BATTLE BREWING OVER ‘MILLIONAIRES GIVEAWAY’ & OTHER TAX CUTS FOR RICH & CORPORATIONS IN NEXT COVID-19 RELIEF BILL

Urban Uprisings Highlight Need to Focus COVID-19 Financial Aid on State & Local Public Services & Help for Unemployed Not Handouts to Wealthy & Corporations

WASHINGTON—Emblematic of the racial and social injustice sparking protests across America, the first big COVID-19 relief act (the CARES Act) passed in March contained a huge tax cut for wealthy business owners and relatively meager funding of critical services provided by state and local governments. Since then state and local unemployment has spiked due to the economic crisis, and tax collections have plummeted just as the need for services to support struggling families has increased.

The next coronavirus relief and recovery legislation (a version—the HEROES Act—has already passed the House, and the Senate is expected to craft its own plan beginning the week of July 20) must significantly increase funding for state and local governments to protect critical services—Medicaid, public safety, public education, sanitation—while repealing this big tax break for the wealthy and preventing any new ones, including for corporations. Senate Majority Leader Mitch McConnell has cited rising deficits in delaying consideration of a new pandemic relief bill, even suggesting cash-starved states declare bankruptcy. His key priority for the next relief package has been to provide legal immunity to employers by limiting workers’ rights in court to sue bosses who put their safety at risk or neglect COVID protocols.

The $3 trillion HEROES Act passed by the House of Representatives in May offers a model—repealing the huge tax cut for millionaires, supporting local services, extending the more robust unemployment benefits program until January, and omitting new tax breaks for the wealthy and corporations. The Senate would do well to adopt a version of that bill.

A broad coalition of more than 230 groups organized by Americans for Tax Fairness (ATF) is urging repeal of the tax cut benefitting wealthy business owners—dubbed the “Millionaires Giveaway.” It would raise $250 billion, according to the Joint Committee on Taxation. More than 100 members of Congress (including 25 senators) and 56 national groups are also urging rejection of any more wasteful handouts to the rich and corporations in the next aid package.

We urge you to write an editorial or column opposing the Millionaires Giveaway and any further tax cuts for the wealthy and corporations in new COVID-19 relief and recovery legislation, and instead support major increases in funds for state and local public services, renewal of more robust unemployment insurance benefits, and other aid.
THE MILLIONAIRES GIVEAWAY TAX BREAK

Tax breaks do little or nothing to help us recover from the pandemic and resulting recession and hinder making the kind of public investments necessary in long-neglected communities now convulsed in protest.

The Millionaires Giveaway in the original CARES Act is allotting 82% of the tax break to business owners making over $1 million this year—just 43,000 lucky households collecting an average of $1.6 million each, according to the Joint Committee on Taxation. That big payout contrasts sharply with the one-time checks capped at $1,200 that have helped 159 million people so far. Extensive lobbying by real estate interests and other industries got the Millionaires Giveaway inserted in CARES Act. In the Senate, legislation (S. 3640) to repeal the Millionaires Giveaway is sponsored by Sen. Sheldon Whitehouse and 23 other senators.

This tax break also affects most states with broad-based personal income taxes because of the way their tax laws are linked to the federal tax code. For instance, Oregon is expected to lose more than $275 million in business and corporate tax breaks through 2023 from the Millionaires Giveaway (see “Business Loss Limitations” and “Net Operating Losses”). Nebraska reports that the state is facing $250 million in revenue losses over the next three years if it doesn’t decouple from the CARES Act tax changes. More details on the Millionaires Giveaway and its repeal by the HEROES Act are available here.

The moral imperative of rejecting tax giveaways to the wealthy was made plain by a recent ATF report revealing the nation’s 640-plus billionaires saw their wealth grow by a breathtaking $584 billion, or 20%, during the first three months of the pandemic, as 45 million Americans lost their jobs, 2.1 million Americans fell ill with the virus and about 118,000 died from it. Protests in the streets demanding social and economic justice further sharpen the urgency.

BENEFITS OF THE HOUSE HEROES ACT

Besides repealing the Millionaires Giveaway, the HEROES Act would greatly benefit delivery of state and local government services during this economic crisis by providing immediate relief and laying the groundwork for a more robust economic recovery, including:

- $500 billion in direct aid to state governments over the next two years for critical services.
- $375 billion in direct aid to local governments over the next two years for critical services. Go here to see how much is going to communities in your state.
- $117 billion in increased federal Medicaid funding over the next two years.
- $90 billion for public schools for grades K-12 and public colleges and universities.

Estimates of the amounts going to each state are available in this table.

State residents would also get their fair share of other assistance provided by the HEROES Act should it become law because it: 
● Extends the $600 per week in enhanced unemployment benefits through the end of the year, which currently are expiring at the end of July.
● Provides and increases the direct assistance checks to individuals and families: $1,200 to adults and children up to $6,000 per household.
● Provides $100 billion to protect renters and homeowners from evictions and foreclosures.

