THE 2018 TAX DEBATE

MEDIA BRIEFING BOOK

AMERICANS FOR TaxFairness

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INTRODUCTION: TAXES & THE MIDTERM ELECTIONS

Public opinion polling and data and analysis from numerous sources identified below were used to prepare this Media Briefing Book. What it shows is that the Trump-GOP tax law, officially titled the Tax Cuts and Jobs Act, is not proving to be the political winner Republicans expected it to be when it was passed in December 2017. That's largely because so much of its benefits accrue to the wealthy and big corporations, and the law fails to address fundamental economic problems facing working families, including access to quality and affordable health care. In fact, the tax cuts now significantly threaten funding for Medicare, Medicaid and the Affordable Care Act.

As a result, the polling data and case studies included here show that the tax law is being used against Republican candidates now running for Congress. Many of them have confirmed the polling by largely abandoning advocacy of the tax law in their own campaigns.

For more than 35 years—since the first Reagan tax cuts—Democrats have mostly avoided advocating for progressive tax issues during campaigns, fearful of being labeled "tax-and-spend liberals." But the tables have turned. The continued unpopularity of the tax cut law—and the evidence that shows few of the tax cut benefits have trickled down to the middle class—has given Democrats an advantage on tax issues this time around.

We offer this Media Briefing Book as a resource on tax cut issues for the 2018 midterm election that we hope you will find useful when questioning candidates at forums, campaign events and endorsement interviews. It contains numerous links to polling research, case studies and economic data from a variety of sources, including the nonpartisan Congressional Budget Office, the Tax Policy Center and the Institute on Taxation and Economic Policy. It also includes a look at the House Republican's second round of tax cuts that was passed by the House in late September.

To determine how incumbents voted on the Tax Cuts and Jobs Act, and on the related repeal of the Affordable Care Act, you can find their voting records here:

Tax Cuts and Jobs Act
U.S. House of Representatives, Dec. 20, 2017
U.S. Senate, Dec. 20, 2017

Protecting Family and Small Business Tax Cuts Act of 2018 (Tax Cuts 2.0)
U.S. House of Representatives, Sept. 28, 2018

Affordable Care Act Repeal
U.S. House of Representatives, May 4, 2017
U.S. Senate "skinny repeal," July 28, 2017

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KEY FACTS ABOUT TRUMP-GOP TAX CUT LAW

On Dec. 22, 2017, President Trump signed the Tax Cuts and Jobs Act, a comprehensive overhaul of the federal tax code. The following are key facts about the measure:

COSTS AND FAIRNESS

- 83% of the Trump-GOP tax cuts are going to the richest 1% once the law is fully implemented. [Tax Policy Center (TPC)]

- The richest 1% are getting a $51,000 tax cut this year, on average. Their income is at least $733,000 this year. [TPC, Table 1]

- The ***cost*** of the Trump-GOP tax cuts, which mostly benefit the wealthy and big corporations, is $1.9 trillion—a cost that has been added to the national debt. [The Hill]
  *Note: this amount includes interest on the debt. We recommend using this fact—the total **cost** of the tax cuts—rather than the alternative, which is the **size** of the tax cuts:*

- The ***size*** of the Trump-GOP tax cut, which mostly goes to the wealthy and big corporations, is $1.5 trillion. [Joint Committee on Taxation]
  Note: this does not include interest costs on the debt.

- To reduce this $1.9 trillion debt caused by his tax cuts, **Trump's budget** seeks to slash $1.7 trillion from critical services such as Medicaid, Medicare, Social Security disability benefits, SNAP (food stamps) and more. [Bloomberg]

- To reduce this $1.9 trillion debt caused by his tax cuts, **Trump's budget** seeks to slash $1.3 trillion from Medicare, Medicaid and the Affordable Care Act. [CBPP] As a candidate, Trump promised never to cut Medicare or Medicaid. (Tweet)

- To reduce this $1.9 trillion debt caused by their tax cuts, **House Republicans** propose slashing more than $5 trillion overall, including $2 trillion from Medicare, Medicaid and the Affordable Care Act. [CBPP] Such massive cuts will likely delay Medicare for seniors until the age of 67, cause millions to lose their health care, jack up premiums and other out-of-pocket costs for millions more, make life-saving medicines costlier, and restrict critical services for people with disabilities.

- Trump's so-called "small business" tax cut mainly benefits the wealthy. The richest 1% will get three-fifths of the benefit from the 20% deduction for business income. The bottom two-thirds of business taxpayers will only get 4% of the benefits. [CBPP] Trump's billion-dollar business empire is the kind of pass-through business that really benefits from this new tax break. [NYT] The Trump Organization is made up of over 500 pass-through entities. [NYT]

- The corporate tax rate was slashed by 40%, dropping from 35% to 21%. The tax rate on offshore profits made by multinational corporations like drug and high-tech companies is now effectively about half the domestic rate—or about 10%. [ITEP] Corporations have even more incentives now to shift jobs and production offshore. [NYT] [CBO]

- The tax law did little to curb the massive shifting of profits to offshore tax havens by multinational corporations to avoid taxes. About 80% of the corporate profits that were shifted offshore each year before the tax law are still being shifted offshore—$235 billion out of $300 billion. [CBO in Wall Street Journal]

- Besides the deep cut in tax rates, multinational corporations were handed an additional $400 billion tax cut on their $2.6 trillion in offshore profits accumulated from past years, much of it stashed in tax havens. [ITEP]

THE TAX LAW'S IMPACT ON HEALTH CARE

- The Trump-GOP tax plan guts a requirement for individuals to buy health coverage if they can afford it, with the government subsidizing low-income families. The change saves the government $314 billion—money being used to partially pay for tax cuts mostly benefitting the wealthy. [Joint Committee on Taxation]
- By repealing this critical part of the Affordable Care Act, the tax law will cause:
  - 8 million Americans to lose health care coverage [Brookings Institution—note CBO's 13 million figure has been lowered]
  - ACA insurance premiums to spike by 10%, on average, most years for the next decade. [CBO]
  - Even steeper premium increases for older adults—in effect, an "age tax." The average 64-year-old could face a $1,500 premium hike. [AARP]

