January 31, 2022

Dear Senator:

The 101 organizations below urge you to support the important progressive tax reforms in the House-passed Build Back Better Act (BBBA). They provide most of the revenue that will fund historic investments to help working families afford healthcare, childcare, education, housing, and more; access paid family and medical leave; and provide expanded tax credits that dramatically reduce child poverty. The bill will also make unprecedented investments to confront the climate-change crisis. Equally important, the BBBA’s tax reforms will begin to require the wealthy and corporations to pay a fairer share.

We specifically request that you oppose efforts to weaken the bill’s Corporate Profits Minimum Tax; as well as support efforts to improve the bill with popular, sensible tax reforms left out of the House BBBA, such as adopting a Billionaires Income Tax and closing the carried interest and estate tax loopholes. These additions would ensure there is adequate revenue in the bill even if negotiations among your colleagues or parliamentarian rulings remove or modify existing progressive reforms. They will also blunt criticism that the legislation does not adequately tax the wealthy, especially billionaires whose wealth has surged by 70%, or $2.1 trillion, during the pandemic.

PROTECT THE REFORMS INCLUDED IN THE HOUSE PASSED BBBA

At a minimum you should adopt the tax package in the BBBA, which repudiates the bankrupt “trickle-down” economics of tax cuts for the rich and corporations that has dominated national politics since the Reagan years. The bill will raise about $1.9 trillion in new tax revenue from the wealthy and corporations, about the same amount that the 2017 Trump-GOP tax giveaway cost.

Specifically, we strongly support the BBBA’s tax provisions that will:
- Impose a 15% minimum tax on very large corporations (raising $319 billion in revenue)
- Reduce tax breaks that encourage corporations to shift jobs and profits offshore ($307 billion)
- Tax stock buybacks to discourage firms from enriching shareholders at workers’ expense ($124 billion)
- Assess a millionaires surtax of 5% on incomes over $10 million and 8% on incomes over $25 million ($228 billion)
- Close loopholes that let rich business owners escape paying Medicare taxes and claim excess business losses ($412 billion)
- Strengthen the Internal Revenue Service to catch wealthy and corporate tax cheats ($400 billion)

(More details on each of these provisions are available here.)

In addition to raising needed revenue and making the tax code fairer, these reforms will also reduce the significant role our unfair tax system plays in exacerbating racial inequities. Race should not be a contributing factor on how the tax code impacts families; however, many of its provisions tend to boost the economic fortunes of white families to the disadvantage of families of color. The BBBA’s tax reforms will begin to reverse those pernicious effects, and the additional reforms proposed in this letter will do even more.
OPPOSE WEAKENING OF THE CORPORATE PROFITS MINIMUM TAX

Not surprisingly, corporate special interests are trying to weaken this reform. In particular, highly profitable corporations—after successfully lobbying against even modest increases in the domestic corporate rate—are now seeking to kill the Corporate Profits Minimum Tax (CPMT), or at least secure special carve-outs for themselves or their industries. The CPMT will generate $319 billion, or roughly half of the BBBA’s revenue from corporations.

The CPMT will end the scandal of huge, profitable corporations paying zero income taxes by applying a 15% tax on the profits they report to investors. Every year since enactment of the 2017 Trump-GOP tax law, dozens of big firms, such as FedEx, Salesforce and T-Mobile, have avoided paying any federal income taxes despite billions of dollars in reported profits. That’s possible because firms essentially keep two sets of financial books. The one they show Wall Street boasts big profits to attract investors and pad executive pay. The other one they show the IRS claims little or no profit to avoid taxes.

The BBBA’s corporate minimum tax will apply to roughly 200 of the country’s biggest corporations — those with over $1 billion in annual earnings. It is enormously popular with voters: in a recent poll, nearly three-quarters (72%) supported it, 43% “strongly.” It was even supported by 59% of Republicans.

The BBBA is our opportunity to ensure that big corporations pay at least some federal income tax every year and contribute to an economy that works for all of us. Since white taxpayers are much more likely than Black or Latino taxpayers to be shareholders or high-paid executives of big corporations, the CPMT will help narrow racial economic gaps.

ENSURE THAT BILLIONAIRES PAY THEIR FAIR SHARE

Senate Finance Committee Chairman Ron Wyden’s Billionaires Income Tax (BIT) will raise about $550 billion over 10 years by taxing the astronomical increase in the asset value of roughly 700 taxpayers who are often able to simply opt out of taxation under the current system. It is endorsed by more than 250 millionaires, 105 national organizations, and 219 law professors and economists. It is also what the American people want—by overwhelming margins. Polling shows a Billionaires Income Tax enjoys the support of supermajorities across the country. It increases the popularity of the Build Back Better agenda by up to 40 points in battleground states and districts, especially among undecided independent voters. Should the need arise for substantial new revenue to finance the BBBA, we urge you to adopt the BIT.

America has a huge wealth gap that is many times worse when comparing the wealth of whites with that of Blacks and Latinos. A primary feature of our tax system that gives rise to this inequity is that income from wealth, which is mostly accumulated by whites, is often not taxed at all, or when it is taxed the rate is almost half the top rate on income from wages, which is how most Americans earn a living. By taxing income generated by wealth each year, rather than let it accumulate tax free, the BIT will strike a blow against the concentration of wealth among overwhelmingly white billionaires, and the revenue can be invested in communities and working families to help close economic and racial wealth gaps.

