



## SIX WORST FEATURES OF THE TRUMP-GOP TAX CUTS

As of February 2019

The Trump-GOP tax plan, formally known as the Tax Cuts and Jobs Act (TCJA), was signed into law on Dec. 22, 2017. The biggest broken promises and other worst features of the law are:

**#1: Trump and the GOP said “[the benefits of tax reform \(would\) go to the middle class](#), not to the highest earners,” but corporations and the wealthy are getting most of the benefits.**

- The TCJA cut the corporate tax rate on domestic profits by 40%—from 35% to 21%. As a result, [corporate tax revenue dropped by about one-third](#), or by \$92 billion, from fiscal year 2017—before the TCJA—to FY 2018. [Treasury Department/NYT] The wealthy own the [great bulk of corporate stock](#) and therefore benefit most from corporate tax cuts.
- The richest 1% were expected to [get 21% of the tax cuts](#) in 2018, an average tax cut of \$51,000. The bottom 60% of taxpayers were slated to get [about a dollar day](#). By 2027 when the law is fully implemented, 83% of the tax cuts will go to the top 1%. [TPC]
- The tax law greatly weakens the estate tax, the only curb on the accumulation of dynastic wealth, thereby widening the wealth gap. Even before the TCJA, only the richest 1 in 500 families paid the tax. The TCJA doubled the amount of an estate exempt from the tax from \$5.2 million to \$11.4 million for a single decedent, resulting in [fewer than one in a thousand](#) estates paying a tax, or [only 1,700 families a year](#) [CBPP & TPC].

**#2: Trump and the GOP [promised the tax cuts would pay for themselves](#) through greater economic growth; instead they will balloon the federal debt by nearly \$2 trillion.**

- The TCJA was initially estimated to [cost \\$1.5 trillion](#). [JCT] But that has [grown to \\$1.9 trillion](#), after including increased interest from the debt that will incur. [CBO/The Hill]
- The one-third drop in corporate tax revenue (\$92 billion) explains the lion’s share of the [\\$113 billion increase in the federal deficit](#) between FY 2017 and FY2018, when it grew from \$666 billion to \$779 billion. [Treasury/NYT]

**#3: To reduce this growing debt, Republican leaders have announced that they want to [cut Social Security, Medicare, Medicaid](#) and other critical services for working families, rather than reverse their tax cuts for the wealthy and corporations. [Washington Post]**

- To reduce the \$1.9 trillion debt caused by his tax cuts, **Trump’s budget** in 2018 sought to slash \$1.7 trillion from Medicaid, Medicare, the Affordable Care Act, Social Security disability benefits, SNAP (food stamps) and more. [Bloomberg]
- **House Republicans** proposed slashing more than \$5 trillion overall last year, including \$2 trillion from Medicare, Medicaid and the Affordable Care Act. [CBPP]

**#4: Trump promised that corporations would use their tax cuts to give the typical American household a [\\$4,000 pay raise](#), lead corporations to “[shower their workers with bonuses](#),” produce “[massive investments](#)” and reverse the outsourcing of jobs, with factories “[pouring into this country](#).” [Washington Post, The Hill, CBS News, NYT] **But soaring corporate profits from the tax cuts are being spent on shareholders, not workers.****

- As corporate tax revenue has declined sharply, [corporate profits have increased dramatically](#), rising to almost \$2.1 trillion in the third quarter of 2018—a 20% increase from the same quarter in 2017. [Federal Reserve Bank of St. Louis]
- Corporations are mostly using their tax cuts and rising profits to buy back their own stock, further enriching wealthy shareholders and corporate executives.
  - Corporations have announced almost [\\$930 billion in stock buybacks](#) since the GOP tax plan passed Congress in late 2017. [ATF]
  - That’s over 130 times more than the [\\$7.1 billion corporations have given their workers](#) in bonuses or pay hikes tied to the tax law. [ATF]
- [Only 4.4% of workers](#) have received a bonus or raise ascribed to the TCJA [ATF].
- Low unemployment is a continuation of an [over eight-year trend](#) begun early in the Obama administration rather than a result of the tax cuts. About [200,000 more jobs were created](#) in the last two years of the Obama administration than during the first two years of the Trump era (5.1 million vs. 4.9 million, respectively). [ATF/BLS data]

**#5: Trump promised that the tax law would end outsourcing of jobs, and that its steeply discounted tax rates on accumulated offshore profits would cause corporations to quickly bring “[over \\$4 trillion](#)” in untaxed profits back to the U.S. But the law mostly fails in its promise to end profit shifting to tax havens, and even encourages the outsourcing of jobs.**

- The law effectively taxes foreign profits of American firms at [half the domestic tax rate](#), giving corporations added incentive to outsource jobs and production. And the more corporations build factories offshore, the less U.S. tax they pay on foreign profits. [NYT]
- Corporations shift \$300 billion in profits out of the U.S. each year. The TCJA will only reduce that by [\\$65 billion](#)—80% of existing profit shifting will continue. [CBO, p. 127]
- Corporations have so far [brought home only about 12%](#) of the \$4 trillion Trump estimated they would repatriate. [Bloomberg]
- The TCJA gave U.S. corporations with accumulated untaxed offshore earnings [a tax cut of over \\$400 billion](#) on those profits. [ITEP] As a result, the ten biggest U.S. drug companies could [save \\$75 billion in taxes](#) on their offshore profits. Yet, no drug company has said it will use its tax cuts to reduce drug prices to help patients. [ATF]

**#6: Republican leaders promised that small businesses [would be big winners](#) from the TCJA. But the law’s “small business” tax cut overwhelmingly benefits wealthy business owners.**

- The TCJA generally allows most owners of pass-through businesses—sole proprietorships, partnerships and S corporations—to exclude 20% of their business income from taxation.
- [Over three-fifths of the value of this tax break](#) will go to the richest 1% by 2024, in part because business income is so concentrated: the richest 1% of business owners [receive over half of all pass-through-business income](#). [CBPP]