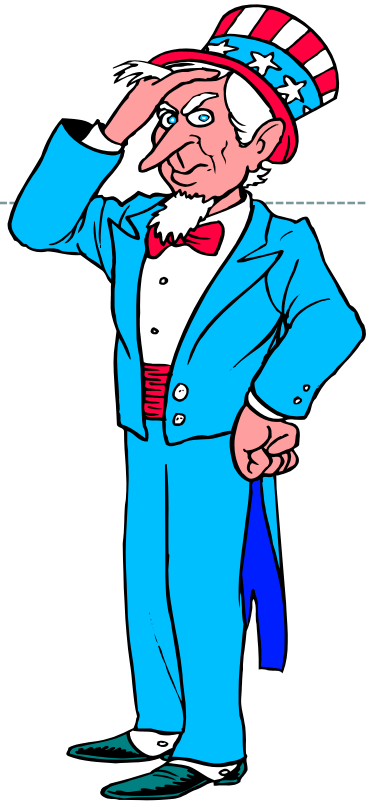


CTBA

Center for Tax and
Budget Accountability

70 East Lake Street
Suite 1700
Chicago, IL 60601
www.ctbaonline.org

“The 2017 Tax Cuts and Jobs Act”



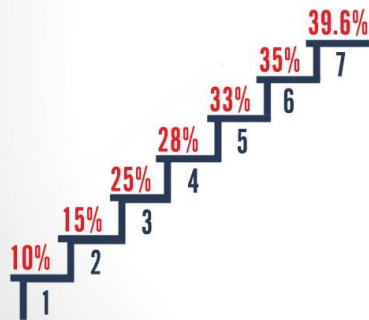
SATURDAY, JANUARY 13, 2018
TAX SCAM TEACH-IN
SKOKIE PUBLIC LIBRARY
5215 OAKTON ST, SKOKIE, IL 60077

Presented by:
Ralph M. Martire, Executive Director

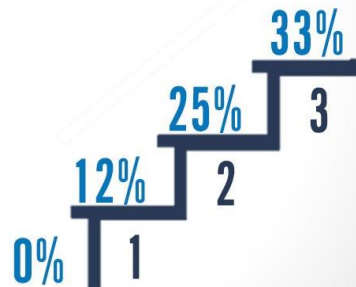
What Was Supposed to Happen: Simplification

2

THEIR WAY



A #BETTERWAY

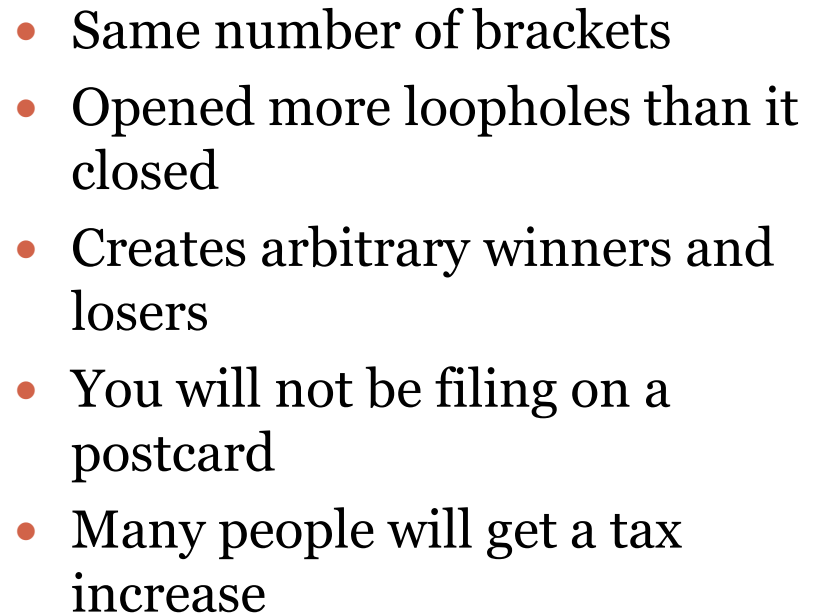


- Fewer income tax brackets
- Fewer loopholes
- So simple you could file on a postcard
- Everyone gets a tax cut

