

June 6, 2018

The Honorable Kevin Brady
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building Washington,
DC 20515

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee
1139E Longworth House Office Building
Washington, DC 20515

The Honorable Vern Buchanan
Chairman, Tax Policy Subcommittee
House Committee on Ways and Means
1102 Longworth House Office Building Washington,
DC 20515

The Honorable Lloyd Doggett
Ranking Member, Tax Policy Subcommittee
House Ways and Means Committee
1139 Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady, Chairman Buchanan, Ranking Member Neal and Ranking Member Doggett:

Thank you for the opportunity to submit a statement for the record on how tax reform is impacting the U.S. economy, job creation and wages for Americans.

As a coalition comprised of over 40 diverse members, including racial justice advocates, child advocates, asset-building advocates, tax reform experts and researchers, the Tax Alliance for Economic Mobility* works to identify near- and long-term policy priorities to create economic opportunities for lower-income households through the U.S. tax code. We believe in a tax code that works for everyone—lifting low-income families out of poverty rather than taxing them further into it, and being accessible, simple and transparent so that it benefits middle and working-class families, as well as families with low-incomes, as much as it does for those at the top. In other words, we believe that the tax code should be fair.

Unfortunately, the Tax Cuts and Jobs Act of 2017 (TCJA, PL 115-97) falls short of the tenets the Tax Alliance believes, and will not help everyday American families build financial stability. Congress had the opportunity to preserve and expand on policies that help working-class families get ahead instead of falling further behind, yet the Tax Cuts and Jobs Act further exacerbates our already upside-down tax code. Even more unfortunate, the Tax Cuts and Jobs Act would also make the growing racial wealth gap facing the nation worse as its benefits would disproportionately accrue to wealthy, mostly white households leaving low-wealth communities of color further behind.¹

While some workers have experienced modest gains from the tax legislation since it was enacted into law, the massive tax breaks provided to big businesses and the ultra-wealthy have dwarfed that limited progress. According to the bipartisan Tax Policy Center, next year the top one percent of households are set to receive an average tax cut of more than \$50,000. For those in the top 0.1 percent, their share of the benefits from the TCJA will amount to an average tax cut of nearly \$200,000. Meanwhile, the bottom 60 percent of households—middle and working-class, as well as families with low-incomes—would see their tax cuts total just over \$400, on average.² Even more troubling, by 2025, the bottom 60 percent of households would continue to receive the same average tax benefit as they would in 2019, while households in the top one percent would see their tax cuts increase by at least \$10,000.³

The Tax Cuts and Jobs Act is also alarmingly dismissive of the added risks to the economy from the increased deficit due to the law's \$1.5 trillion price tag. The steep decrease in revenue from the TCJA, mostly due to tax

* The comments outlined in this document were developed by the Steering Committee for the Tax Alliance for Economic Mobility, and may not reflect the views of individual members of the Tax Alliance.

breaks for the wealthy and corporations, is particularly irresponsible considering the growing cost of supporting our aging population through Medicare and Social Security.⁴ Because these programs enjoy broad public support, other critical benefits that low- and moderate-income households receive are beginning to come under attack. Recently proposed cuts to the Supplemental Nutrition Assistance Program (SNAP), included in the House Farm Bill, are only one such example of current and possible future justifications of cuts to critical programs that support health, housing and food assistance to offset the TCJA.⁵

At the same time, the suggestion that the Tax Cuts and Jobs Act would result in corporations investing in their workforce and increasing wages has not come to fruition. In fact, according to a Reuters/Ipsos poll conducted earlier this year, just two percent of workers say they've received a bonus, raises or other benefits because of the TCJA.⁶ Meanwhile, corporate stock buybacks are happening at a record pace⁷ and numerous statements and surveys demonstrate that U.S. executives⁸ and corporations⁹ are not rapidly moving to make large domestic capital investments because of the law's benefits.

The tax reform debate undertaken by Congress last year should have been about reforming tax expenditures to ensure they help those who need it most; about preserving and expanding on what works; and about closing gaps in critical credits—such as the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC)—to improve their reach and effectiveness. Regrettably, the Tax Cuts and Jobs Act locked out millions of workers from accessing the full benefits of the expanded CTC,¹⁰ stripped the CTC from nearly a million children without a social security number,¹¹ threatened the stability of the private insurance market by repealing the individual mandate and made no improvements to the EITC.¹²

Workers and their families want a Congress that is on their side when it comes to tax reform—not a Congress that changes the rules to benefit the wealthy and the biggest corporations. Recent polling shows how few Americans see any benefit from the TCJA, with more than half reporting they see no change in their paychecks.¹³ As more than 60% of Americans already think that corporations and the wealthy do not pay their fair share of taxes,¹⁴ we urge the Full Committee and Tax Policy Subcommittee to avoid the approach to tax reform that they took with the TCJA. Instead, the Committees should consider reforms that truly benefit working families, including:

- 1) Building on the opportunity-boosting successes of the EITC and CTC by strengthening these tax credits and making their benefits more inclusive and widely accessible, particularly for low-income workers, workers without children and ITIN (Individual Taxpayer Identification Number) filers¹⁵
- 2) Making higher education tax expenditures work for everyone, especially low-income families and students¹⁶
- 3) Leveraging the tax code to encourage savings and investment for retirement among working families¹⁷
- 4) Reducing subsidies for mortgage debt and larger homes, and use those savings to help working families save for a downpayment and increase tax benefits for renters, rather than providing tax cuts for the wealthy¹⁸

As the Full Committee and Tax Policy Subcommittee continues to explore “how tax reform is growing the U.S. economy, creating jobs here at home, and increasing paychecks for hard-working Americans,” we would welcome the opportunity to provide additional input on how to improve the American tax system to create a more equitable tax code that will expand opportunity for everyone, across the country.

