MEDIA BRIEFING MEMO

To: Editors and Columnists
From: Frank Clemente, Executive Director, Americans for Tax Fairness
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WE CAN AFF0RD TO RESTORE U.S. INFRASTRUCTURE IF WEALTHY & CORPORATIONS PAY THEIR FAIR SHARE OF TAXES

Progressive Tax Reform is Key to Infrastructure Week's Message of #BuildforTomorrow

WASHINGTON, D.C. – As lawmakers in Washington gear up for up for the annual Infrastructure Week starting May 13, they face a tough challenge: How to pay for a multi-trillion dollar rebuilding and expansion of our nation's infrastructure? There's bipartisan agreement on the need to repair and rebuild our roads, bridges, transit systems, electrical grid and more—as well as a growing demand in many quarters to confront global climate change through a big investment in renewable energy. But where to find the money?

At least there's a preliminary consensus on how much money is needed: last week President Trump and Democratic leaders in Congress agreed in principle to spend $2 trillion restoring America's infrastructure. While Senate Democrats are on the record that funding for such investments should come from closing tax loopholes and ending special tax breaks that mostly benefit the wealthy and corporations, President Trump has not yet identified funding sources.

Even worse, his GOP colleagues in Congress, while paying lip service to the need for infrastructure investment, balk at doing anything because they refuse to acknowledge the obvious source of funding: demanding more tax revenue from the most fortunate among us.

If President Trump and Congressional Republicans are serious about restoring our crumbling infrastructure, it's time for them to specify how they would pay for it. Democrats have requested the president offer his funding plan by their next meeting, scheduled for May 21.

We urge you to write an opinion piece encouraging President Trump to join in the Democrats' reasonable approach of paying to bring our infrastructure into the 21st Century by demanding the wealthy and corporations pay their fair share of taxes. (He certainly should not require working families to pick up the tab, by cutting public services they rely on or by raising their taxes.) As you will see from the information below, there is no realistic way to rebuild our infrastructure without following this roadmap.

<u>The Need for a $2 Trillion Infrastructure Plan</u>

The state of the nation's infrastructure—bridges, schools, aviation, water systems, and more—is so bad it receives a nearly failing grade of D+ from the American Society of Civil Engineers (ASCE). Some parts of the system—including roads, dams, levees, transit, aviation, and drinking water—score even lower. Moreover, we need a massive investment in solar and wind power, energy efficiency and other clean energy solutions to slash the use of fossil fuels and halt the disastrous effects of climate change.

In 2014, drivers spent nearly seven billion hours stuck in traffic on congested roads, costing $160 billion in wasted fuel and lost time. An estimated 240,000 water mains break every year, spilling out two trillion gallons of precious water. Over a third of the nation's transit tracks and stations are not in a "state of good repair." Nearly one in six dams has been identified as having "high-hazard" potential.

In addition to the threat it poses to safety and health, crumbling infrastructure takes an economic toll. The ASCE estimates that if we take no action to address the problem, the nation's neglected transportation, electrical, water and other systems will cost every American household $3,400 a year between now and 2025, with the annual cost jumping above $5,000 in the immediate years after that.

The ASCE estimates that to get our infrastructure up to acceptable levels and maintain global competitiveness an extra $2 trillion is needed over the next 10 years, on top of what is already being spent.

<u>Traditional Funding Sources Aren't Nearly Enough</u>

The kind of investment most associated in the public mind with infrastructure spending—road and transit maintenance and repair—is funded at the national level by the federal motor fuels tax. But there are several reasons we can't rely on that funding source for the kind of plan agreed to by President Trump and Congressional Democrats.

1. The Highway Trust Fund (HTF) only funds maintenance and repair of highways and mass transit. Per the ASCE, at least another $1 trillion is needed for non-highway infrastructure projects—ports and airports, waterways, schools and more, not to mention high-speed broadband in underserved communities.
2. The HTF will be depleted by the end of 2020 and will need an additional $176 billion over the next 10 years just to meet current spending levels, which are already insufficient to address the growing need.
3. The gas tax, which has been 18.4-cents a gallon since 1993, is a diminishing resource. Better mileage cars and electric vehicles have been shrinking HTF gas tax revenues for the last 20 years.
4. Increasing the motor fuel tax by 35 cents a gallon—effectively tripling it—would raise just $515 billion over 10 years, according to the Congressional Budget Office (CBO).

What's more, gas taxes are regressive, in that they take a higher share of income from poorer drivers than they do from richer ones. It's very hard to justify raising taxes disproportionately on working families and the middle class a mere 17 months after Trump and the GOP rammed the Tax Cuts and Jobs Act (TCJA) through Congress, which cost $2 trillion and disproportionately favored the wealthy and corporations.

Public/Private Partnerships Can't Solve the Problem

President Trump has in the past proposed funding infrastructure investments by combining public appropriations with private money—creating so-called "public-private partnerships," or P3s. But such partnerships are insufficient to address most of our infrastructure needs. Only 12% of infrastructure projects offer a return that would attract private investment, and the tolls and fees necessary to attract private investment would tax working families to provide long-term guaranteed profits for big corporations and Wall Street.