SIMPLE, FAIR "POSTCARD" TAX FILING

1	Wage and compensation income	1	
2	Add 1/2 of investment income	2	
3	Subtract contributions to specified savings plans	3	
4	Subtract standard deduction OR	4	
5	Subtract mortgage interest deduction	5	
6	Subtract charitable contribution deduction	6	
7	Taxable income	7	
8	Preliminary tax (from tax table)	8	
9	Subtract child credit	9	
10	Subtract earned income credit	10	
11	Subtract higher education credit	11	
12	Total tax	12	
13	Subtract taxes withheld	13	
14	Refund due / taxes owed	14	

3



What They Did: Individual Taxes

4

Changed Income Tax Rates Across Brackets

Prior Law			
Rates	Income by Filer		
	Single	HOH	Joint
10%	>\$0	>\$0	>\$0
15%	>\$9,525	>\$13,600	>\$19,050
25%	>\$38,700	>\$51,800	>\$77,400
28%	>\$93,700	>\$133,850	>\$156,150
33%	>\$195,450	>\$216,700	>\$237,950
35%	>\$424,950	>\$424,950	>\$424,950
39.6%	>\$426,700	>\$453,350	>\$480,050

New Law			
Rates	Income by Filer		
	Single	HOH	Joint
10%	>\$0	>\$0	>\$0
12%	>\$9,525	>\$13,600	>\$19,050
22%	>\$38,700	>\$51,800	>\$77,400
24%	>\$82,500	>\$82,500	>\$165,000
32%	>\$157,500	>\$157,500	>\$315,000
35%	>\$200,000	>\$200,000	>\$200,000
37%	>\$500,000	>\$500,000	>\$500,000

What They Did: Individual Taxes

5

Other details:

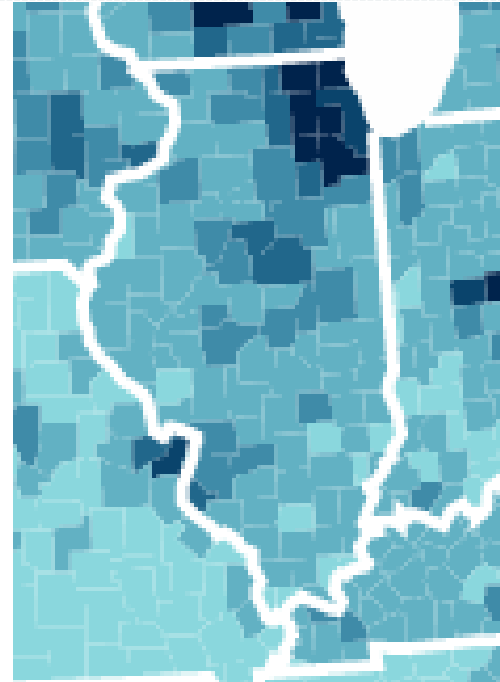
- Doubles standard deduction—but eliminates personal exemptions
- Increases Child Tax Credit
- Caps State and Local Tax Deduction at \$10,000 (increases taxes for approximately 8 million families)
- Reduces Alternative Minimum Tax
- Allows deduction for deposits into a 529 account for college savings

Source: Tax Policy Center, Tax Foundation

The State and Local Tax Deduction

6

- Capped at \$10,000
- Most people will be double-taxed
- May hurt state and local governments' ability to raise revenue for education and other crucial services
- In Illinois, suburbanites are most hard hit



In the 9th District, 41% of all taxpayers take SALT, with an average of \$16,900 in deductions.

Source: IRS

What They Did: Estate Taxes

7

- Doubled the exemption from:
 - \$5.5 M to \$11 M for individuals; and
 - \$11 M to \$22 M for couples
- Cost: over \$83 B in lost revenue
- Benefits: Wealthiest 0.2% of estates
- Under prior law, only 5,500 estates nationally would have estate tax liability

Source: Joint Committee on Taxation & Tax Policy Center

What They Did: Corporate Taxes

8

The tax law reduces the “statutory rate”—what corporations pay before deductions, credits, and loopholes—from 35% to 21%.

That will give corporations \$654 billion over the next 10 years—or 45 cents of every dollar of tax breaks in the law.