The BIT would help solve another problem as well. Conservatives are waging a loud and misleading media campaign claiming the BBBA will give big tax cuts to the wealthy, even though the Joint Committee on Taxation estimates that BBBA will raise the tax rates of millionaires by 3.2 percentage points next year and by more than 6 percentage points in 2027 and beyond. A sure way to neutralize these false claims, while raising more than a quarter of the BBBA’s revenue, is by making the Billionaires Income Tax a cornerstone of the revenue plan. Enacting the BBBA without taxing the extraordinary gains made by the country’s billionaires would be a serious omission.
CLOSE THE CARRIED INTEREST LOOPHOLE
It is unconscionable that the House-passed BBBA does not close the carried interest loophole, despite widespread support in the public and in Congress for doing so. This blatantly unfair tax break allows wealthy money managers to cut their tax bills almost in half by falsely characterizing labor income as investment gains and then deferring any tax payments for years.

Wages are taxed at up to 37%, but the carried interest loophole allows money managers to exploit the capital-gains rate, which is capped at 20%. (For both types of income, the highest earners pay an extra 3.8% that funds healthcare.) Carried interest also allows fund managers to defer tax on their compensation until the fund’s investments are sold. All other workers pay tax on their labor income as it’s earned.

Carried interest is rightly vilified across the political spectrum as the poster child for how the wealthy are allowed to play by a different set of rules. Barack Obama and Jeb Bush both opposed it. Hillary Clinton vowed to end it by executive action if necessary. Donald Trump declared that hedge-fund managers who exploit the loophole are “getting away with murder.” Senator Joe Manchin is a cosponsor of a bill that would end carried interest. Even the business-friendly GOP tax law of 2017 trimmed the handout.

The best solution is to close the loophole entirely, as Sen. Ron Wyden has proposed in his Ending the Carried Interest Loophole Act (S. 2617). The House Ways and Means Committee proposed this year to narrow the loophole by extending the holding period for assets from three to five years and adding several anti-abuse rules, which would raise $14 billion. Congress must take steps to close this most indefensible of loopholes.

CLOSE ESTATE AND GIFT TAX LOOPHOLES
Equally unconscionable are the loopholes that make the federal estate tax a voluntary tax, even for billionaires. In September, ProPublica reported on the systematic exploitation of grantor retained annuity trusts (GRATs) and other estate tax loopholes by the 100 richest Americans. Reporting by Bloomberg showed how just one billionaire used a combination of GRATs and valuation discounts to shelter $6 billion from estate tax, at a cost to taxpayers of $2.4 billion.

The House Ways and Means Committee proposed measures to close some of these indefensible loopholes and raise $28 billion over the first 10 years but far more in later years. Mysteriously, these reforms were not included in the House-passed BBBA bill. The legislative solutions are straightforward. There’s no justification for leaving these loopholes open.

The Build Back Better Act is historic legislation that will materially and significantly improve the lives of millions of working families. Its investments are fully paid for, mostly by requiring the rich and corporations to pay a fairer share of taxes. Please do not weaken the progressive tax reforms already in the bill, but instead strengthen them by adding proposals in this letter.

Sincerely,

Americans for Tax Fairness
AFL-CIO
African American Health Alliance
Alliance for a Just Society
Alliance for Retired Americans
American Family Voices
American Federation of Government Employees (AFGE)
American Federation of State, County and Municipal Employees (AFSCME)
American Federation of Teachers
American Postal Workers Union (APWU)
American Sustainable Business Network
Americans for Democratic Action (ADA)
Americans for Financial Reform
American-Arab Anti-Discrimination Committee (ADC)
Asian Pacific American Labor Alliance, AFL-CIO
Be a Hero
Bend the Arc: Jewish Action
Blue Future
Campaign for America’s Future
Center for Common Ground
Center for Economic and Policy Research
Center for LGBTQ Economic Advancement & Research (CLEAR)
Center for Law and Social Policy (CLASP)
Center for Popular Democracy
Center for the Blue Economy
Church World Service
Coalition on Human Needs
Coalition of Labor Union Women
Common Defense
Communications Workers of America (CWA)
Congregation of Our Lady of Charity of the Good Shepherd, US Provinces
Demos Action
Economic Policy Institute
Face the Music Collective
Family Values @ Work
Faith in Public Life
For Our Future
Franciscan Action Network
Friends Committee on National Legislation
Groundwork Action
Health Care for America Now
Health Care Voter
Hedge Clippers
In the Public Interest
Indivisible
Insight Center for Community Economic Development
Institute for Policy Studies - Inequality Program
Institute on Taxation and Economic Policy
International Association of Machinists & Aerospace Workers
International Brotherhood of Teamsters
International Federation of Professional and Technical Engineers (IFPTE)
International Union, United Automobile Aerospace and Agricultural Implement Workers of America
Invest in America Action
IronPAC
Jean-Michel Cousteau’s Ocean Futures Society
Jobs with Justice
Just Strategy
Main Street Alliance
MoveOn
NAACP
National Advocacy Center of the Sisters of the Good Shepherd
National Association for Hispanic Elderly
National Center for Lesbian Rights
National Education Association
National Employment Law Project
National Latino Farmers & Ranchers Trade Association
National Organization for Women
National Postal Mail Handlers Union
National Women’s Law Center
Network Lobby for Catholic Social Justice
#NoRA
Our Revolution
Oxfam America
Patriotic Millionaires
People Demanding Action
People’s Action
Presente.org
Pride at Work
Progressive Change Campaign Committee
Public Citizen
Responsible Wealth
RESULTS
Service Employees International Union
Small Business Majority
Social Security Works
South Asian Network
Strong Economy for All Coalition
Take On Wall Street
Tax Justice Network US
Tax March
UltraViolet
Unitarian Universalists for Social Justice
Unite Here
United Church of Christ Justice and Local Church Ministries
United for a Fair Economy
United Food and Commercial Workers International Union (UFCW)
United Methodist Church - General Board of Church and Society
United Steelworkers
Women’s International League for Peace & Freedom - US Section National Women, Money & Democracy Committee
Women’s March
Working Families Party