Federal Debt**

- When it became law, the TCJA's cost was estimated at [\\$1.5 trillion](#) [Joint Committee on Taxation (JCT)]. But the full cost of the law—including increased interest from the debt it will incur—was later estimated at [\\$1.9 trillion](#) by the Congressional Budget Office. [The Hill]
- Proponents of the TCJA, most notably [Treasury Secretary Steve Mnuchin](#), claimed the tax cuts would pay for themselves through greater economic activity generating higher tax revenue from lower rates. But instead the deficit is increasing considerably due to the tax cuts:
  - The corporate tax cuts in particular show no sign of paying for themselves: [corporate tax revenue dropped by about a third](#), or almost \$100 billion, from fiscal year 2017—before the TCJA—to FY 2018, according to the Treasury Department. [NYT] (Because the first quarter of FY 2018 occurred under the old rate structure, the revenue loss from corporate tax cuts is probably understated.)
  - That big drop in corporate tax revenue explains the lion's share of the [\\$113 billion increase in the federal deficit](#) between FY 2017, when it was \$666 billion, and FY 2018, when it rose to \$779 billion. [NYT]
- Republican leaders have announced that they plan to tackle the increasing deficit not by reversing their tax cuts for the wealthy and corporations but by cutting public services for working families, especially [Social Security, Medicare and Medicaid](#). [Washington Post]

### **Soaring Corporate Profits Spurred by Tax Cuts Spent on Shareholders, Not Workers**

- As corporate tax revenue was declining, [corporate profits were increasing](#), rising to almost \$2.1 trillion. That's a 19% increase between the 3<sup>rd</sup> quarters of 2017 and 2018, the [biggest percentage rise in six years](#). [Federal Reserve Bank of St. Louis]
- President Trump promised that corporations would use their tax cuts to give the typical American household a [\\$4,000 pay raise](#) [Washington Post], lead corporations to "[shower their workers with bonuses](#)" [The Hill], produce "[massive investments](#)" [CBS News] and stop corporations from outsourcing jobs and shifting profits offshore.
- But after one year under the new law, corporations are mostly using their actual and anticipated tax cuts and their rising profits to buy back their own stock, which principally further enriches wealthy shareholders and top corporate executives.
  - U.S. corporations have announced [\\$853 billion in share repurchases](#) in 2018, according to ATF's comprehensive database of how corporations are spending their tax cuts.
  - That's over 120 times more than the [\\$7.1 billion corporations have given their workers](#) in bonuses or pay hikes tied to the tax law. [ATF]

### **Worker Wages Are Getting No Boost from the Tax Cuts**

- Contrary to the president's promises of universal pay hikes flowing from the corporate tax cuts, [only 4.4% of American workers](#) have received a bonus or raise ascribed to the TCJA [ATF].
- Between November 2017 and November 2018, [average real hourly wages for all workers rose just 0.8%](#), while average *weekly* wages actually fell, because employees were working fewer hours. [Bureau of Labor Statistics]
- Unemployment is low, but that appears to be a continuation of an [over eight-year trend](#) begun early in the Obama administration rather than as a result of the tax cuts. [About 600,000 more jobs were created](#) in the last 22 months of the Obama years (during which the economy gained 4.8 million jobs) than during the first 22 months of the Trump era (4.2 million). [Forbes, based on BLS data]

### **Special Interests Are the GOP Tax Law's Big Winners**

- The nation's banks collectively will save over \$26 billion in taxes this year, helping them earn record profits, according to a [Senate Finance Committee](#) report.
- The ten biggest U.S. drug companies could [save \\$75 billion in taxes](#) on the profits that they have spent years stashing offshore to avoid taxes. Only two of these drug companies have announced they will share any of the tax cuts with workers. No drug company has said it will cut sky-high drug prices to help patients. [ATF report]
- The Koch brothers and their conglomerate, Koch Industries, are estimated to get a tax cut of between [\\$840 million and \\$1.4 billion each year](#). [ATF in The American Prospect]

### **Polls Show the American People Understand the GOP Tax Law Is Not For Them**

- The public has rejected the GOP tax plan since it was introduced. [More Americans continue to disapprove](#) than approve of the law. [Real Clear Politics]
- A September 2018 poll for the [Republican National Committee](#) found that by a 2-to-1 margin—61% to 30%—respondents said the law benefits “large corporations and rich Americans” over “middle class families.” [Bloomberg]
- An October 2018 Gallup poll found that 64% of Americans said they had [not received the boost to their paychecks](#) from the tax cuts promised by President Trump.
- Exit polls released a day after the midterm elections found less than one-third (28%) of Americans said the tax cuts benefitted them, while [45% said they had had no effect](#). [ABC News]

### **Selected Articles**

*Bloomberg:* [Trump's Tax Promise of Trillions Back to U.S. Fails to Materialize](#), Dec. 6, 2018

*Business Insider:* [Trump's tax cuts have so far failed to deliver on one key promise](#), Aug. 2, 2018

*The Washington Post:* [The Republican tax cut is a big fat failure](#), Opinion by Catherine Rampell, Oct. 22, 2018

*Fortune:* [Trump's Tax Cuts Haven't Spiked Job Growth](#), Opinion by Chuck Jones, Dec. 8, 2018

*The New York Times:* [Why Was Trump's Tax Cut a Fizzle?](#), Opinion by Paul Krugman, Nov. 15, 2018

The Guardian, [Experts voice concern that corporate windfall from tax cuts benefits the wealthy](#), Sept. 1, 2018