



COMMITTEE ON THE BUDGET

Chairman John Yarmuth

February 25, 2019

Hearing: 2017 Tax Law - Impact on the Budget and American Families

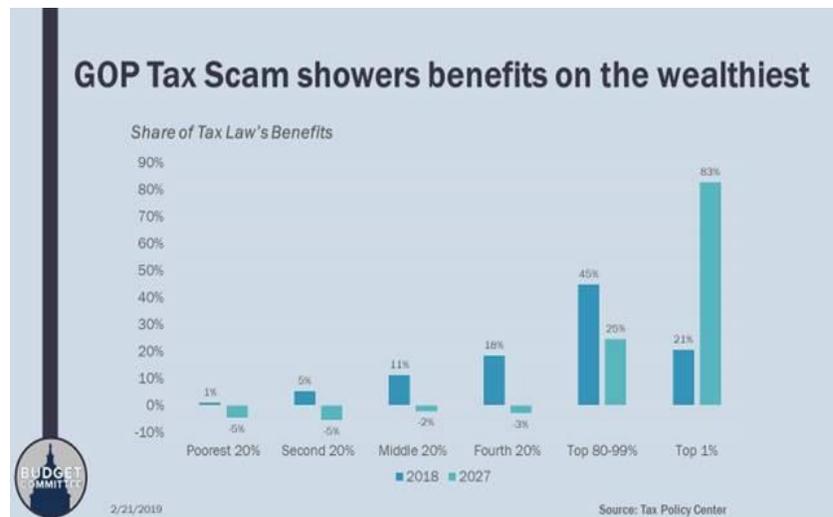
The GOP tax law showers benefits on the wealthy and large corporations while abandoning middle-class Americans and Main Street businesses

One year after President Trump and congressional Republicans enacted their tax cut for the wealthy and large corporations, none of their promised results are happening. While the law spurred a brief boost in economic growth, our long-term growth trajectory is unchanged. There is no sign of an investment boom. Real wage growth for workers remains modest. Factories and jobs are more likely to go overseas. The federal deficit is soaring as corporate tax receipts plummet. And the tax code is riddled with even more special-interest tax breaks and loopholes. By any measure, there is no evidence showing that the GOP tax cut is trickling down to working Americans. On February 27, the House Budget Committee will hear testimony from four expert witnesses on the real-world implications of the GOP tax cut.

GOP tax cut led to record \$1 trillion in stock buybacks that do little for working Americans —

The GOP tax cut delivered huge benefits to rich investors and CEOs through a record-setting \$1 trillion in stock buybacks in 2018 – while average workers struggle to pay for rising health care and living costs. Stock buybacks do nothing to improve business operations or help workers. The corporate tax cut gave more cash to companies that are sitting on historically large cash reserves, while failing to provide firms with any incentive to hire workers or boost pay.

GOP tax law does little for middle-class Americans and Main Street businesses — The GOP tax cut is heavily tilted toward the wealthy and corporations and provides very little benefit for average workers and small business owners. According to the Tax Policy Center, the richest fifth of Americans will receive nearly two-thirds of total benefits in 2018 and the richest 1 percent alone will



receive 83 percent of the total benefits in 2027. The GOP tax law ignores the stagnation of working-class wages and worsens income and wealth inequality. Furthermore, the GOP tax cut

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does nothing to help small businesses gain access to capital and grow their receipts. Only 5 percent of small businesses pay taxes at the corporate level, and most of the pass-through tax cuts go to the largest 2.6 percent of businesses. Moreover, most women-owned businesses will get even less help, because they largely operate in service industries and generate less than \$100,000 in revenues. In addition to doing little for everyday working people, the GOP tax law's sabotage of the Affordable Care Act will add millions to the ranks of the uninsured and increase health insurance premiums.

GOP tax law encourages sending factories and jobs overseas — In addition to permanently lowering the corporate tax rate, the GOP tax law also gives corporations an option to cut their taxes even more by moving operations and jobs overseas. Under the tax law, income generated by American companies abroad face tax rates that are half the new top corporate rate of 21 percent. Some companies may be able to avoid tax altogether on tangible investments made offshore. This further incentivizes companies to move tangible assets, such as factories and machinery, overseas. Rather than protecting workers and their families, the GOP tax law tilts the playing field against American workers, making it harder for them to earn good wages, maintain steady incomes, and support their families.

We need fair, progressive, fiscally responsible revenue policy — One year after enactment of the GOP tax law, evidence is mounting that it increased inequality, worsened the U.S. fiscal outlook, and did not supercharge the economy as promised. The tax cut showers benefit on the rich and profitable corporations and provides little benefit to everyday working people and small businesses. Prioritizing the coffers of the rich while adding \$1.9 trillion to the national debt is the wrong policy at the wrong time. Instead, we need to make wise investments and shore up revenues during a time of full employment and strong corporate profits.

Members of Congress have the responsibility to fully understand the tax law's effects and help redirect the nation's tax and fiscal policy in the right direction. Expert witnesses who will inform our discussion at the hearing are:

- **Caroline Bruckner (Professor, American University's Kogod School of Business)**
- **William G. Gale (Chair in Federal Economic Policy in the Economic Studies Program, Brookings Institution; Co-Director, Tax Policy Center)**
- **Chye-Ching Huang (Director of Federal Fiscal Policy, Center on Budget and Policy Priorities)**
- **Lana Pol (President, Geetings, Inc.)**