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AMERICANS FOR TAX FAIRNESS URGES CONGRESS TO OPPOSE TAX BREAKS FOR WEALTHY AND CORPORATIONS IN COVID PACKAGE

Costly tax breaks for the wealthy and corporations would only further heighten the economic inequalities already exacerbated by the pandemic

(WASHINGTON, D.C.) Today, Americans For Tax Fairness, a coalition of more than 400 endorsing organizations released a letter to Congress urging them to oppose any tax breaks for the wealthy and corporations as they debate a year-end COVID relief package.

"In the midst of a national health and economic emergency, Congress should be focusing on getting relief to those who need it most, not rewarding corporations and the wealthy," stated Frank Clemente, Executive Director of Americans for Tax Fairness. "Now is the time to deliver for the American people, not the wealthiest few. The wealthy and corporations continue to weather this crisis and in some cases thrived during it, with billionaire wealth skyrocketing almost every week."

Americans for Tax Fairness praised the House-passed Heroes Act that repeals one of the most egregious tax breaks in the CARES Act, the "Millionaires Giveaway" net operating loss (NOL) provision -- a huge tax cut for the wealthiest owners of noncorporate businesses, especially hedge fund investors and real estate developers, that is showering $135 billion in tax cuts mostly to millionaires.

"We would hope that Congress continues to uphold the priorities embraced by the Heroes Act: delivering aid to those who need it most and rejecting the call of high-priced K Street lobbyists to shower their wealthy clients with further tax breaks," ATF stated in the letter.

ATF also demanded Congress dismiss the following items that have been discussed in their entirety:

- **Business Meals Tax Deduction**: Senate Majority Leader McConnell included as part of his most recent relief package a measure based on Sen. Tim Scott's "Supporting America's Restaurant Workers Act" (S. 4319), which will allow businesses to deduct from taxable income the full cost of "business" meals—up from 50% today. The title of Sen. Scott's bill notwithstanding, expanding this tax break would mostly help high-paid executives enjoying three-martini lunches and the fancy restaurants they frequent. Neighborhood eateries and their millions of laid-off workers—those most hurt by the pandemic-induced decline in eating out—will get little or nothing. And even the fashionable bistros probably won't benefit much because what's keeping diners out of restaurants is not the tax treatment of the check but fear of getting sick.

- **Letting Businesses Cut Their Taxes by Deducting Expenses the Public Paid For**: The Problem Solvers' Caucus bipartisan emergency relief package allows businesses whose Paycheck Protection Program (PPP) loans are forgiven to deduct payroll and other expenses the loans paid for. Since forgiven PPP loans are excluded from income for tax purposes, permitting such deductions amounts to businesses double dipping: they receive tax-free income from taxpayers when the loan is forgiven, then deduct expenses that public income paid for to cut their own taxes.
- **Tax Extenders:** Thirty-three temporary tax provisions are set to expire at the end of this year. Their cost is $23 billion over 10 years, per CRS. We oppose any permanent or long-term extension of these expiring tax items in a year-end deal, and believe resources devoted to temporarily extending many of these tax provisions would be better directed towards direct pandemic relief.
- **CFC Look Through Rule**. The CFC Look-Through Rule (section 954(c)(6)) is a tax extender that allows a U.S. multinational to shift profits among its offshore subsidiaries without triggering the tax bill that would normally be due. Certain kinds of income—like interest, rents, dividends, and royalties—can be easily manipulated to disguise its country of origin. Such income is called "Subpart F income" after the section of the tax code designed to prevent its tax-avoidance abuse. The CFC Look-Through Rule allows companies to dodge taxes on Subpart F income by removing their obligation to report the transactions that create it, and its extension should be opposed on this basis. Extending this provision in a year-end deal would also complicate efforts by the incoming Biden administration to curb profit-shifting by multinationals.
- **Expansion of 529 Accounts**. Another item in Majority Leader McConnell's relief package would further expand 529 educational savings accounts beyond what was established by the 2017 GOP-Trump tax law. McConnell proposes to fund for two years Sen. Cruz's "Student Empowerment Act" (S. 157). This measure provides tax credits to those who send their kids to private schools or are homeschooled. This taxpayer subsidy mostly benefits the wealthy who send their kids to private schools while drawing resources away from the public schools that the vast majority of students attend

You can read the full letter to Congress here.