Other goodies:

- Repeals corporate Alternative Minimum Tax of 20%
- Allows full expensing through 2022
- Creates “Territorial” system rather than worldwide

Source: Tax Policy Center, Joint Committee on Taxation, Tax Foundation

What They Did: Corporate Taxes

9

Did the U.S. have an unusually high corporate income tax compared to other countries?
Not really.

Country	Effective Corporate Rate
Argentina	22.6%
Japan	21.7%
United Kingdom	18.7%
United States	18.6%
Brazil	17.0%
Germany	15.5%
India	13.6%
Mexico	11.9%
France	11.2%

Source: Congressional Budget Office

The Net for Corporations

10

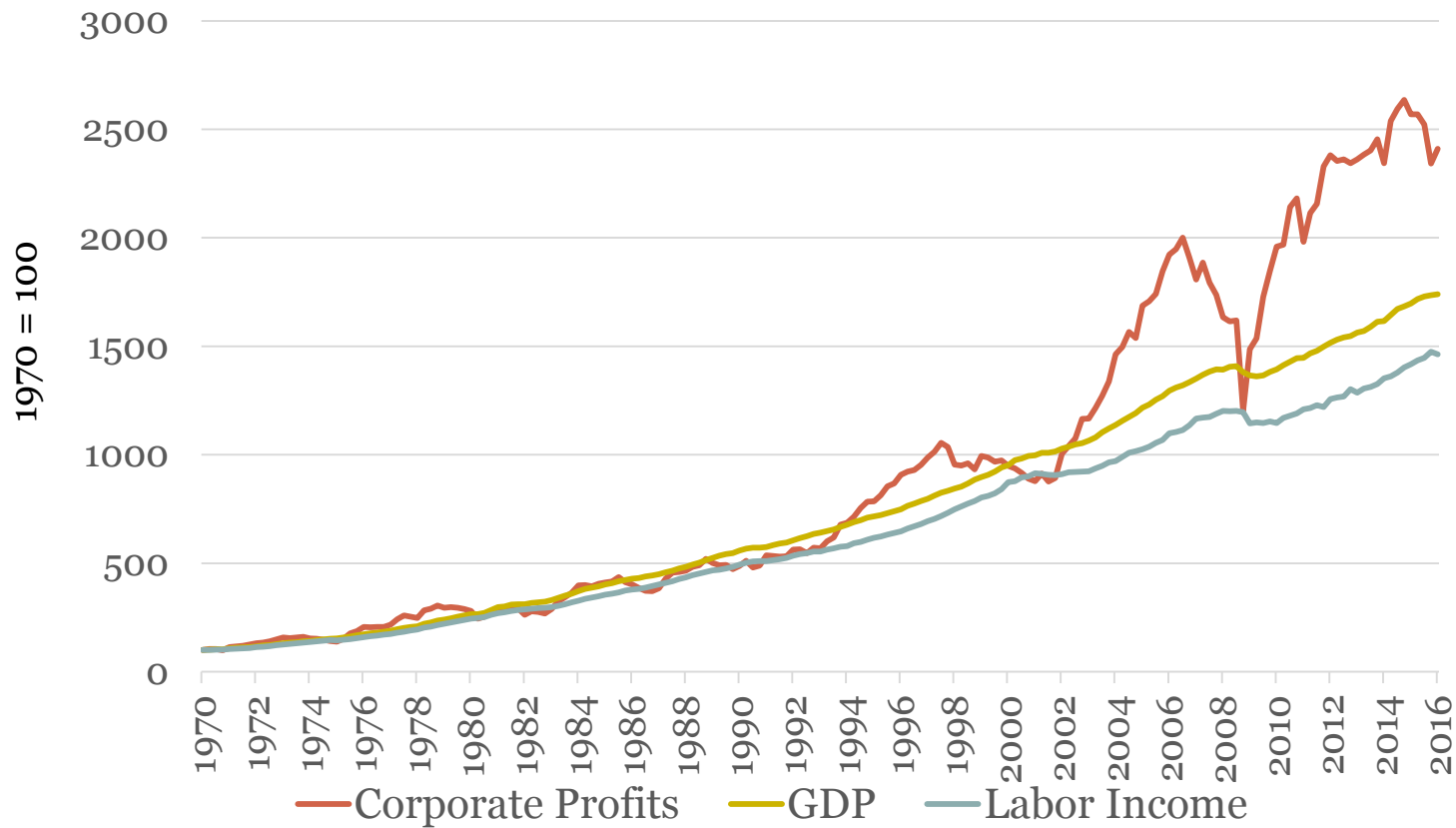
\$654 Billion in tax cuts over next 10 years