WORKERS' WAGES—CORPORATIONS NOT SHARING THE WEALTH

- Trump promised that employers would use their tax cuts to give working families a $4,000 pay raise. [Washington Post] But workers are the losers, while wealthy CEOs and corporate shareholders are the big winners, from Trump's tax law.
- After the first eight months of the Trump-GOP tax cuts (as of August 20), according to an ongoing Americans for Tax Fairness analysis, the most comprehensive data available:
  - Only 4.4% of workers have gotten a pay hike connected to the corporate tax cut—just 7 million out of a total workforce of 155 million. Most of those are getting a one-time bonus, not a permanent wage increase. Corporate tax cuts are not trickling down; very few workers have more money in their pockets.
  - Just 413 businesses out of the nation's nearly 6 million employers are providing their workers with one-time bonuses and/or wage hikes due to the tax cuts.
  - CEOs and rich shareholders have gotten all the corporate tax cuts. Since the tax cuts passed, corporations have announced stock buybacks of $750 billion—106 times more than the $7 billion corporations have promised workers in pay hikes. Stock buybacks overwhelmingly benefit the wealthy because they own the vast majority of stock.

NO EVIDENCE TRUMP-GOP TAX CUTS ARE IMPROVING THE ECONOMY
Click here to see charts and sources that illustrate the key facts below.

Eight months since the tax cuts were passed in December 2017, here's what the data showed at the end of August.

- **Corporate profits up, corporate tax revenues down (Figure 1):** In the second quarter of 2018 (six months after the tax cuts passed in December 2017), corporate after-tax profits were 16% higher than a year earlier in the second quarter of 2017. They rose from $1.7 trillion to $2 trillion. Meanwhile, annualized federal corporate tax revenues plummeted, decreasing 44% from the second quarter of 2017, dropping from $289 billion to $160 billion.

- **Real wage growth has stagnated after the tax cuts (Figure 2):** Real (inflation-adjusted) wages *decreased* by 0.2% between August 2017 and August 2018.

- **Job creation under Trump is below Obama record (Figure 3):** In the 19 months since President Trump took office (through August), 3.6 million jobs have been created, well under the 4 million jobs created in President Obama's last 19 months.

- **Unemployment rates were already low, don't seem impacted by tax cuts (Figure 4):** Unemployment has been on a steady downward trend since the end of the Great Recession, dropping from 9.8% in January 2010 to 4.8% when Obama left office. Under Trump it has continued the gradual decline to 3.9% at the end of August. There's no evidence of a sharp drop in unemployment attributable to the tax cuts.

- **Gross domestic product (GDP) growth since tax cuts has been mixed (Figure 5):** There was strong economic growth, as measured by real GDP, of 4.2% in the 2nd quarter of 2018, up from 2.2% in the first quarter. However, quarterly GDP growth is volatile—one quarter's strong growth does not indicate an uptick in long-term growth. Moreover, real GDP growth exceeded 4% in three quarters since 2010 during the Obama years.

- **No evidence of an investment boom since the Trump tax cuts (Figure 6):** After two quarters in 2018, there has been no significant spike in non-residential investment since the tax cuts were passed.

- **Few employers have announced raises or one-time bonuses or new investments (Figure 7):** Only 4.4% of workers (6.8 million out of 155 million) have been promised wage increases or one-time bonuses related to the tax cuts. Just 413 of 5.9 million employers have announced such worker benefits. Only 122 of 5.9 million employers have announced new investments related to the tax cuts.

- **Corporate tax cuts are going mostly to wealthy shareholders and CEOs through stock buybacks (Figure 8):** So far, 157 corporations are projected to save $80 billion in tax cuts in 2018. That's 11 times more than the $7.1 billion corporations have promised workers through one-time bonuses and wage hikes. Since the tax cuts were passed, more than 400 corporations have announced stock buybacks of $750 billion—106 times more than what corporations have promised workers in pay hikes. Buybacks mostly benefit the wealthy, who own most corporate stock.

SPECIAL INTERESTS

- Under the Trump-GOP tax plan the ten biggest U.S. drug companies could save $76 billion in taxes on the profits that they spent years stashing offshore to avoid taxes. No drug company has said it will cut sky-high drug prices to help patients. [ATF]
- The nation's six biggest Wall Street banks will save a total of $12.3 billion in taxes this year from the Trump-GOP tax cuts. That's enough money to give every one of the nation's 3.2 million teachers a $3,800 pay raise. [ATFAF]
- The Koch brothers and their conglomerate, Koch Industries, look to be getting a tax cut of between $840 million and $1.4 billion each year. [ATF]
- 53 Republican members of Congress that voted for the Trump-GOP tax cuts could get an average tax cut of $280,000 from the deduction for business income. [Center for American Progress Action Fund]
- More than 7,000 lobbyists helped pass the Trump-GOP tax cuts last year—over 60% of all registered lobbyists. [Public Citizen]

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KEY CONCERNS ABOUT THE TRUMP-GOP TAX LAW

TAX CUTS = SERVICE CUTS: The Trump-GOP tax law is giving huge tax cuts to the wealthy and big corporations. It will add $2 trillion to the national debt. To reduce this debt caused by the tax cuts, President Trump and Republicans want to make at least $2 trillion in cuts to Medicare, Medicaid, the Affordable Care Act, Social Security and education.

TAX FAIRNESS: The Trump-GOP tax plan gives the vast majority of the tax cuts to the wealthy, CEOs and big corporations, not to working families, who are left to pick up the tab yet again. Their tax plan rigs the economy even further in favor of those at the top. 83% of the tax cuts are going to the richest 1% once the law is fully implemented, including to billionaires like Trump.

HEALTH CARE IS BEING CUT TO PAY FOR TAX CUTS: The Trump-GOP tax law undermines a key part of the Affordable Care Act, draining more than $300 billion from health care. This money, along with proposed cuts to Medicare and Medicaid, is being used to help pay for tax cuts for big drug companies and health insurers. They are padding their profits while charging Americans higher prices. The GOP's undermining of the ACA will increase insurance premiums by 10% a year and cause eight million people to lose their healthcare coverage.

