PUBLIC CITIZEN

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U.S. House of Representatives
Washington, DC 20515

Dear Honorable Member,

On behalf of Public Citizen's more than 400,000 members and supporters, we urge you to reject the misnamed "Tax Cuts and Jobs Act" (H.R. 1) which, instead of creating jobs, will kill jobs by opening the door to further outsourcing of investments by multinational corporations. This tax bill is also cruel and morally backward: it takes from the needy to give to the rich, further rigging our economy to benefit those who need it least. And, this legislation will make the scourge of undisclosed, "dark money" election spending even worse, by allowing charities and churches to become political pawns through effective repeal of the Johnson Amendment.

An overwhelming majority of the voting public believes that cutting the deficit should come before slashing taxes for the rich or corporations. However, this legislation takes the opposite approach by allowing $1.5 trillion in deficit spending to finance these tax cuts. This, while economists have solidly repudiated the concept of "trickle-down economics" and have handily proven false the argument that corporations would somehow be more competitive with lower tax rates in the U.S, or that regular Americans would somehow benefit from their reduced rates. Voters see through this thin charade and understand this plan actually just seeks to benefit the rich, corporate political donor class at the expense of everyday people.

Though American corporations are reporting record profits, the percentage of our nation's taxes that come from corporations is half what it was during the 1950s. Many profitable companies like General Electric, PG&E and Netflix have paid no taxes at all in recent years, or even worse, received rebates from the government. Corporations utilize public services like our first responders, our roads, and our courts so it is only reasonable to have them cover their portion of the tax responsibility for paying for these essential services.

Despite the very low current contributions from corporations to our collective tax coffers, this GOP bill seeks to lower the tax for corporations to 20 percent, almost halving it from its current 35 percent level. Additionally, under H.R. 1, the U.S. would move to a territorial tax system, which will kill American jobs by increasing the incentive to engage in accounting gimmicks and profit shifting and allowing some multinationals to make use of the zero percent tax rate on active foreign profits, giving these companies an unfair advantage over domestic Main Street businesses. Provisions meant to address profit shifting schemes like the quasi minimum tax on high earning subsidiaries or the proposed excise tax would still be too easy to get around and are unvetted policies, a product of the behind-closed-doors process that was used to draft the bill.

Right now, there is an estimated $2.6 trillion in profits "booked offshore" by American corporations, meaning corporations are avoiding an estimated $767 billion in taxes. Instead of making these companies pay what they owe, H.R. 1 rewards these tax dodgers by allowing those deferred profits to be taxed at the bargain basement rate of either 7 or 14 percent. When a similar scheme was tried in 2004, it was a failed experiment. Instead of using the money they had from their discounted tax rate to create jobs, firms paid shareholders dividends or bought back stock. Still worse, the majority of the top repatriating firms actually *cut jobs* after utilizing the holiday.

Many of the provisions in this bill will personally benefit President Trump, and the provisions related to "pass-through" companies is so clearly in his favor, it has been nicknamed the "Trump loophole." Even though they might be in very lucrative lines of work, this bill would allow some of the owners or shareholders of these companies to pay a mere 25 percent (and the low, low rate of 9 percent on the first $75,000 of profit), instead of the current top rate of 39.6 percent (which this bill sensibly leaves intact.) Provisions were included to attempt to keep extremely high-earning professionals from making use of this giveaway, but the complex income classification system in the bill is still ripe for gamesmanship by those rich enough to pay accounts and lawyers to work their tax gymnastics.

This legislation will allow dynastic accumulation of wealth by repealing the estate tax in the year 2025, and in the interim making it apply only to estates worth $11 million for individuals and $22 million for couples, an absolute personal windfall for Trump's family and those of his wealthy cabinet members. Recent Public Citizen research found that if repeal of the estate tax were to be enacted, using conservative estimates, the combined savings for Trump's heirs plus those of 14 of the wealthiest Trump administration officials would be about $1.7 billion – equal to the combined net worth of 18,000 U.S. families of a median net worth. In addition, the bill repeals a huge safeguard in the current tax code: the Alternative Minimum Tax. This provision has kept individuals and corporations from being able to pay nothing in taxes after maximizing their deductions and exclusions. Under the tax bill, that protection would no longer exist.

Not only are prominent Republicans going on the record that they are being effectively coerced by their campaign donors to pass this bill, H.R. 1 actually worsens the problem of money's corrupting influence on politics. This bill would effectively repeal the Johnson Amendment, which keeps churches, charities, hospitals, and universities from endorsing candidates. Without it, charities and churches become partisan election organizations, and the donor class gets a tax deduction for their dark money spending.

The small handful of bright spots in the bill are absolutely eclipsed by the unfair provisions that will further skew our tax code in favor of those who least need it. Though H.R. 1 takes a miniscule step towards closing the CEO Bonus loophole that allows corporations to deduct pay above $1 million if it is characterized as "performance" based, the bill would end those deductions only for the five most senior executives if their pay exceeds $1 million each. The bill should have closed the loophole by banning deductions for all employees compensated more than $1 million. And, attempts to limit the carried interest loophole by requiring the interest to be carried for three years rather than one, will not affect many of the private equity funds that benefit richly from that loophole.

Instead of using the partisan reconciliation process to fast-track these regressive policies and half-measures, it's time for Congress to engage in a real tax discussion with real Americans about what is best for their families and their futures.

Please do what's right for your constituents and oppose H.R. 1.

Sincerely,

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