Tax Alliance for ECONOMIC MOBILITY

Tax Alliance for Economic Mobility Statement on Tax Cuts “2.0”

by Tax Alliance for Economic Mobility | Sep 27, 2018 | Statement

As a coalition comprised of over 40 diverse members, including racial justice advocates, child advocates, asset-building advocates, tax reform experts and researchers, the Tax Alliance for Economic Mobility works to identify near- and long-term policy priorities to create economic opportunities for lower-income households through the U.S. tax code. We believe in a tax code that works for everyone—helping to lift low-income families out of poverty rather than taxing them further into it— and is accessible, simple and transparent so that it benefits middle and working-class families, as well as families with low-incomes, as much as it benefits the wealthiest families. In other words, we believe that the tax code should be fair.

Unfortunately, the Tax Cuts 2.0 package falls short of these tenets and will not help everyday American families build financial stability. Through the Tax Cuts and Jobs Act (TCJA), Congress had the opportunity to preserve and expand on policies that help working-class families get ahead instead of falling further behind, yet the proposed Tax Cuts 2.0 package would further exacerbate our already upside-down tax code. Even more unfortunate, the individual rate provision, outlined in H.R. 6760, would double down on the racial inequity created by the TCJA as permanent individual tax cuts would disproportionately accrue to wealthy, mostly White households leaving low-wealth communities of color further behind.

According to the bipartisan Tax Policy Center, the top one percent of households are set to receive an average tax cut of more than $40,000 in 2026. Meanwhile, the bottom 60% of households—middle and working-class, as well as families with low-incomes—would see their tax cuts total just over $400, on average.

Furthermore, Universal Savings Accounts (USAs) proposed in the Family Savings Act (H.R. 6757), while well-intentioned, would do little for families who need the most help saving. Households in the top one percent of wealth have a median amount of $5.5 million in assets they could shift into a USA over time, while households within the middle 60% have just $900.[1] More generous than traditional tax-preferred Roth IRAs, these accounts would allow wealthy families to shift savings from a taxable account to a tax-free USA, costing the federal government tax revenue. The Joint Committee on Taxation estimates that the USA provision would cost $8.6 billion over ten years.[2] We believe there's a better way to help families save without compromising federal revenue. True reform means expanding proven wealth-building credits like the Earned Income Tax Credit and using the tax code to help working families build emergency savings.

Workers and their families want a Congress that is on their side when it comes to tax reform—not a Congress that changes the rules to benefit the wealthy and the biggest corporations. Recent polling shows how few Americans see any meaningful benefit from the TCJA, with more than half reporting they see no change in their paychecks.[3] We urge the House to avoid passing the Tax Cuts 2.0 package, and we hope to work with the next Congress on creating a more equitable tax code that will expand opportunity for everyone, across the country.

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Young Invincibles

Melany De La Cruz-Viesca, UCLA Asian American Studies Center

"This statement was developed by the Tax Alliance for Economic Mobility and is representative of its guiding principles, however it may not reflect the views of every individual member of the Alliance."

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[1] Center on Budget and Policy Priorities, "'Universal Savings Account' Proposal in New Republican Tax Bill Is Ill-Conceived", September 19, 2018, https://www.cbpp.org/research/federal-tax/universal-savings-account-proposal-in-new-republican-tax-bill-is-ill-conceived#_ftn11.

[2] The Joint Committee on Taxation, "Estimated Revenue Effects of H.R. 6757, The "Family Savings Act Of 2018," Scheduled For Markup By The Committee On Ways And Means on September 13, 2018," September 12, 2018, https://www.jct.gov/publications.html?func=startdown&id=5141

[3] “CNBC All-America Economic Survey: CNBC’s Steve Liesman: Trump’s Approval Ratings Dip Amid Opposition to Tariffs and Little Change from Tax Cuts,” *CNBC*, March 27, 2018, https://www.cnbc.com/2018/03/27/cnbc-all-america-economic-survey-cnbcs-steve-liesman-trumps-approval-rating-dips-amid-opposition-to-tariffs-and-little-change-from-tax-cuts.html.

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