CORPORATIONS ARE NOT USING THEIR TAX CUTS TO INCREASE WORKERS' WAGES: Trump promised that corporations would use their big tax cuts to give working families a $4,000 pay raise. He said they would make "massive investments" and stop outsourcing jobs. None of that is happening. Corporate CEOs are not sharing their tax breaks with workers. Wages are stagnant. Corporations are using their tax cuts to buy back their own stock, which lines the pockets of wealthy CEOs and shareholders. It does not benefit workers.

RIGGED SYSTEM: Drug companies, big banks and Wall Street billionaires have rigged the tax system like they've rigged the economy. Their tax breaks are going to wealthy CEOs while millions of families are still struggling to get by. We need to re-write the rules to make the economy and the tax system work for working families, not for billionaires and big banks.

SOLUTIONS: The system needs to be fixed to benefit everyone, not just the wealthy few. Congress should repeal the Trump-Republican tax cuts for the wealthy and big corporations. They need to start paying their fair share of taxes, so we can protect Medicare, Medicaid and Social Security, and have the money needed for education, infrastructure and other job-creating investments.

TAX CUTS ROUND 2: House Republicans have passed a second round of tax cuts that will give even more tax breaks to the wealthy and add more to the deficit. To pay for these new tax breaks, Republicans will demand even deeper cuts to Medicare, Medicaid and education. Working families can't afford the first round of the Trump-GOP tax cuts that mostly benefit the rich and big corporations. We sure can't afford Round 2.

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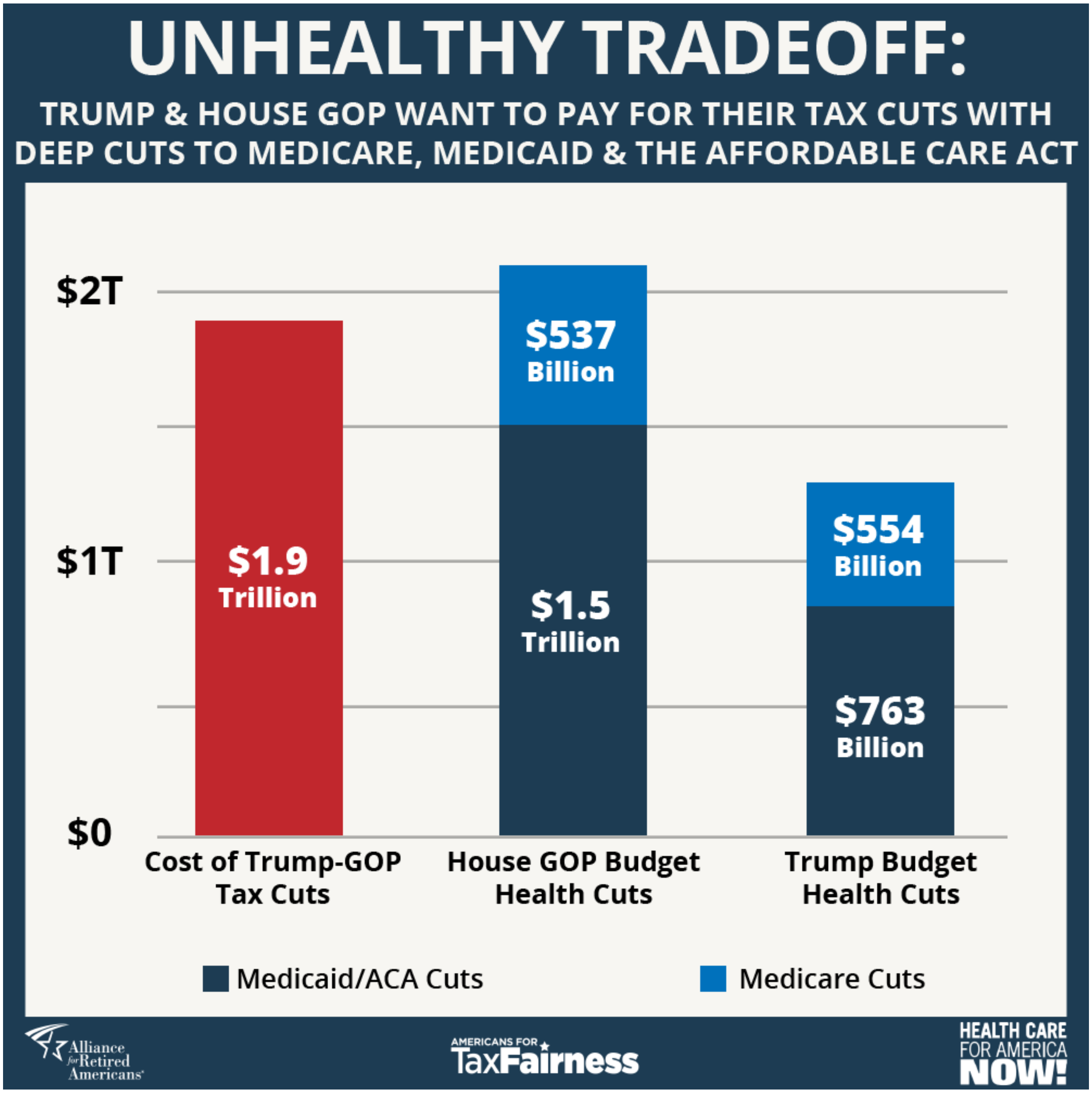
UNHEALTHY TRADEOFF GRAPHIC



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TAX CUTS ROUND 2

On Sept. 28, 2018, the U.S. House of Representatives passed a second round of tax cuts, H.R. 6760, "Protecting Family and Small Business Tax Cuts Act of 2018," or Tax Cuts 2.0. If approved by the Senate, the legislation 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.

Highlights of the legislation include:

- **The new tax bill will cost at least $3 trillion over 10 years - 2016 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 about $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 new 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)

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 ($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.

