AMERICANS FOR TaxFairness

To: Editors, Columnists and Reporters
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UPCOMING VOTE ON FINAL PASSAGE OF TAX CUT BILL IN CONGRESS

Rep. Comstock Will be Voting on House Bill that is a Huge Giveaway to the Richest 1%, Harms Many Middle-class Taxpayers, and Takes Health Care Away from 13 Million

In coming days, members of Congress in the U.S. House of Representatives and Senate will hammer out differences between the two tax bills that passed each chamber over the last three weeks. The "conferenced" legislation is expected to much more closely track the Senate measure. It will be put up for a vote in the House first, which could be as early as late this week, but more likely next week.

ATF has prepared a side-by-side comparing the major features of the two bills. Overall, the Senate measure would give 60% of its tax breaks to the richest 1% by 2027, raise taxes on 87 million middle-class Americans by then, result in 13 million people losing their healthcare coverage, and trigger $25 billion a year in automatic cuts to Medicare (and $400 billion over 10 years).

When the House voted on its tax bill last month, 13 Republicans opposed the measure, 11 short of the 24 needed to defeat it. Five of them voted earlier this year to oppose repeal of the Affordable Care Act; another 13 Republicans voted against ACA repeal but for the tax bill. Rep. Barbara Comstock is one of them. Therefore, we urge you to editorialize urging her to consider that among other things the tax bill will take healthcare away from 13 million Americans and will result in a spike in health insurance rates.

Below is a more detailed look at key features of the Senate legislation, which is most likely to form the basis of the final measure to be approved by both chambers.

1. **62% of the tax cuts go to the richest 1% in 2027, according to the Tax Policy Center (TPC).** Their tax cut will be $33,000 in 2027, on average. The richest 0.1% will get a tax cut of $208,000 in 2027. This Washington Post analysis explains that the Trump tax cuts are perhaps the most regressive federal tax changes over the last 50 years.

2. **More than half of the tax cuts go to corporations and businesses.** The corporate tax rate cut alone—$1.3 trillion—is nearly the equivalent of the $1.4 trillion the entire tax package loses. This is why the tax breaks are so heavily skewed to the wealthy.

3. **It raises taxes on 87 million middle-class families by 2027, according to TPC, which effectively pay for tax breaks for the wealthy and corporations.** That's one-half of all households making less than $200,000 a year. 67 million households making less than $100,000 a year would also pay *more* in taxes after the temporary tax cuts for individuals expire. In **Virginia,** an estimated 25% to 35% of middle-class taxpayers will pay more in taxes in 2027.

4. **It mandates automatic Medicare cuts of at least $25 billion in 2018 and $400 billion over 10 years.** In effect, seniors will pay for tax breaks for corporations and the wealthy as automatic spending cuts are triggered by tax cuts that add $1.4 trillion to deficits. Automatic cuts will total $136 billion in 2018, and besides cutting Medicare include cuts to agriculture subsidies, student loans, military retirement and more, according to the Congressional Budget Office (CBO). For **Virginia**, where 1.4 million people are enrolled in Medicare, these automatic cuts in 2018 could be about $546 million, according to the Center for American Progress (CAP).

5. **Tax cuts for the wealthy and corporations are paid for by raising health care premiums and leaving millions of families without health coverage.** To raise $318 billion, the plan repeals a key part of the Affordable Care Act (ACA)—the requirement for individuals to have health coverage if they can afford it. This will lead to 13 million more people being uninsured and cause a 10% increase in health insurance premiums, according to CBO. In **Virginia**, this could result in 287,000 fewer people being insured by 2025, and it could increase by $2,140 the cost of premiums for health plans purchased on the ACA state marketplace in 2019, according to CAP.

6. **It repeals the federal deduction for state and local sales and income taxes (SALT) hurting the middle class.** In **Virginia**, 37% of all taxpayers claim the SALT deduction, which averages $11,300, according to TPC. Separately, the Senate and House bills capped the property tax deduction at $10,000. Eliminating SALT on income and sales taxes and capping it for property taxes will put pressure on state and local budgets, likely forcing cuts to education, health care, and infrastructure.

7. **The plan hands a $450 billion tax cut to corporations that untaxed profits offshore.** American corporations have $2.6 trillion in profits stashed offshore on which they owe $750 billion in U.S. taxes. Rather than make them pay what they owe, like all the rest of us do, the tax plan will charge them only $295 billion. The plan also creates a territorial tax system, which exempts foreign profits from U.S. taxes. While the plan will tax some of those offshore profits, the effective tax rate will be far below the U.S. rate. U.S. multinationals will have even more tax incentives to outsource more jobs and shift more profits offshore.