(Source: Joint Committee on Taxation)

Meanwhile: all business tax cuts are permanent, but tax cuts for individuals and families are temporary

But Corporate Profits Are Near an All Time High

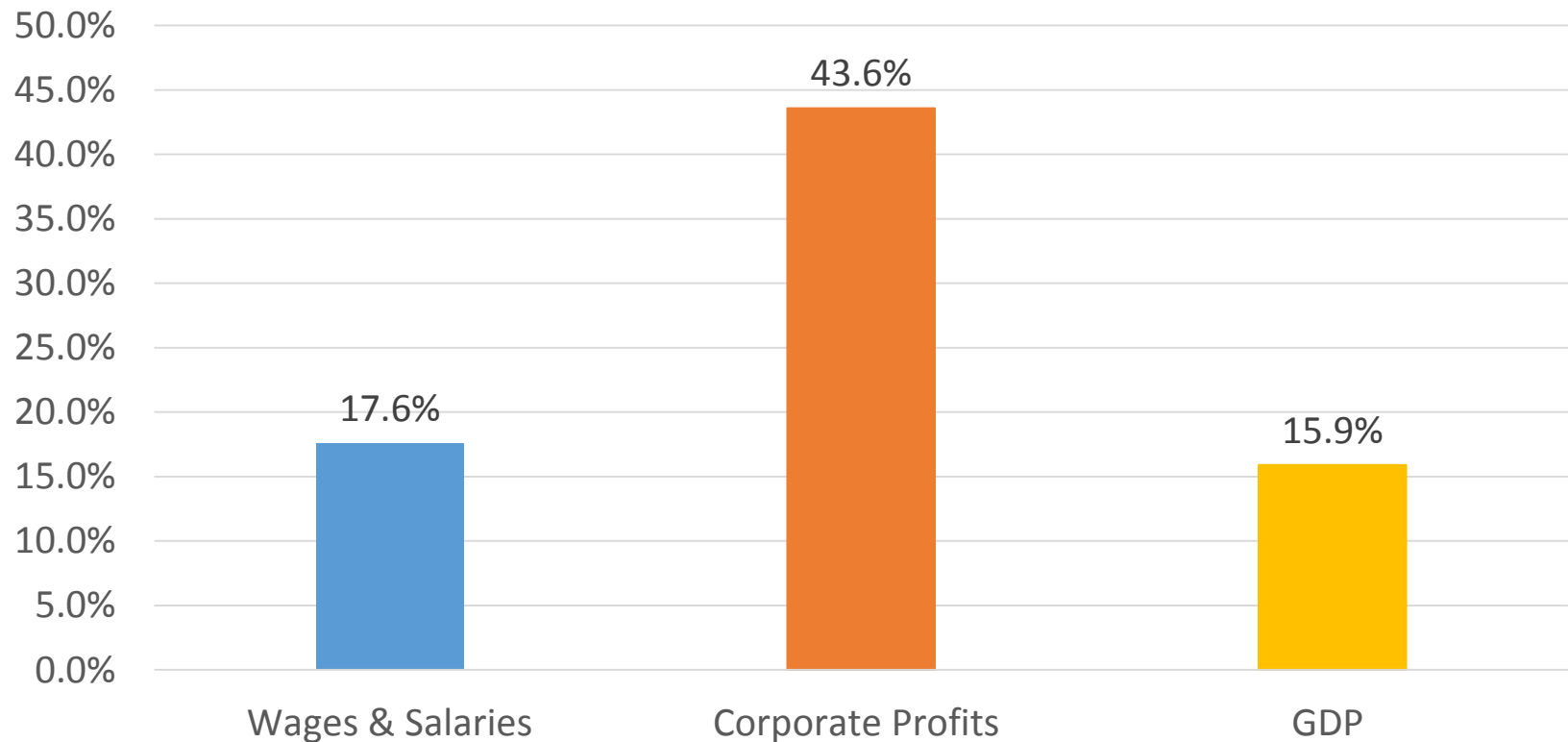
11



And Corporate Profits Have Outpaced Wage Growth

12

Percent Change in Growth Since the Great Recession
2009 (3rd Quarter) to 2013 (3rd Quarter)