DISTRIBUTION OF TAX CUTS UNDER DOUND 2 FROM PERMANENT EXTENSION

Institute on Taxation and Economic Policy:
- Top 5% (incomes above $290,000 in 2026) would get 43% of the tax cuts in 2026, the first year; bottom 60% (incomes below $81,000) would get 19%
- Richest fifth would get 65% of the tax cuts in 2026; middle fifth would get 10%; poorest fifth would get 2%

Center on Budget and Policy Priorities:
- Top 1% would get an average tax cut of $32,650, a 2.2% increase in after-tax income
- Bottom 60% would get an average tax cut of $340, a 1% boost in after-tax income
- 61% of the tax cuts due to the deduction for pass-through business income go to top 1%

Individual state reports on the effects of the second round of tax cuts are HERE.

In addition, a coalition of 137 prominent national organizations have come together with 639 state groups to oppose the second round of tax cuts. To view the letter and a complete list of singers, go HERE.

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TRUMP-GOP TAX CUTS ARE NOT WORKING FOR SMALL BUSINESS

Contrary to false claims made by President Trump and Republican leaders in Congress, small businesses like corner grocers, neighborhood plumbers and start-up web designers are not the winners from the new Trump-GOP tax law. It is rich families, large public corporations, wealthy private business owners and corporate CEOs like Trump.

MOST OF THE TAX CUTS GO TO THE WEALTHY AND BIG CORPORATIONS, NOT TO MAIN STREET BUSINESSES AND THEIR CUSTOMERS

- The top priority of the tax law was to slash corporate income taxes by 40%, dropping the rate from 35% to 21%. Only 5% of small businesses pay corporate income taxes. The rest are known as "pass-throughs," because their income is "passed through" to their owners who are taxed under the individual income tax system.

- While all corporations benefitted from this big tax-rate cut, multinational corporations like drug companies and high-tech behemoths got an even sweeter deal. Their tax rate on offshore profits is now effectively about half the domestic rate. Moreover, they were handed an additional $400 billion tax cut on their offshore profits accumulated from past years, much of it stashed in tax havens.

- 83% of the tax cuts in the new law will go to the wealthiest 1% once it's fully implemented. Their share is so high because so much of the tax cuts benefit corporations, and most corporate stock is owned by the wealthy.

- The average tax cut for the richest 1% is $51,000 this year. That's about what an average sole proprietor earns in a year, according to the Small Business Administration. There are 30 million small businesses; more than 8 out of 10 (25 million) are sole proprietorships.

THE "SMALL BUSINESS" TAX BREAK IS PRIMARILY A TAX CUT FOR THE WEALTHY

- Under the new law, owners of pass-through businesses—sole proprietorships, partnerships and S corporations—are allowed, with several restrictions, to exclude 20% of their business income from taxation.

- Three-fifths of the value of this tax break, supposedly targeted at "small businesses," will go to the richest 1% by 2024. This is partly because business income is so highly concentrated. The wealthiest 1% of business owners receive over half of all pass-through-business income.

- President Trump's billion-dollar business empire is a perfect example of the kind of business that really benefits from this new tax break. The Trump Organization is a collection of over 500 pass-through entities.

TAX CUTS THREATEN SERVICES VITAL TO SMALL BUSINESSESES AND THEIR CUSTOMERS

- The Trump-GOP tax cuts will add nearly $2 trillion to the national debt, most of it due to the corporate and business tax cuts. Republicans are using the ballooning debt as an excuse to propose deep cuts in public services that small businesses and their customers rely on.

- To address the debt and pay for tax cuts, Trump and House Republican leaders propose to cut between $1.3 and $2 trillion from Medicare, Medicaid and the Affordable Care Act (ACA). These cuts will cause millions to lose coverage and increase the cost of health insurance for small business owners, workers and customers. Small businesses consistently rank the cost of healthcare as one of their top concerns.

- The tax law is making health insurance in ACA plans used by small business owners and workers much more expensive and difficult to access. Nearly 5 million employees at companies with fewer than 50 people gained insurance from ACA marketplaces between 2013 and 2015. The tax law weakened a requirement that everyone get a minimum level of insurance, which the government subsidizes for lower-income families. As a result, 8 million people will lose this health coverage, saving the government $314 billion—money now being used to pay for corporate tax cuts. Due to this change, insurance premiums in ACA plans will spike by 10%, on average, most years for the next decade, adding $2,000 to a typical family's insurance bill. Older adults will pay even more, according to AARP.

- Main Street businesses succeed when their customers succeed. When Medicare, Medicaid, the ACA, Social Security, public education and transit services are all cut, working families are stressed. They can't afford as many groceries, haircuts, dinners out, new cars and other goods and services offered by local businesses. It's this kind of local economic activity that grows businesses, creates jobs and makes neighborhoods hum. Most jobs aren't created by trickle-down tax cuts for wealthy investors and multinational corporations.

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POLLING ON TAX ISSUES & CANDIDATE ACTIVITIES

1. Less than 4 of 10 voters approve of the Trump-GOP tax cuts.

- By a small margin—42.5% to 39%—the public disapproves of the tax law [Real Clear Politics average of all polls on Sept. 18, 2018].
- "Republicans lost the messaging battle on the [tax] issue, per a Sept. 2 polling memo prepared for the Republican National Committee. Their poll found that by 61% to 30%, voters said the law benefits "large corporations and rich Americans" over "middle class families." The memo attributed this to message discipline from the tax bill's opponents. Another media story on the RNC memo reported, "[T]he challenge for GOP candidates is that most voters believe that the GOP wants to cut back on (Medicare and Social Security) in order to provide tax breaks for corporations and the wealthy."
- A Monmouth poll found that by an 8-point margin—38% approve to 46% disapprove—the public is against the tax law [Aug. 14-18, 2018].
- A Quinnipiac poll found a 7-point margin against the law: 39% to 46% [June 14-17, 2018]. While men somewhat narrowly approve (48-41), women disapprove by a 20-point margin (51-31). Democrats should be able to exploit this gender and intensity gap.
- Gallup found that by a 13-point margin—39% to 52%—the public disapproves of the tax law [April 11, 2018]. Over half of respondents were unsure what impact the law had made on their own taxes—including 44% of Republicans.

