September 13, 2018

U.S. House of Representatives
Committee on Ways & Means
1102 Longworth House Office Bldg.
Washington, DC 20515
Via email to: waysandmeans.submissions@mail.house.gov

Dear Chairman Brady, Ranking Member Neal, and Honorable Committee Members,

On behalf of Public Citizen’s more than 500,000 members and supporters, we write to urge you to oppose “Tax Reform 2.0,” in particular H.R. 6760 the “Protecting Family and Small Business Tax Cuts Act of 2018.” This damaging legislation doubles down on the economic inequities and national deficit issues that were exacerbated by the Tax Cuts and Jobs Act (TCJA) (Public Law No. 115-97). That legislation has done much to enrich wealthy shareholders, corporate CEOs and Wall Street bankers and has done little to assist average Americans. And, the hole in the budget these tax cuts are already leaving will lead to declining services for families that are suffering and fewer health care dollars for seniors and other vulnerable populations who need care. Instead of locking in provisions of the TCJA that rig the tax code toward the wealthy, we urge you to go back to the drawing board in a bipartisan fashion to have a real discussion about what would be best for Americans-- including which glaring loopholes in our tax code to close and how to grow revenues to provide real investment in our communities.

As was the case with the partisan TCJA legislation that was rushed through the legislative process, round two of tax giveaways is unfair, cruel, and disliked.

Tax cuts 2.0 is unfair because it further rigs our economy to benefit the wealthy in numerous ways. Study after study has shown just how much the first round of tax breaks were tilted toward the rich. It’s estimated that 83 percent of the benefits of those tax cuts will go to the top 1%.1 The Joint Committee on Taxation estimated that millionaires stand to gain handsomely from those changes, including the provision related to “pass-through” companies where almost a full half of the benefit will go to persons making $1 million or more, with that figure surpassing the halfway point by 2024.2 This when millionaires are only .3 percent of tax filers. H.R. 6760 would make permanent this windfall for the wealthy.

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1 Distributional Analysis of the Conference Agreement for the Tax Cuts and Jobs Act, TAX POLICY CENTER (December 18, 2017) https://tpc.io/2Bv5ylD.
And, as many Americans continue to struggle to regain their economic footing a full ten years after the Wall Street crash and Great Recession, it was unfair for the legislation to lower taxes on the top earners in our society, down from 39.6 percent to 37 percent. H.R. 6760 would permanently give this handout to the richest among us, leaving the rest of us to foot the bill for important government services.

Another huge benefit bestowed on the wealthy through the TCJA that would be made permanent in the tax cuts 2.0 package, was the weakening of the estate tax that doubled the exemption limits, meaning far fewer estates are subject to the tax than prior to passage of the first round of tax giveaways. The previous thresholds were far too generous, and by making permanent the increased exemption of more than $11 million (or $22 million-plus for married couples,) it will further entrench the ability of the “haves” in our society to hoard their wealth, and leave the rest of us to pick up the tab for government services that everyone depends on.

Just like the TCJA tax changes, round two of tax giveaways are cruel because senior citizens and working families will be made worse off through the passage of the legislation since decreasing government revenues will mean that funding for services like Medicare, Medicaid, nutrition services, and public education will be shortchanged. The first round of tax cut legislation will increase the U.S. deficit by $1.9 trillion over ten years. Tax cuts 2.0 will add an additional $2.8 trillion over the next ten years, 50 percent more than the first round. Just the first three years of tax cuts 2.0 would cost $630 billion. And, lawmakers have already brazenly called for cutting of social safety net programs that seniors and families depend on in order to fill the hole caused by these tax cuts that mainly benefit their wealthy and corporate campaign donors.

In addition to being unfair and cruel—or likely because of it—the tax cut legislation is disliked. Despite a momentary uptick, public opinion remains squarely against TCJA and approval of the law continues to decline. Even prominent Senators are speaking unfavorably about the law, Sen. Marco Rubio is quoted as saying, “[corporations] bought back shares, a few gave out bonuses; there’s no evidence whatsoever that the money’s been massively poured back into the American worker.” And, Sen. Corker reportedly remarked, “If it ends up costing what has been laid out here, it could well be one of the worst votes I’ve made.”

In addition to the cuts that will come down the line to services hardworking Americans depend on like health and education programs, much of the reason these tax cuts are so disliked is because they are a clear example of self-dealing because the people who are debating these laws stand to benefit richly from the changes. For example, many lawmakers have significant income from partnerships or limited liability companies where taxes “pass-through” and are filed by the owners on an individual basis, and a large number of President Trump’s own web of companies are formed as LLCs. These business owners now get a 20 percent deduction, subject to some complicated rules and thresholds that are ripe for gamesmanship and that have proven difficult for true small business owners to navigate. While, as noted previously, the majority of the benefit from this provision flows to

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millionaires. And, the heirs of President Trump and other billionaires’ and millionaires in the cabinet as well as in Congress stand to gain enormously from expanded exemptions for the estate tax. Round 2.0 of tax cuts would make these giveaways permanent.

Just like round one, round two of unfair, cruel, and disliked tax cuts are clearly the output of a corporate patronage system where campaign contributions go in one end and tax cuts come out of the other. Republican lawmaker Rep. Chris Collins shockingly admitted that his campaign donors were pressuring him to vote for the TCJA legislation. The “debate” around these tax cut bills has been heavily mired in the swamp that Trump’s base so clearly dislikes—Public Citizen research revealed the shocking statistic that more than 60 percent of all D.C. lobbyists weighed in on the first round of tax cuts—more than 7,000 individual lobbyists.

If Congress and the President truly care about helping everyday Americans through the tax code changes, they would actually close unpopular tax loopholes instead of opening up new ones and then making them permanent. For example, the carried interest loophole, which allows investment fund managers to pay a lower tax rate than teachers or construction workers was barely touched in round one. The same is true for the loophole that allows performance-based bonuses of more than $1 million dollars to be deducted for most employees receiving such exorbitant pay packages from financial firms or other hugely profitable companies. Round two could have been focused on closing these sorts of loopholes.

Americans have come together as a society and agreed to invest in services like health care, education, nutrition assistance, roads, first responders, courts and other essential government programs. But the fact remains that we need tax revenues to fund these services that we depend on and expect. To address that, the tax debate should also be looking at creating new sources of revenue such as by taxing Wall Street trades, among other things. A tax of only 3 cents for every $100 traded would create more than $417 billion in revenue over 10 years. Money that could easily be channeled toward greater investments in our communities that will improve the lives of everyone, not just wealthy shareholders or corporate CEOs.

In America, equal opportunity should mean using taxes to pay for a hand up when you need it, not a handout to the rich who already have so much in comparison. We urge you to oppose round 2.0 of tax cuts, repeal the Tax Cuts and Jobs Act and go back to the drawing board to come up with a real tax plan that will benefit all Americans, not just the few who need it the least.

Sincerely,

Lisa Gilbert
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Public Citizen’s Congress Watch division

Susan Harley
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