Source: Bureau of Economic Analysis; Inflation Adjusted to CPI

ACA and the Individual Mandate

13

- The law ends the requirement that individuals buy insurance
- The healthy are most likely to opt out, increasing costs for those who buy insurance

Health
Care
.gov

The Net: Who Gets How Much, 2019

14

Approximate Income	Average Change in Take-Home Income
\$25,000	\$140
\$45,000	\$520
\$65,000	\$840
\$150,000	\$2,290
Over \$1 million	\$64,430

Source: Joint Committee on Taxation

Who Gets How Much, 2027

15

Approximate Income (2018 dollars)	Average Change in Take- Home Income
\$25,000	(\$440)
\$45,000	(\$300)
\$65,000	(\$140)
\$150,000	\$100
Over \$1 million	\$13,500

Source: Joint Committee on Taxation

Bottom Line

16

- Wealthiest 1% get 21% of tax relief in 2018, with an average benefit of \$51,000
- By 2027, taxes go up for 92 million middle class families including 69 million households making less than \$100,000 per year
- Meanwhile, in 2027, wealthiest 4.5% get \$17.5 billion in tax breaks—as families with earning under \$100,000 pay an extra \$27.4 billion in taxes

Source: Joint Committee on Taxation

This Worsens Income Inequality

17

The long-term trends in income distribution in America demonstrate growing disparity.

Change in Average US Income Accounted For By Income Group	
Income Group	1947 — 1979
Top 10%	34.1%
Bottom 90%	65.9%

Change in Average US Income Accounted For By Income Group	
Income Group	1979 — 2015
Top 10%	108.4%
Bottom 90%	-8.4%

Source: Economic Policy Institute's website: <http://stateofworkingamerica.org/who-gains/> Data used is from Piketty and Saez, "Income Inequality in the United States, 1913-1998", *Quarterly Journal of Economics*, 118(1), 2003, 1-39 (Tables and Figures Updated to 2015 in Excel format, January 2013), <http://eml.berkeley.edu/~saez/> .

Wealth Inequality

18

Earning Level	National Wealth Held
Bottom 90%	23%
Next 9%	38%
Top 1%	39%

*** Top 3% of Americans hold 50% of all wealth**

Source: Picketty & Saez

Which Makes no Sense from Capitalist, Fiscal or Economic Standpoint

19

Adam Smith, the father of modern capitalism, contended that for a tax system to be fair it has to be progressive

- According to Smith:

"The subjects of every state ought to contribute toward the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state ...[As Henry Home (Lorde Kames) has written, a goal of taxation should be to] 'remedy inequality of riches as much as possible, by relieving the poor and burdening the rich.'"

And it will Blow Up Deficits While Making the Tax System Less Fair

20

These cuts are paid for with deficits—and, within a few years, with tax increases on middle- and working-class families.

- Increases deficit by \$1-\$2.3 trillion over 10 years, depending on economic growth forecasts
- In 2027, average worker earning \$40,000 will pay an extra \$300; average millionaire will save \$13,500

Source: Center for Budget and Policy Priorities and Joint Committee on Taxation

And Threatening Social Security and Medicare

21


- The law creates up to \$1.5 trillion in deficits.
- These deficits will be used as justification to cut spending on crucial services.



What About Supply Side Economics?

22

Lowering tax rates on affluent folks will “Trickle Down” and benefit everyone because:

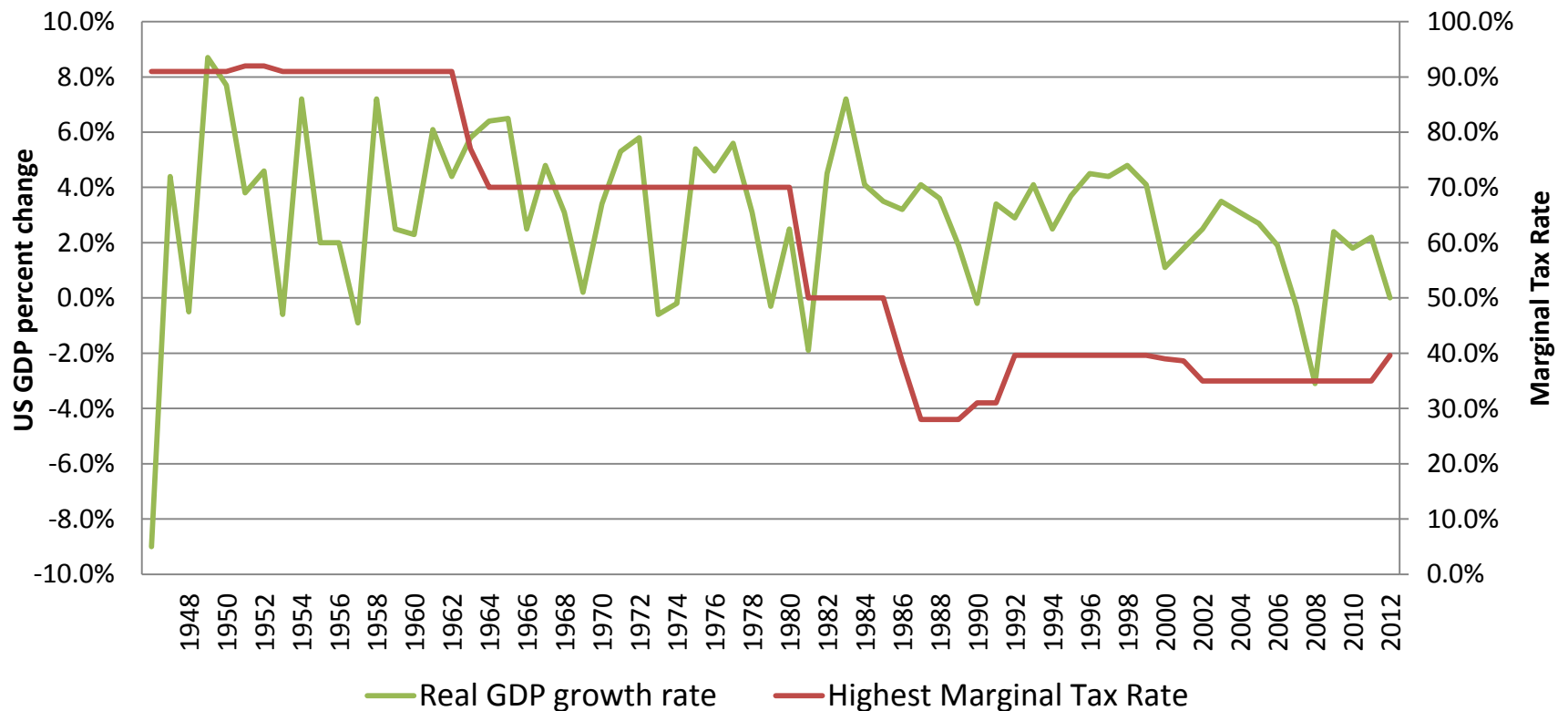
- It will stimulate increased economic growth (by freeing up the income of rich folks to invest in creating jobs).
- This enhanced growth benefits everyone (i.e. “trickles down”) in the form of faster/better quality job growth.
- Economic and individual income growth will be so much greater that—despite cutting taxes on top earners—revenue will at worst be undiminished, but most likely grow  So no deficit problems.