2. Most people are not seeing their tax cuts now.

- Just 25% said they've seen an increase in their paychecks due to the tax cuts, 52% say they've seen no increase. [Morning Consult/Politico, [June 22-24, 2018]. This is very similar to an April poll: 22% had seen an increase and 55% said they had not seen an increase in the last several weeks due to the tax overhaul. [Morning Consult/Politico, [April 19-23, 2018]
- 18% say their federal income taxes have gone down and 56% don't know whether their taxes have gone up, down, stayed the same, or say they are unsure. [Gallup, April 2-11, 2018]
- 50% say the tax cut law has increased their taxes or had no effect, while just 25% say the law has reduced their taxes. [Global Strategy Group, Aug. 2-5, 2018]

3. Most believe the tax cuts are mostly benefitting the rich and corporations, which means they are not likely to believe GOP promises that a new bill will help the middle class.

- A survey commissioned by the Republican National Committee found that voters overwhelmingly believe the Trump-GOP tax law helps the wealthy instead of average Americans. By a 2-to-1 margin—61% to 30%—respondents said the law benefits "large corporations and rich Americans" over "middle class families." [Sept. 2, 2018]
- 51% say they believe the tax cuts mostly help the rich, with only 30% saying it helps the middle class and just 7% saying it helps the poor. [Public Policy Polling, June 8-10, 2018]

- Of people familiar with the new law, 77% believe it helps large corporations and 73% say it benefits the wealthy, while 42% say it helps middle-income families. [Associated Press-NORC Center for Public Affairs Research, March 14-19, 2018]
- 53% viewed the tax bill negatively because it will increase the federal deficit and mostly benefit the wealthy and big corporations; 39% viewed it positively. [NBC/WSJ, April 8-11, 2018]

FREQUENCY OF TAX ADS AND CASE STUDIES FROM ELECTION CAMPAIGNS

A comprehensive review of House and Senate campaign ads for the November midterm races along with numerous case studies show that the 2017 tax cut law – the signature achievement of the Republican-led Congress – is barely mentioned in TV ads for GOP candidates despite tax ads being the most common among spots aired by GOP candidates and their outside allies. Specifically, taxes are the top issue for GOP TV ads—just under 30% of U.S. Senate and U.S. House GOP ads that ran from Jan. 1 through Sept. 11 mentioned taxes, per a Kantar Media/CMAG analysis for the Huffington Post. Just under 12% of all GOP TV ads mentioned the Trump-GOP tax cuts.

Here are examples of how tax ads have played in two prominent special elections:

PENNSYLVANIA 18th CD SPECIAL ELECTION (MARCH): CONOR LAMB (D) VS. RICK SACCONE (R)
The Pennsylvania special election held in March 2018 is one of the clearest examples of how the Trump-GOP tax cut was used by Democrats against Republicans instead of the other way around. The Democrat, Conor Lamb, won in a surprising upset by two-tenths of one percent. Donald Trump won the district by nearly 20 points in 2016.

- Republicans began with an ad highlighting the Trump-GOP tax cut as a "$2,900 tax cut for middle class families," resulting in raises, bonuses and jobs. It also slammed Lamb for opposing the tax cuts. Then they dropped it and replaced with an ad tying Lamb to Pelosi and favoring sanctuary cities.
- Lamb, meanwhile, ran an ad attacking the Republican tax cuts, saying it would add $1.5 trillion to the deficit and that most families would see their tax cuts "wiped out by higher health care premiums." The ad also said "their next plan is to cut Medicare and Social Security."
- *Politico:* "Republicans backed away from their signature tax-cut law in the final days of a closely watched special House election in the Pittsburgh suburbs — even though it's the very accomplishment on which they had banked their midterm election hopes."
- CNBC*:* "After Republican outside groups initially unleashed a barrage of ads in the district slamming Saccone's Democratic opponent…for opposing the tax plan, their attacks have recently focused on other issues like immigration. Democrats in the district think the change came because the tax ads did not resonate with voters as much as the GOP hoped."

OHIO 12TH CD SPECIAL ELECTION (AUGUST) – TROY BALDERSON (R) VS. DANNY O'CONNOR (D)
This Ohio special election in August 2018 was a nail-biter: Balderson won by just 1,680 votes in a very reliably Republican district that Donald Trump had won by 11 points. The two candidates will face each other again in November. Taxes played a prominent role in this election, but for the Democrat.

- At the start of this race, Republicans ran an ad touting the "middle-class tax cuts" for saving families over $2,500 a year and accusing Democrat Danny O'Connor of "standing with Nancy Pelosi" to raise taxes.
- But after proving ineffective, Republicans soon phased it out in favor of an ad attacking O'Connor on immigration and other issues.
- Meanwhile, O'Connor's ad took his Republican opponent Troy Balderson to task for supporting "a corporate tax giveaway that racks up trillions in debt forcing massive tax hikes on our kids."
- A DCCC ad in support of O'Connor that began near the end of the campaign focused even more exclusively on tax tradeoffs, saying the Republican tax bill "could fuel push for Medicare, Social Security cuts."
- By July 30, the O'Connor campaign and the DCCC had spent more going after Balderson on the tax bill than Republican groups spent promoting it. The DCCC alone spent $238,000on an ad buy supporting O'Connor between July 20 and July 30.
- *Washington Post:* "In the race for Ohio's 12th congressional district, one party is on the airwaves talking about the 2017 Tax Cuts and Jobs Act more than the other: The Democratic Party. Even as the economy has grown this year and as Republicans have held rallies and events to celebrate its benefits — from scattered worker bonuses to companies promising not to send jobs out of the country — the tax cut has not emerged as a galvanizing issue."
- *New York Times:* "Democrats are weaponizing the tax law — which is mired in only middling popularity — against Republican opponents in some key races. Their critiques have been fed by government statistics showing that wages for typical American workers have not risen over the past year, after adjusting for inflation, even though Republicans promised the tax cuts would unleash rapid wage growth."