Thank you considering our views.

Signed,

Prosperity Now

Center for Law and Social Policy (CLASP)

First Focus Campaign for Children

National Association for Latino Community Asset Builders

Thomas Shapiro, PhD

Institute on Assets and Social Policy

The Heller School for Social Policy and Management

Brandeis University

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¹ According to a recent analysis by Prosperity Now, while non-Hispanic Whites account for about 62% of the nation's population, they make up about 80% of the richest one percent and .01%. African Americans and Latinos, who account for more than 30% of the population, make up just 3.2% and 4.7% of those in the top one percent. At the same time, Black and Latino households are over-represented among the poorest fifth of Americans. See [The Tax Cuts and Jobs Act Leaves Everyone Behind—Except for Those at The Top](#) for more information.

² TPC Staff, [Distributional Analysis of the Conference Agreement for the Tax Cuts and Jobs Act](#) (Washington, DC: Tax Policy Center, 2017), 3-4.

³ Ibid.

⁴ Center on Budget and Policy Priorities Staff, [New Tax Law Shrinks Revenue When More Revenue Is Needed](#) (Washington, DC: Center on Budget and Policy Priorities, 2018).

⁵ Ed Bolen, Lexin Cai, Stacy Dean, Brynne Keith-Jennings, Catlin Nchako, Dorothy Rosenbaum, and Elizabeth Wolkomir, [House Agriculture Committee's Farm Bill Would Increase Food Insecurity and Hardship](#) (Washington, DC: Center on Budget and Policy Priorities, 2018).

⁶ Amanda Becker, Chris Kahn, "Few U.S. adults report bonuses, raises from Republican tax law," *Reuters*, January 29, 2018, <https://www.reuters.com/article/us-usa-tax-poll/few-u-s-adults-report-bonuses-raises-from-republican-tax-law-idUSKBN1F116Q>.

⁷ Patti Domm, "Companies buying back stock at record pace since Trump tax bill may aid market's comeback," *CNBC*, February 15, 2018, <https://www.cnbc.com/2018/02/15/companies-buying-back-stock-at-record-pace-since-trump-tax-bill-may-aid-markets-comeback.html>.

⁸ Steve LeVine, "Forget about broad-based pay hikes, executives say," *Axios*, May 27, 2018, <https://www.axios.com/broad-based-pay-rises-retraining-automation-executives-3e68d31c-51bc-4bde-a362-7ce12b039e7c.html>.

⁹ "Nation's CEOs Are Disappointed in Trump but Hopeful: Yale CEO Summit Survey," *Yale School of Management*, December 18, 2017, <https://som.yale.edu/news/2017/12/nation-s-ceos-are-disappointed-in-trump-but-hopeful-yale-ceo-summit-survey>.

¹⁰ Center on Budget and Policy Priorities Staff, [New Tax Law Tilted Toward Wealthy and Corporations](#) (Washington, DC: Center on Budget and Policy Priorities, 2018).

¹¹ Jacob Leibenluft, [Tax Bill Ends Child Tax Credit for About 1 Million Children](#) (Washington, DC: Center on Budget and Policy Priorities, 2017).

¹² Center on Budget and Policy Priorities Staff, [New Tax Law Tilted Toward Wealthy and Corporations](#) (Washington, DC: Center on Budget and Policy Priorities, 2018).

¹³ "CNBC All-America Economic Survey: CNBC's Steve Liesman: Trump's Approval Ratings Dip Amid Opposition to Tariffs and Little Change from Tax Cuts," *CNBC*, March 27, 2018, <https://www.cnbc.com/2018/03/27/cnbc-all-america-economic-survey-cnbc-steve-liesman-trumps-approval-rating-dips-amid-opposition-to-tariffs-and-little-change-from-tax-cuts.html>.

¹⁴ Frank Newport, "Majority Say Wealthy Americans, Corporations Taxed Too Little," *Gallup*, April 18, 2017, news.gallup.com/poll/208685/majority-say-wealthy-americans-corporations-taxed-little.aspx

¹⁵ For specific policy recommendations, please see the Tax Alliance for Economic Mobility's [Policy Principles: Tax Credits for Low-Income Workers](#).

¹⁶ For specific policy recommendations, please see the Tax Alliance for Economic Mobility's [Policy Principles: Higher Education and College Savings Tax Expenditures](#).

¹⁷ For specific policy recommendations, please see the Tax Alliance for Economic Mobility's [Policy Principles: Retirement Savings Tax Expenditures](#).

¹⁸ For specific policy recommendations, please see the Tax Alliance for Economic Mobility's [Policy Principles: Housing and Homeownership Tax Expenditures](#).