DEFICITS AND LONGER-RANGE ATTACKS ON SOCIAL SECURITY, MEDICARE AND MEDICAID

Great concern has been expressed about how much the tax plan would increase the deficit, which, in turn members of Congress would use as an excuse to demand deep cuts to Medicare, Medicaid and education. For instance, the Committee for a Responsible Federal Budget has said that the Senate tax plan "would cost $1.41 trillion and significantly worsen our already unsustainable budget outlook. However, even this cost masks the $515 billion of gimmicks the bill contains and doesn't include interest costs. Ultimately, the Senate tax plan could add $2.2 trillion to the debt. As a result, trillion-dollar deficits would return by 2020 and debt would exceed the size of the economy in just over a decade."

And future deficits are likely to get much worse because the way Senate Republicans designed the tax plan most of the tax cuts for individuals expire in 2025. On the other hand, most of the corporate tax cuts are made permanent. Of course, Republicans are assuming that the Congress of 2025 will automatically renew the tax breaks for working families for fear of voter wrath.

Republicans designed the tax breaks for the middle-class to expire to keep the amount of revenue loss (and debt increase) resulting from the plan under $1.5 trillion. This reduction in tax revenues will inevitably cause deep cuts to Medicare and Medicaid, based on recent Republican actions.

Republicans approved a budget this year in the House and Senate that would make huge $5.8 trillion in cuts to services working families rely on, such as $500 billion from Medicare and $1.3 trillion from Medicaid and other healthcare programs over 10 years. Cuts to SNAP, education, low-income energy assistance, and more also run deep.

Rep. Kevin Brady (R-Texas), chairman of the House Ways and Means Committee and author of the House tax plan, recently said that the tax plan "alone won't get us back to a balanced budget." House Republicans would next shift to "welfare reform and tackling the entitlements." By that he means deep cuts to critical services such as Social Security, Medicare, Medicaid and education, as detailed in this New York Times story.

STRONG PUBLIC OPPOSITION

The American people do not support this tax-cutting agenda: FiveThirtyEight compiled a polling average in November that found 46% of the public opposed to the GOP plan and 32% in favor. A new Quinnipiac poll finds American voters disapprove of the Republican tax plan 53% to 29%. And by a 61% to 34% margin, voters say the plan benefits the wealthy at the expense of the middle class. An analysis by The Washington Post found that the GOP tax bill is the second most unpopular piece of major legislation considered by Congress in the last 30 thirty years—second only to the Republicans' failed healthcare repeal effort this year.

SPECIAL INTEREST DEAL-MAKING

One group is undoubtedly happy with the outcome: the 6,243 lobbyists that Public Citizen recently identified as working on tax legislation in 2017. This is 57% of all the 11,000 federal lobbyists active in 2017, and is equivalent to more than 11 lobbyists for every member of Congress.

Sen. John Tester (D-MT) highlighted the work of lobbyists in drafting the legislation in this video. Sen. Claire McCaskill (D-MO) got a list of amendments to the tax bill from lobbyists on K Street rather than from Republicans managing the bill in the Senate.

Recent statements by top Republicans indicated what's at stake and why the process was being rushed: their donors will abandon them if they don't get big tax cuts.

LITTLE ECONOMIC RATIONALE FOR THIS LEGISLATION

Finally, the economic rationale for these tax cuts is very weak.

- Corporate profits are already near record highs; corporate taxes are at record lows. Many corporations pay little to nothing in taxes due to tax loopholes, while sitting atop mountains of cash. Those corporations are not likely to make the kinds of investments proponents of the legislation have claimed, according to this analysis by The Washington Post. If corporations are not investing the profits they have now in their businesses and employees, there's no reason to believe they will use money from tax cuts to expand operations, hire workers or raise wages.
- FactCheck.org and a broad range of economists have widely discredited the White House claim that workers would get a $4,000 raise from a cut in the corporate tax rate. They've criticized the methodology of the study and pointed to the large body of economic research that says the wealthy get the lion's share of corporate tax cuts.
- Rather than spur growth, these tax cuts mostly benefitting the rich and corporations could hurt the economy and cost jobs by causing big cuts to education, healthcare, infrastructure construction and other critical public investments. Tax cuts for the rich and corporations create few jobs compared

with investing in education, healthcare and infrastructure. According to Bruce Bartlett, a top adviser to President Ronald Reagan who helped craft Reagan's 1981 tax cuts, "There's no evidence that a tax cut now would spur growth."

- Huge tax cuts for the rich and corporations do not pay for themselves through miraculous economic growth. The Joint Committee on Taxation estimates that the Senate bill's addition to the debt will shrink from $1.4 trillion to $1 trillion after accounting for growth effects. The Tax Policy Center estimates the tax bill will shrink the $1.4 trillion revenue loss to $1.2 trillion.

Neither the Senate or House tax bills are tax reform. They are a massive tax-cutting plans that will explode the deficit raise taxes on many middle-class families and primarily benefit the wealthy and corporations. **We urge you to write an editorial or column explaining the problems with this measure.**