

The **TAX CUTS & JOBS ACT**

# CHARGE & RESPONSE PART II

Americans have been waiting for years for Washington to fix our nation's broken tax code because they know it will lead to better jobs, more take-home pay, and a stronger economy.

The *Tax Cuts and Jobs Act* is our answer to the American people. It will deliver much-needed tax relief to millions of families, help our workers and job creators compete and win here at home and around the world, and make the tax code simpler and fairer for all Americans. It will fuel economic growth, leading to more jobs, fairer taxes, and bigger paychecks for generations to come.

Below are responses to charges you will hear leveled against the bill by those who are really defending the broken status quo – the current tax code littered with trillions of dollars in special-interest tax breaks that have stifled job, paycheck, and economic growth for too long:

## Individuals and Families

### TAX RATES

“According to an analysis by the Tax Policy Center, 28% of Americans would pay more in taxes under this bill.”

- ▶ That analysis is blatantly false – so much so the Tax Policy Center had to retract its big report because they got the numbers wrong. This is the same group who put out a so-called analysis before we even released a bill. This is a perfect example of a liberal group grasping at straws to defend the status-quo and stop tax cuts, rather than looking at how this bill will help families.
- ▶ Furthermore, this incorrect analysis ignores the impacts of economic growth, therefore understating the benefits of tax reform and making estimates that are not based in reality.
- ▶ As the Chief of the nonpartisan Joint Committee on Taxation Thomas Barthold clearly reaffirmed at our markup that the *Tax Cuts and Jobs Act* will cut taxes for Americans at every income level.

“According to a report in the *New York Times*, this bill will raise taxes on one-third of middle class families starting in 2018. And by 2026, nearly half of middle-class families would pay more in taxes.”

- ▶ This incomplete and misleading analysis constructs an America that simply doesn't exist. It ignores economic growth. It ignores millions of Main Street job creators. It ignores tens of billions of dollars of relief generated through corporate tax reform that will directly improve the lives of hardworking Americans.

“This raises taxes on people in the lowest income bracket, as well as people in the 33% bracket that exists today.”

- ▶ That’s not true. The *Tax Cuts and Jobs Act* reduces taxes for Americans at every income level.
- ▶ This bill nearly doubles the standard deduction so more Americans in the lowest tax bracket of 12% – individuals earning up to \$45,000 and married couples earning up to \$90,000 – will pay zero income tax.
- ▶ And because we lower the rates and increase the amount of income subject to those lower rates, Americans in the new 35% bracket – individuals earning up to \$500,000 and married couples earning up to \$1 million – will benefit from the significantly larger standard deduction and lower 25% rate so they will keep even more of their hard-earned money.

“This includes a hidden tax bracket of 45.6% – a tax hike on high-income earners.”

- ▶ This is flat-out false. The *Tax Cuts and Jobs Act* provides tax relief for Americans at every income level. In fact, even though the top 10% of earners pay 71% of all income taxes – they too still see a reduction in their taxes.
- ▶ Here’s what’s actually going on: **Just like the Reagan Tax Reform Act of 1986**, the *Tax Cuts and Jobs Act* phases out for high earners benefits that are targeted toward low- and middle-income earners – a commonsense idea to promote fiscal responsibility and distributional fairness. That includes the 12% rate, as well as benefits like the Child Tax Credit or American Opportunity Tax Credit.
- ▶ So – **even with the phase-out of the 12% rate, effective rates for earners in that high-income range are reduced** because their earnings between \$470,000 and \$1,000,000 (for married couples) are subject to a 35% rate instead of the 39.6% rate they pay on that income today.

## TIMING FOR RELIEF

“Most Americans won’t see tax relief until at least 2019.”

- ▶ Not true. Americans will keep more of their money beginning with their first paycheck in 2018 because of the *Tax Cuts and Jobs Act*. Under today’s overly complex tax code, most employees have money taken out of their paycheck as a federal tax withholding. With the simpler, fairer tax code that the *Tax Cuts and Jobs Act* provides, the amount withheld in federal taxes will be reduced when specific provisions are eliminated – therefore immediately increasing take-home pay. This will not require the taxpayer to make any changes to their withholding.
- ▶ And as more tax relief comes into effect – including lowering tax rates across the board and allowing businesses to fully and immediately write-off the cost of capital equipment – job creators will be able to hire more workers and increase wages.
- ▶ Individuals and families will feel significant and immediate relief – all before they ever file their taxes on a simplified, postcard-style form – with significantly lower rates and a higher standard deduction for the 2018 tax year.