THE TRUTH

No Correlation Whatsoever Between Tax Rates and GDP Growth

23

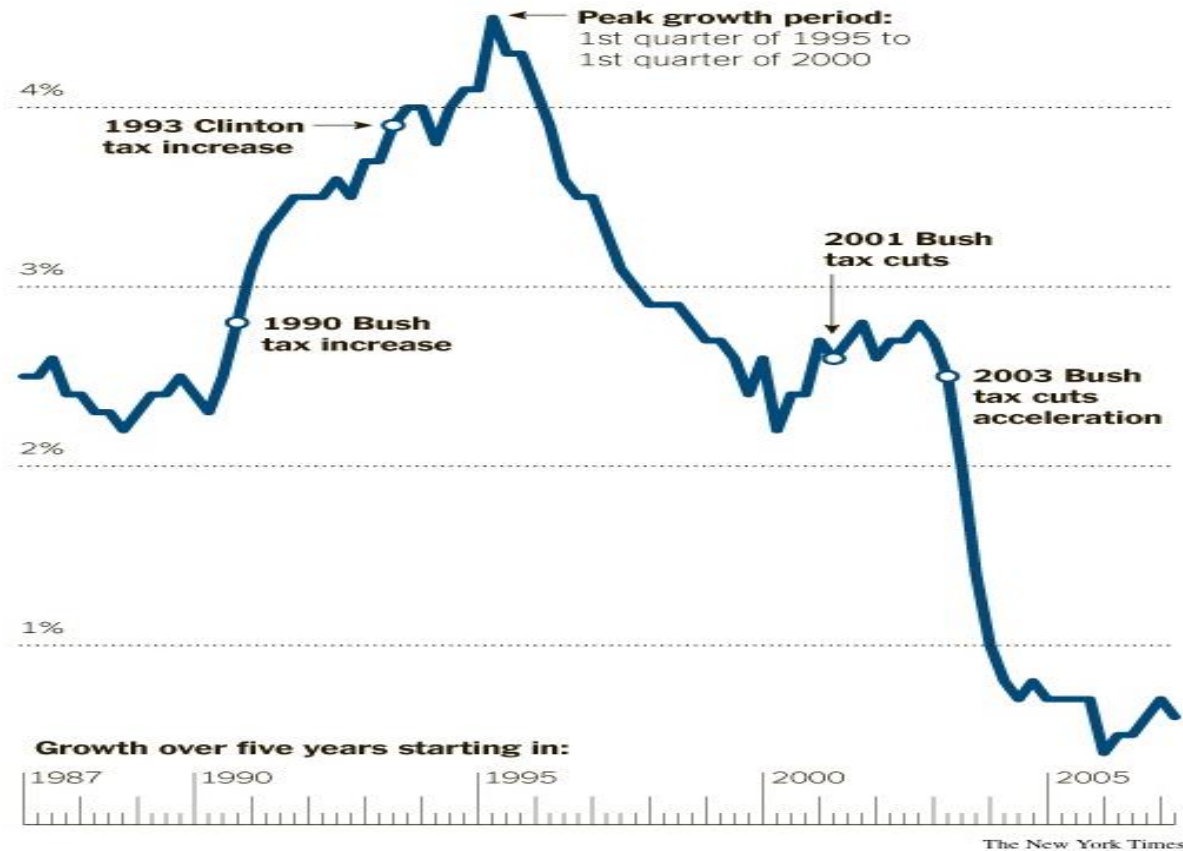
US GDP Percent Change and Highest Marginal Personal Income Tax Rate 1947-2013



CTBA Analysis of BEA data.

Consider the Facts

24



Source: Bureau of Economic Analysis, via Haver Analytics

Henry Blodget, Bombshell: New Study Destroys Theory That Tax Cuts Spur Growth, September 21, 2012 <http://www.businessinsider.com/study-tax-cuts-dont-lead-to-growth-2012-9>

Just Ask

25

- Joel Slemrod, senior tax policy advisor to President Reagan's Council of Economic Advisors, who said there's: *"No clear connection between lower rates and higher growth. Can tax cuts pay for themselves? The evidence overwhelmingly suggests this is not true."* Wall Street Journal, Oct. 1, 2017
- Bruce Bartlett, policy advisor to President Reagan who worked on the 1981 tax cuts, who said *"Trump is wrong, tax cuts don't equal growth."* Washington Post, Sept. 28, 2017