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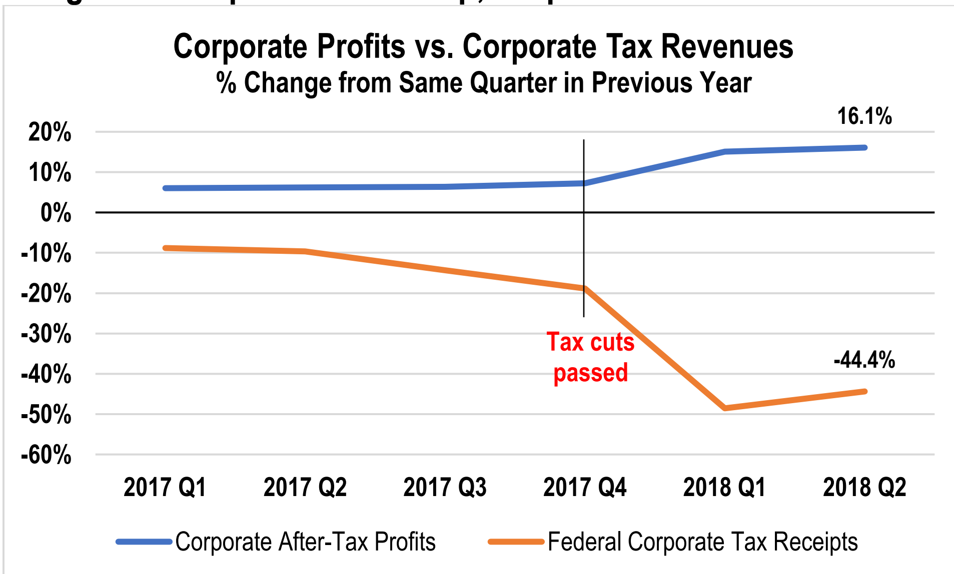
- **Gross domestic product (GDP) growth since tax cuts has been mixed (Figure 5):** There was strong economic growth, as measured by real GDP, of 4.2% in the 2nd quarter of 2018, up from 2.2% in the first quarter. However, quarterly GDP growth is volatile—one quarter's strong growth does not indicate an uptick in long-term growth. Moreover, real GDP growth exceeded 4% in three quarters since 2010 during the Obama years.

- **No evidence of an investment boom since the Trump tax cuts (Figure 6):** After two quarters in 2018, there has been no significant spike in non-residential investment since the tax cuts were passed.

- **Few employers have announced raises or one-time bonuses or new investments (Figure 7):** Only 4.4% of workers (6.8 million out of 155 million) have been promised wage increases or one-time bonuses related to the tax cuts. Just 413 of 5.9 million employers have announced such worker benefits. Only 122 of 5.9 million employers have announced new investments related to the tax cuts.

- **Corporate tax cuts are going mostly to wealthy shareholders and CEOs through stock buybacks (Figure 8):** So far, 157 corporations are projected to save $80 billion in tax cuts in 2018. That's 11 times more than the $7.1 billion corporations have promised workers through one-time bonuses and wage hikes. Since the tax cuts were passed, more than 400 corporations have announced stock buybacks of $750 billion—106 times more than what corporations have promised workers in pay hikes. Buybacks mostly benefit the wealthy, who own most corporate stock.

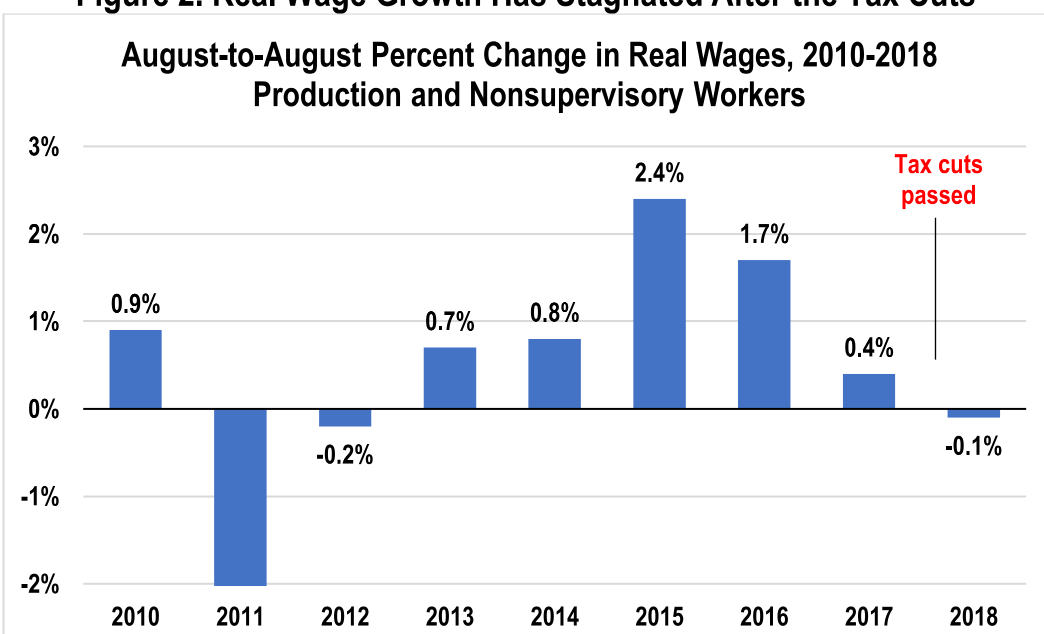
Figure 1: Corporate Profits Up, Corporate Tax Revenue Down



Source: Corporate profits and corporate taxes from Bureau of Economic Analysis, retrieved from FRED, as of August 30, 2018

In the second quarter of 2018 (six months after the tax cuts passed in December 2017), corporate after-tax profits were 16% higher than a year earlier in the second quarter of 2017. They rose from $1.7 trillion to $2 trillion. Meanwhile, annualized federal corporate tax revenues plummeted, decreasing 44% from the second quarter of 2017, dropping from $289 billion to $160 billion.