## FAMILY CREDITS

“This fails to provide permanent relief for families.”

- ▶ In addition to increasing the child tax credit and preserving the child and dependent care credit – which will provide permanent relief for families – the *Tax Cuts and Jobs Act* provides a new family credit of \$300 for each parent and non-child dependent to help all families with their everyday expenses. While this new family credit expires when specific business-related tax provisions expire, we are confident future Congresses will protect this important tax relief for hardworking families.

## STATE AND LOCAL DEDUCTION

“Middle-income Americans living in high-tax states will be worse off under this plan.”

- ▶ That’s not so. First of all, let’s look at who claims the state and local deduction today. Less than one third of Americans take advantage of this benefit. Of those who do, the vast majority make over \$200,000 each year, according to the Joint Committee on Taxation.
- ▶ Conversely – **the *Tax Cuts and Jobs Act* is about helping all Americans** – especially low- and middle-income Americans who typically do not benefit from many of the costly deductions in today’s tax code.
- ▶ Not to mention: our bill lowers rates at every income level, roughly doubles the standard deduction to protect more of each paycheck from taxes, protects the ability to deduct state and local property taxes, and creates a new family credit that millions more Americans will be able to use for their everyday expenses.
- ▶ For a married couple making \$115,000 per year in a high tax state, **these benefits will provide a total tax cut of \$1,130**. And if John and Rebecca do have a child, they would be able to claim an increased Child Tax Credit of \$1,600 – up from just \$1,000 today – reducing their taxes even further so they can keep more money to support their new family.

## HOUSING

“This will destroy the housing market. No one will want to buy homes over \$500,000.”

- ▶ This hyperbolic rhetoric is not true for several reasons. First of all, according to a report by the United for Homes Campaign, only 6% of new mortgages are valued at over \$500,000, as the Washington Post reported. In fact, **only about “2.5 percent of Americans are paying mortgages on homes valued at \$500,000 or more.”**
- ▶ Secondly, as the Washington Post reported, the mortgage interest deduction does not affect the rate of homeownership. **“People who can afford to buy a home will do so regardless of whether a mortgage interest deduction is in place.”**
- ▶ Here’s what does drive people to buy a home: a strong, growing economy – and the *Tax Cuts and Jobs Act* will significantly grow the economy. According to an analysis from the nonpartisan Tax Foundation, this bill is estimated to grow the economy by 3.9%.
- ▶ As a result of this economic growth, paychecks will increase substantially – by an estimated 3.1%. In other words, **Americans will earn bigger paychecks – at lower tax rates – so they will have even more money to invest in a home.**

## HEALTH CARE

“This will make it significantly harder for individuals with expensive illnesses and seniors with costly medical bills to afford the care they need.”

- ▶ The *Tax Cuts and Jobs Act* will help Americans afford the care they need by lowering tax rates across the board, roughly doubling the standard deduction, preserving the dependent care credit, and creating a new family credit that will help millions more families.
- ▶ With these provisions, Americans will be able to keep more of the money they earn for expenses that arise throughout their lives – including medical bills.
- ▶ Additionally, our legislation is estimated to create nearly 1 million new jobs and increase paychecks by 3.1% – broadening the tax base and increasing revenues, which not only helps working seniors but also has the added benefit of ultimately improving the solvency of the Medicare Hospital Insurance Trust Fund so the Medicare program can continue to serve today’s seniors and future generations.

## EDUCATION

“This raises taxes for people with student loans. By eliminating Americans’ ability to deduct their student loan interest, the average borrower will see their taxes go up by \$275 each year – just on student loan interest. And a borrower who pays the full \$2,500 in interest would see their taxes go up even more – by a whopping \$625.”

- ▶ This claim looks at one deduction in isolation and fails to take into account the tax relief and economic benefits that the *Tax Cuts and Jobs Act* will provide Americans of all walks of life – including people working to pay off student loans.
- ▶ In fact, while the deduction for student loan interest provides some tax relief today for some people, under this bill, **people paying the interest on student loans will receive substantially more tax relief**. The typical household making \$59,000 each year will receive \$1,182 of tax relief each year. The typical single person making \$30,000 right out of college will receive over \$800 of tax relief each year – more than they would receive from the existing deduction for student loan interest.
- ▶ And let’s look at the bigger picture: **this bill is estimated to create nearly 1 million new jobs and increase paychecks by 3.1%** – providing college graduates with career opportunities that don’t exist under today’s slow-growing economy.
- ▶ **It’s this job creation and wage growth, along with the specific tax relief, that will help more young people pay off their loans even faster** – especially compared with the slow-growing economy Americans have been forced to settle for in recent years.

