Ohio Council of Churches

Legislative Brief

DECEMBEER 18, 2017

TRUMP PROMISED TAX-CUTS FOR THE MIDDLE CLASS BUT THE MAJORITY GOES TO CEO'S AND THE WEALTHY?

Depending on the Speaker of the House, the President, or leaders in the Republican Congress, the tax plans were slated to be awarded in two different ways. One plan was to take from the rich and give more to the middle-class. The other idea drafted by the Senate or leaders in the House of Representatives was to provide a goldmine to Corporations and tax-cuts for the wealthy. While running for President, Trump talked often about his willingness to tax the wealthy in order to provide benefits for others in low and middle class income households. In September he said, "There's very little benefit for people of wealth; instead it will go down the ladder."

But we all know now that the bills being passed by Congress have Trump singing a new tune demanding that they lower the top tax rate to 35% and also repeal the Estate Tax that only affects the top 0.2% of inheritances. The House bill already passed could save Trump and his family over $1 billion according to the NBC News analysis. The House removed the Alternative Minimum Tax that will keep major dollars for the wealthy each year.

An analysis by the non-partisan Tax Policy Center estimates that over 42% of the individual tax gains in the House Bill will go to the top1% of earners in 2018, with the top 0.1% getting an average cut of almost $175,000. While most middle-class households will get a tax break, a growing minority will see a tax increase after 5 years but not the wealthy. By 2027, the bottom 40% would see no change in their tax bill versus the current law. Nearly half of the bill's benefits will go to the top 1%.

Two Republican Senators, Marco Rubio of Florida and Mike Lee of Utah introduced an alternative plan focusing on refundable tax credits for middle and lower income families. The Estate Tax removal of $150 billion in the House and $83 billion in the Senate could have been used to finance cuts elsewhere. Benefits for pass-through businesses could have gone to smaller mom and pop's shops by cutting rates on their brackets alone. Instead people like Trump, whose business empire runs on pass-through, stand to see major gains. According to the nonpartisan Joint Committee on Taxation, Congress' official scorekeepers, by 2027, all income groups that earn less than $75,000 would see taxes go up.

"Very truly, I tell you, anyone who hears my word and believes him who sent me has eternal life, and does not come under judgment, but has passed from death to life."

(John 5:24 NRSV)

MERRY CHRISTMAS
AND
HAPPY NEW YEAR!

GOD BLESS ALL FAMILIES WHO ARE IN NEED OF SPECIAL HELP THIS SEASON!

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That's because although the bill allows all the individual tax code provisions to expire, it retains a less generous method of calculating inflation than are currently in use, which effectively pushes workers into higher tax brackets faster. The reason for this is to keep the deficit from going over the $2.5 trillion.

Asked if the tax package in aggregate would mean middle class tax cut, Edward Kleinbard, a former chief of staff for the Joint Committee on Taxation said: "That's delusional or dishonest to say. It's factually untrue." He added, "The only group you can point to that wins year after year and wins in very large magnitude is the very highest incomes."

GOP Senators Marco Rubio, Mike Lee and Susan Collins were pushing proposals that would expand child tax credits for families, offsetting the cost by slightly bumping up the corporate rate that was dropping from 35% to 20%. Rubio wanted only .94% credit. His amendment was voted down by Senate Republicans 71 to 29.

This legislation would lower taxes for many in the middle class but most only temporarily and falls far short of the 35% cut for everyone in the middle class that Trump promised last year.

The Tax Policy Center has estimated that in 2019, a household earning between $50,000 and $75,000 would save $780 a year if the Senate bill's changes become law. This is essentially a 8.9% tax cut. Beginning in 2023 households that bring in less than $30,000 would all average a tax increase according to the nonpartisan Committee on Taxation. By 2027, all income groups that earn less than $75,000 would see the taxes go up.

In writing their bill, House GOP leaders had created a new $300 family flexibility credit that would help Americans lower their taxable income. But don't count on it yet because in the Conference Committee with the Senate, it could easily disappear.

Corporations were concerned their tax cut to 21% would last only 8 years because of the necessity to keep the bill under $1.5 trillion limit. So in the last minute decision Republicans cut the duration of the family tax credit in half ending after only five years to make the corporate rates permanent. The House passed their bill 227 to 205.

The Senate took the House's move even further by making virtually all tax cuts for families and individuals sunset after 2025.

Taxpayers in the top 1% those making over $730,000 will receive 20% of total tax cut.

The Corporate tax rate has been cut from 35% down to 20%. There is talk about increasing it back to 21 or 22%. Each percentage point that is added back to the corporate rate would generate about $100 billion in revenue over 10 years. This could make it more possible for Americans to deduct up to $10,000 of state income tax or local property taxes on their federal income tax return. At the present time the House and Senate bills would allow Americans to deduct only the property tax component.

Policy Matters Ohio argues that the GOP tax plan hurts Ohio in all congressional districts. For example, in David Joyce's district, 21,872 families receive federal aid to help put food on the table. In Mike Turner's district, 21,000 students use Pell Grants to pay for college. This is just a small example of the impact on states due to the necessity to cut back on federal funding.

The final bill will be signed by the President in the very near future.

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