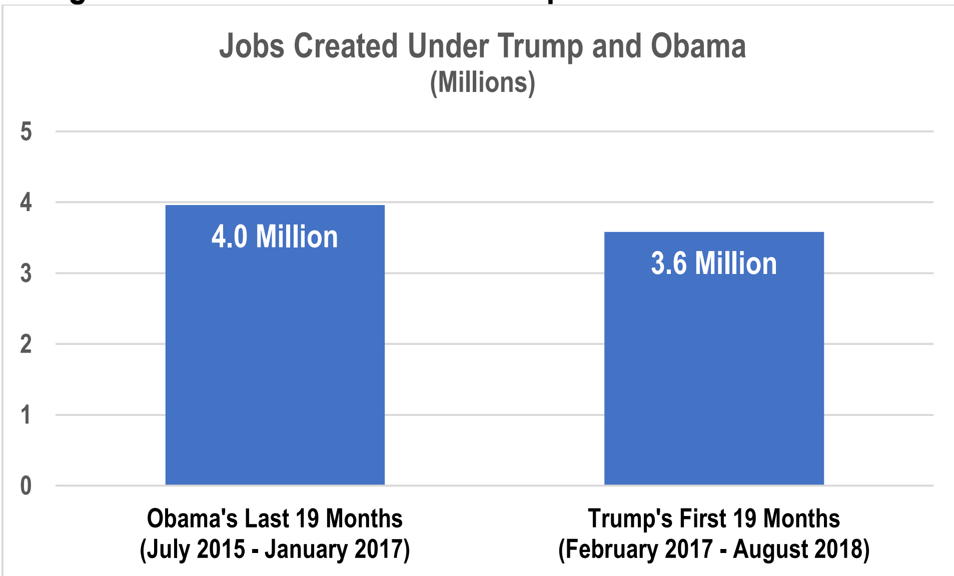
Figure 2. Real Wage Growth Has Stagnated After the Tax Cuts



Source: Bureau of Labor Statistics, August 15, 2018 and September 13, 2018

Real (inflation-adjusted) wages *decreased* by 0.2% between August 2017 and August 2018. This means workers actually have less buying power now than they did last year.

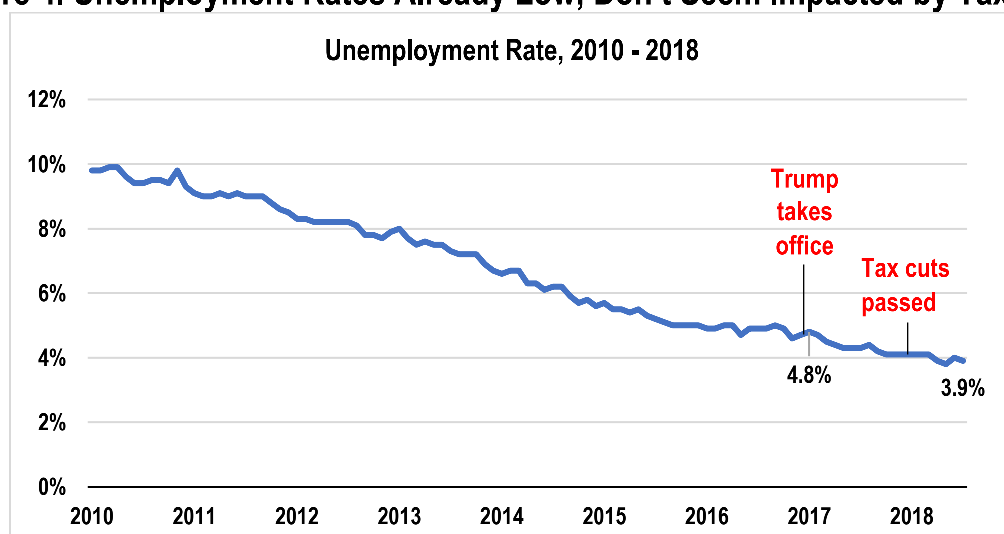
Figure 3. Job Creation Under Trump Is Below Obama Record



Source: Bureau of Labor Statistics, as of September 7, 2018

The economy has added 3.6 million jobs since President Trump took office, well under the 4 million jobs created in President Obama's last 19 months (through August). If the tax cuts were supposed to make businesses go on hiring sprees, that certainly doesn't appear to have happened yet.

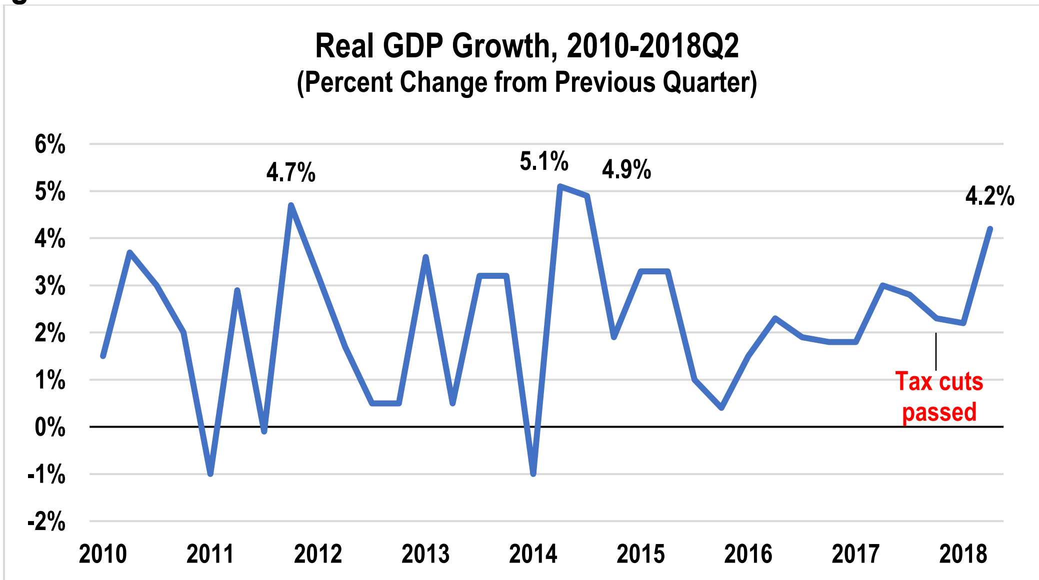
Figure 4. Unemployment Rates Already Low, Don't Seem Impacted by Tax Cuts



Source: Bureau of Labor Statistics, as of September 7, 2018

Unemployment has been on a steady downward trend since the end of the Great Recession, dropping from 9.8% in January 2010 to 4.8% when Obama left office. Under Trump it has continued the gradual decline to 3.9% at the end of August. There's no evidence of a sharp drop in unemployment attributable to the tax cuts.