## Small Business

“This won’t provide tax relief to most small businesses.”

- ▶ The *Tax Cuts and Jobs Act* is designed to provide relief for the Main Street job creators who have struggled under today’s high tax rates and oppressively complex tax code.
- ▶ First, our legislation lowers taxes across the board. For small businesses – or pass-through businesses – making under \$260,000 each year, 100% of their income will be taxed at a top marginal rate of no more than 25%. And because we double the standard deduction, lower the individual rates, and increase the amount of income subject to those lower rates, **more of their income will be protected from taxes or taxed at lower rates.**
- ▶ For larger pass-through businesses, not only will their wage income be taxed at lower rates, their pass-through business income will be taxed at lower rates as well.
- ▶ Additionally, the legislation allows pass-through businesses to write off the interest on loans that help these Main Street entrepreneurs start a business, hire workers, and increase paychecks; ends the death tax and other generation-skipping taxes that can devastate family-owned businesses; and simplifies the tax code so small businesses can focus more time and money on investing in their workers and communities – not on navigating the current 70,000 pages of tax laws.
- ▶ With the *Tax Cuts and Jobs Act*, our Main Street job creators will finally have a fair tax code that works with them as they start up, grow, and create jobs in our communities.

## Corporate and International

“This includes the Border Adjustment Tax by another name – significantly hurting retailers and other businesses that rely on importing goods from other countries. This will ultimately raise prices on consumers, just like the BAT would have.”

- ▶ There is no Border Adjustment Tax in this bill. There is no BAT-lite. There is no tax on consumers’ purchases, no tax on third-party imports, and no tax on the everyday costs of doing business.
- ▶ **Here’s what the *Tax Cuts and Jobs Act* actually does.** It takes steps to prevent companies from avoiding taxes by shifting their profits overseas – also known as base erosion – which hurts workers, consumers, and our economy. By including tough but fair rules, the legislation not only protects American workers, it helps re-establish our nation as a global magnet for job creation, investment, and innovation.

“Corporate tax cuts will benefit CEOs and shareholders, not hardworking Americans.”

- ▶ The nonpartisan Tax Foundation proves this is not true. Their analysis of the *Tax Cuts and Jobs Act* shows that 70% of the corporate income tax is borne by labor and that **cutting corporate taxes will benefit low- and middle-income Americans more than CEOs and shareholders.** Low- and middle-income earners – those in the bottom 90% of the income scale – all receive an average after-tax income increase of more than 4%. Meanwhile the top 10% of earners receive an average after-tax income increase of less than 4%.

- ▶ Put another way, the *Tax Cuts and Jobs Act* focuses a majority of tax relief on families earning less than \$200,000. According to the Tax Foundation, out of the \$192 billion in tax cuts it will provide individuals and businesses in 2019 alone, \$113.5 billion (59%) will go directly to those earning less than \$200,000. And when the effects of corporate tax reform are removed, **73% of tax relief flows to those earning less than \$200,000.**

## Non-Profit / Tax Exempt Organizations

“This imposes an excise tax on private universities.”

- ▶ This bill simply applies the same tax treatment to large private college and university endowments that already exists for private foundations.

“This fails to fully repeal the Johnson Amendment and protect the First Amendment rights of religious leaders.”

- ▶ The *Tax Cuts and Jobs Act* makes clear that the IRS has no place in churches, synagogues, mosques, and other places of worship. By eliminating the Johnson Amendment restrictions for religious organizations, the legislation expressly protects the Constitutional rights of religious leaders so they can speak freely on matters affecting their communities – without the fear that the federal government will take away important tax benefits for their charitable work.

## Chained CPI / Inflation

“Republicans are using a less accurate measure of inflation that will cause you to pay more in taxes.”

- ▶ That’s just not true. Economists across the political spectrum agree “chained CPI” is a more accurate way to measure inflation because it accounts for how consumers actually behave – by changing their spending habits when prices change.
- ▶ President Obama’s FY 2014 budget said **“Most economists agree that the chained CPI provides a more accurate measure of the average change in the cost of living than the standard CPI.”** And a senior advisor at the Committee for a Responsible Federal Budget said, “The chained CPI represents a more accurate and effective way to maintain purchasing power in spending programs and to index various parts of the tax code.”
- ▶ People change their behavior based on changes on prices. For example, if the prices of apples go up, people will see how much other fruits cost and change what they’re planning to buy. How we measure inflation in our tax code should reflect that reality.