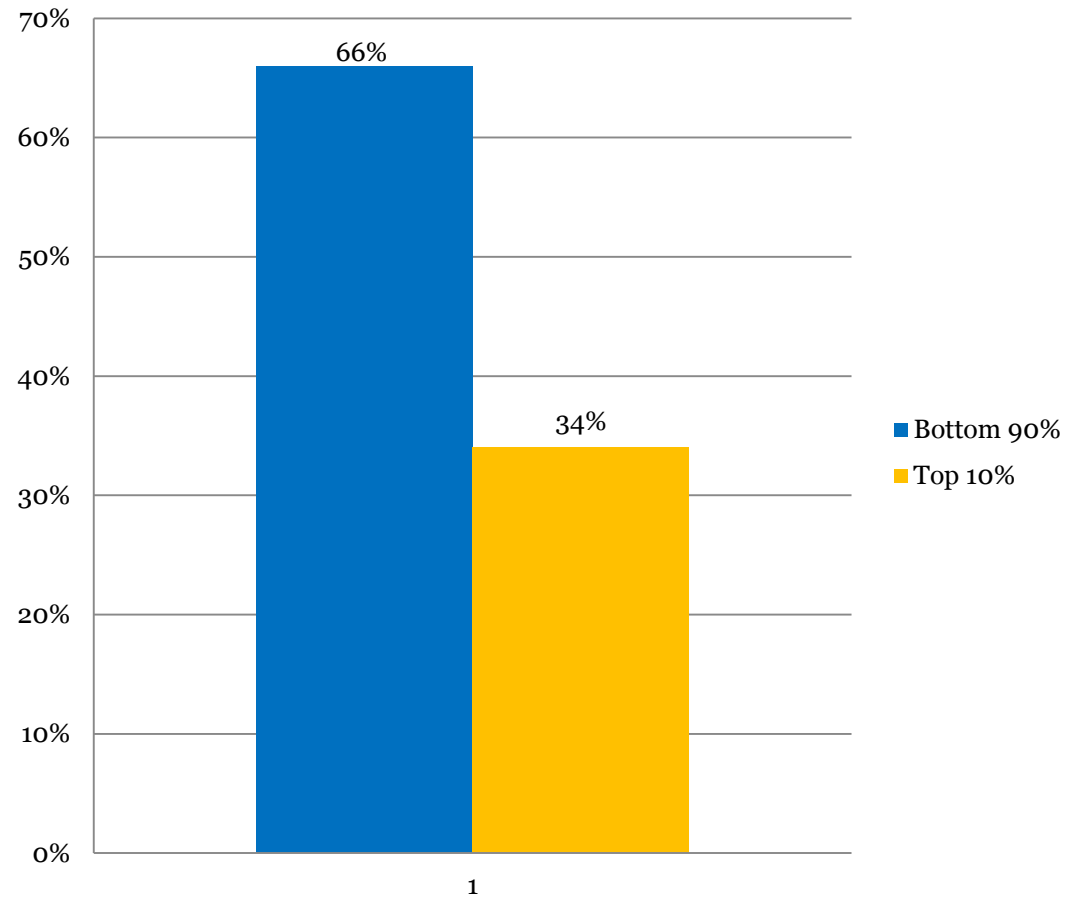
Pre-Supply Side

26

From 1947 – 1980:

- 1. Federal income tax rates for wealthy 70-92%**
- 2. Real Annual GDP increased by an average of 3.8 Percent - per year (BEA) —while....**

3. Income Distribution Went



Go Gipper Go

28

Then Came the Reagan Revolution! (Which implemented supply side)

- Woo Hoo – Marginal Tax Rates for the Wealthy cut
 - From 71% to 38.5% by “RR” in 1981; and again
 - From 38.5% to 35% by “W” in 2001

Pretty Darn Good Sample Size

29

That means we've had a 30-year test period
for Supply Side Tax Policy

 So, did these tax cuts spur growth?

From 1981 – 2007 (Pre-Great Recession)

30

- 
- The image contains four overlapping 3D line graphs, each with a blue grid and a blue arrow pointing downwards, symbolizing a decline. They are arranged in a vertical stack on the left side of the slide.
1. Real Annual GDP growth **declined** from 3.8% to 2.8% (in 2011 that'd be \simeq \$150 billion less in activity).
 2. Income distribution went

2. Income inequality Got Worse

Change in Average US Income Accounted For By Income Group	
Income Group	1979 — 2015
Top 10%	108.4%
Bottom 90%	-8.4%
Source: Economic Policy Institute's website: http://stateofworkingamerica.org/who-gains/ Data used is from Piketty and Saez, "Income Inequality in the United States, 1913- 1998", <i>Quarterly Journal of Economics</i> , 118(1), 2003, 1-39 (Tables and Figures Updated to 2011 in Excel format, January 2013), http://elsa.berkeley.edu/~saez/ .	

3. And Federal Deficits Exploded





REAGANOMICS

"We told them the wealth would 'trickle down!'"

DIYDESPAIR.COM

For More Information

33

Center for Tax and Budget Accountability

www.ctbaonline.org

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