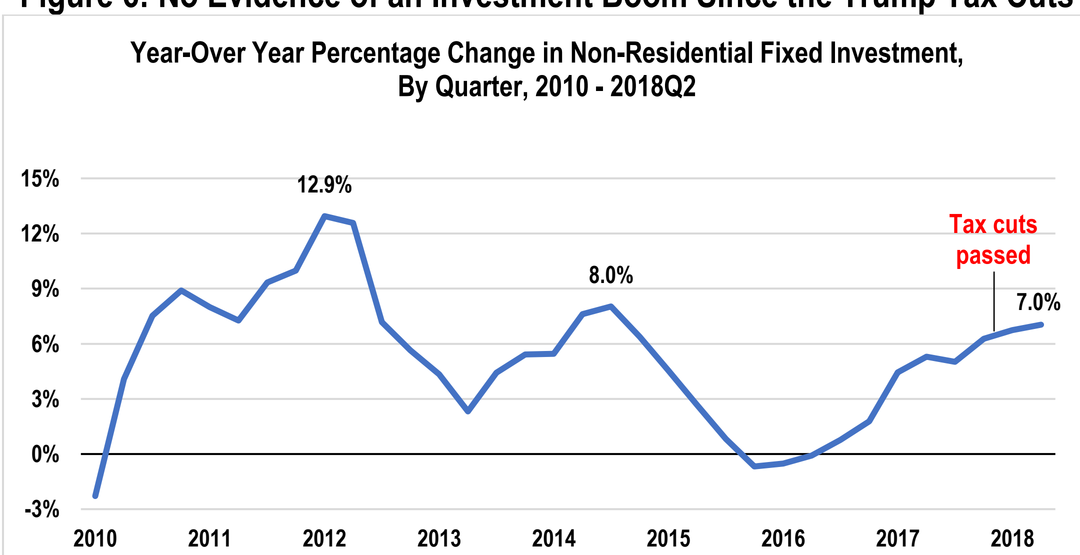
Figure 5. Gross Domestic Product Growth Since Tax Cuts Has Been Mixed



Source: Bureau of Economic Analysis, as of August 20, 2018

There was strong economic growth, as measured by real GDP, of 4.2% in the 2nd quarter of 2018, up from 2.2% in the first quarter. However, quarterly GDP growth is volatile—one quarter's strong growth does not indicate an uptick in long-term growth. Moreover, real GDP growth exceeded 4% in three quarters since 2010 during the Obama years.

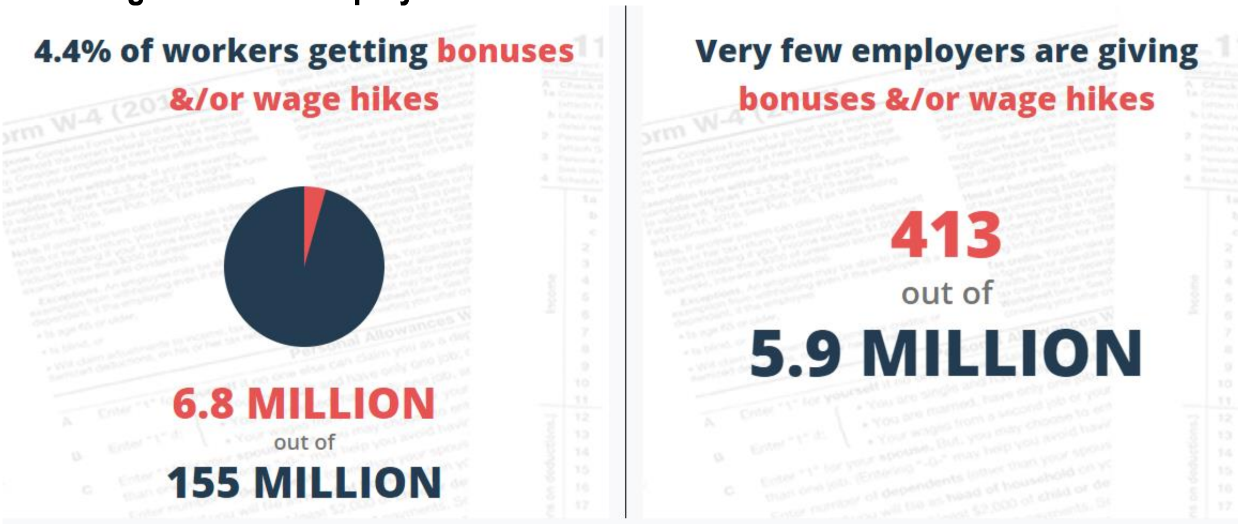
Figure 6: No Evidence of an Investment Boom Since the Trump Tax Cuts



Sources: ATF analysis of Bureau of Economic Analysis (National Income and Product Accounts Table 1.1.3)

Real non-residential fixed investment increased by 6.7% and 7%, respectively, in the 1st and 2nd quarters of 2018 on a year-over-year basis. Year-over-year investment growth reached 8% in the 3rd quarter of 2014 and 12.9% in the 1st quarter of 2012. There's no evidence of an investment boom since the tax cuts were signed into law. Even new capital goods orders (orders placed with U.S. factories for nondefense business equipment) are lower than levels reached during the Obama recovery.

Figure 7: Few Employers Have Announced Raises or One-Time Bonuses



Americans for Tax Fairness estimates that only [4.4% of workers](#) (6.8 million out of 155 million) have been promised wage increases or one-time bonuses related to the tax cuts. Just 413 of 5.9 million employers have announced such worker benefits. And only 122 of 5.9 million employers have announced new investments related to the tax cuts.

Figure 8. Corporate Tax Cuts Going Mostly to Wealthy Shareholders and CEOs

So far, 157 corporations are projected to [save $80 billion in tax cuts](#) in 2018. That's 11 times more than the $7.1 billion corporations have promised workers through one-time bonuses and wage hikes. Since the tax cuts were passed, more than 400 corporations have announced stock buybacks of [$750 billion](#)—106 times more than what corporations have promised workers in pay hikes. Buybacks [mostly benefit the wealthy,](#) who own most corporate stock.

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