GOP Can't Find $2 Trillion for Infrastructure After Spending that Much on Tax Cuts

Congressional Republicans display a striking double standard when they claim we can't afford to invest $2 trillion in infrastructure that would help every American after voting to spend just about that much on tax cuts that were unpaid for and mostly benefit the wealthy and corporations. Following are conflicting statements by GOP leaders in Congress that argue budgetary constraints prohibit infrastructure spending but somehow not tax cuts:

> *"That's a non-starter,"* said Senate President Mitch McConnell when asked if he would support repealing parts of the 2017 tax cut law to pay for infrastructure. In 2017, McConnell said, *"We fully anticipate this tax proposal in the end to be revenue neutral for the government if not a revenue generator,"* despite reports from CBO then saying it would add nearly $2 trillion to the deficit over 10 years.
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> In fiscal year 2018, the first under the new tax law, the federal deficit grew by 17% from the previous year, to nearly $780 billion. That widened shortfall was thanks in part to an almost one-third—or over $90 billion—drop in corporate tax receipts after the corporate tax rate was cut by 40%.
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> ***"If we're going to do infrastructure, I think we ought to pay for it. I don't think we ought to put it on the debt,"*** said Senate Republican Whip John Thune (S.D.), the No. 2 Senate GOP leader, earlier this month. In November 2016, Thune said the Republican tax plan ***"ought to be revenue-neutral, budget-neutral, deficit-neutral,"*** but ultimately voted in favor of it, despite predictions—since borne out—that it would balloon the national debt.
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> House Republican leader Kevin McCarthy recently asked of the proposed infrastructure plan: *"How do you pay for it? That's the biggest question — that's the hardest part."* There's no record of him asking that same big question about the GOP tax plan, even though it was forecast to cost the same $2 trillion.

House Republican Whip Steve Scalise (R-La.) said *"at some point [Democrats are] going to have to show how they would pay for [infrastructure] … with no new taxes."* Scalise voted for the GOP tax bill even though no one could show how it would be paid for.

Senate Democrats Already Have Their Own Infrastructure Plan, And It's Paid For

Early last year, Senate Democrats unveiled their own $1 trillion infrastructure plan, covering a broad range of projects and fully funded by repealing parts of the TCJA that mostly or exclusively benefit the wealthy and big corporations. Among the revenue raisers in that plan:

- $429 billion from restoring the former parameters of the Alternative Minimum Tax (AMT), which prevents wealthy taxpayers from using excessive deductions, adjustments and credits to avoid paying their fair share.
- $359 billion from raising the corporate tax rate from 21% to 25%. This new rate would still be almost a third lower than the 35% rate in effect before the TCJA. Corporations are enjoying record profits and stock prices, and the richest 10% of Americans own 84% of all corporate stock.
- $139 billion from restoring the former top individual tax rate of 39.6% from the current 37%. This tax increase would only apply to the part of an individual taxpayer's income over half a million dollars ($600,000 for couples).
- $83 billion from restoring the pre-TCJA estate tax, which applied only to estates worth more than $5.5 million, affecting only the richest one out of 500 families.

If Trump and the GOP Don't Want to Reverse Their Tax Law, There Are Other Options

A recent report from Americans for Tax Fairness compiles around 40 options for raising trillions of dollars, mostly by closing loopholes and ending special breaks for the wealthy and corporations. Proposals detailed in the report include:

- **Assessing an annual tax on extreme wealth**: Sen. Elizabeth Warren (D-MA) has proposed an "Ultra-Millionaires Tax" of 2% on the portion of a household's net worth exceeding $50 million, and a 3% tax on the portion exceeding $1 billion, which could raise $2.75 trillion.
- **Taxing wealth more like work**: Ending or reducing the tax discount on certain investment income so the tax rate paid by the rich on their income from stocks (currently about 24%) more closely matches the 37% top tax rate paid on wages and salaries. A package of related capital-income reforms that includes ending the investment-income discount could raise up to $2.4 trillion.
- **Placing a surtax on super-high incomes**: A 10% surtax on that part of a couple's income above $2 million could raise up to $800 billion.
- **Making corporations, who arguably benefit most from public infrastructure spending, pay more by increasing their income tax rate beyond the 25% proposed by Senate Democrats.** Every 1 percentage point increase raises about $100 billion, so a 28% rate would raise more than $600 billion and a 35% rate restoration would collect $1.3 trillion.

- **Taxing Wall Street trades**: A tax of just 10 cents on every $100 in trades could raise $777 billion, according to CBO. It would also slow the high-frequency trading of stock market speculators that destabilizes markets for long-term investors.

The Only Way to Get Serious About Infrastructure Is with a Serious Funding Plan

There are many fiscally responsible ways to fund an ambitious $2 trillion infrastructure plan that would create millions of good-paying jobs, spur long-term economic growth, ensure more livable communities, and begin a response to planet-threatening climate change.

The most logical is to repeal those parts of the recently passed GOP tax-cut law that disproportionately benefit the wealthy and corporations. But there are enough loopholes and special breaks for the rich and big business in the tax code that predate the recent law that reforming them could also raise the necessary funds. President Trump can show he's serious about infrastructure investment—and signal to his fellow Republicans in Congress to do the same—by offering a funding mechanism by May 21 that relies on such real tax reform. We urge you to encourage him towards this sensible solution through an opinion piece.