Economists warn that delayed action on more funding to states, unemployment benefits, and safety net services will have dire consequences for recovery, could lengthen and deepen the recession and curtail job growth for the next decade. Moreover, coronavirus cases are back on the rise in dozens of states where the re-opening process has increased risk of exposure, furthering jeopardizing the economy.

OPPOSE ADDITIONAL TAX BREAKS FOR THE RICH AND CORPORATIONS

Happy with their handiwork on the Millionaires Giveaway in the CARES Act, business interests and their political allies are now trying to double down by inserting more tax breaks for the wealthy and corporations in the next Senate pandemic bill. Unlike targeted forms of economic relief like the “Paycheck Protection Program (PPP)” for smaller businesses under the CARES Act, other tax cuts to large corporations and business owners have no requirement that they maintain payroll or make other socially useful investments. The windfall is likely to be used instead to reward wealthy shareholders with higher dividends and stock buybacks, as corporations did with their savings from the 2017 Trump-GOP tax law.

Brief descriptions of some of these tax breaks are provided below and in more detail in this letter to the Senate from 56 groups.

• Payroll Tax Cut: President Trump has made this a priority, even though in a period of mass unemployment payroll tax cuts make little sense. Even among those still employed, such cuts dribble out too slowly to adequately respond to the economic crisis. Businesses like Amazon actually benefitting from the pandemic or at least still fully operating don’t need relief from the portion of the payroll tax paid by employers. For these reasons, 72 national organizations wrote Congress opposing this proposal.

• Capital Gains Tax Cuts: Trump’s goal of lowering taxes on capital gains—which already enjoy a huge tax discount (a top rate of 20% vs. 37% on wages)—would waste desperately needed public revenue and do little or nothing to bail us out of the recession. Seventy-five percent of the benefits from lower capital gains would go to America’s richest 1%.

• Making Business Tax Credits Refundable: Refundable business tax credits are the kind of unfocused relief measure that make no demands on the recipients. While promoted as a means to help small businesses with liquidity, the truth is the largest tax credit – the R&D credit – is already effectively refundable for qualified small businesses, so only bigger companies would benefit from the change proposed now—85% of the research credit goes to businesses with $250 million or more in gross receipts.
• **Permanent Expensing:** This would make permanent the TCJA’s temporary provision allowing companies to deduct immediately (“expense”) major purchases and continue expensing long-term investments in research and experimentation (R&E), rather than write them both off slowly as better reflects those investments’ gradual loss of value and ongoing benefits. Badly timed and probably ineffective as stimulus, permanent expensing could cost hundreds of billions of dollars in lost revenue. More details are provided in this [ATF fact sheet](#), and in this report that found 20 corporations alone got $26.5 billion in tax breaks in 2018-19 and paid an effective tax rate of just 6.7%.

• **Deducting Business Interest:** To partially pay for the TCJA’s many breaks for big companies, the deductible share of business interest was restricted to 30%, raising an estimated $250 billion. The [CARES Act has already relaxed the limit](#) to 50% for 2019 and 2020, giving some of that revenue back. Further loosening the rules would remove one of the few revenue-raising measures targeting businesses included in the 2017 tax law.

• **Tax Breaks on Offshore Profits and Tax Cuts for Insourcing Jobs:** An attempt was made in the TCJA to curb widespread offshore corporate tax dodging through “guardrails” known by acronyms including BEAT and GILTI. Though inadequate, removing or further weakening those safeguards as has been proposed would send even more profits offshore, depriving the country of much-needed revenue. The Trump Administration has also floated the idea of [slashing the domestic corporate tax rate in half](#), from 21% to 10.5%, for corporations that bring back outsourced jobs. This rewards the original offshoring—tax policy should instead discourage the flight of earnings and operations offshore by revoking discount tax rates on foreign profits.

**RELEVANT MEDIA STORIES AND COMMENT PIECES:** Full compilation is [available here](#).

- Albany (NY) Times Union (May 8, 2020): [Coronavirus included tax breaks for millionaires that Democrats didn't know existed](#)
- CNN, Mark Zandi op-ed (May 19, 2020): [The entire economy will sink if the federal government doesn't bail out states](#)
- Forbes (April 14, 2020): [How Some Rich Americans Are Getting Stimulus ‘Checks’ Averaging $1.7 Million](#)
- New York Times column, [Will the Jobs Report Destroy Jobs?](#), June 8, 2020
- San Antonio Express-News (May 10, 2020): [Editorial: In staggering time of need, tax break for rich appalling](#)
- TIME (May 18, 2020): [The Real Estate Industry Pushed for $160 Billion in Tax Breaks in the CARES Act, Disclosure Filings Show](#)
- Washington Post (April 14, 2020): [Tax change in coronavirus package overwhelmingly benefits millionaires, congressional body finds](#)