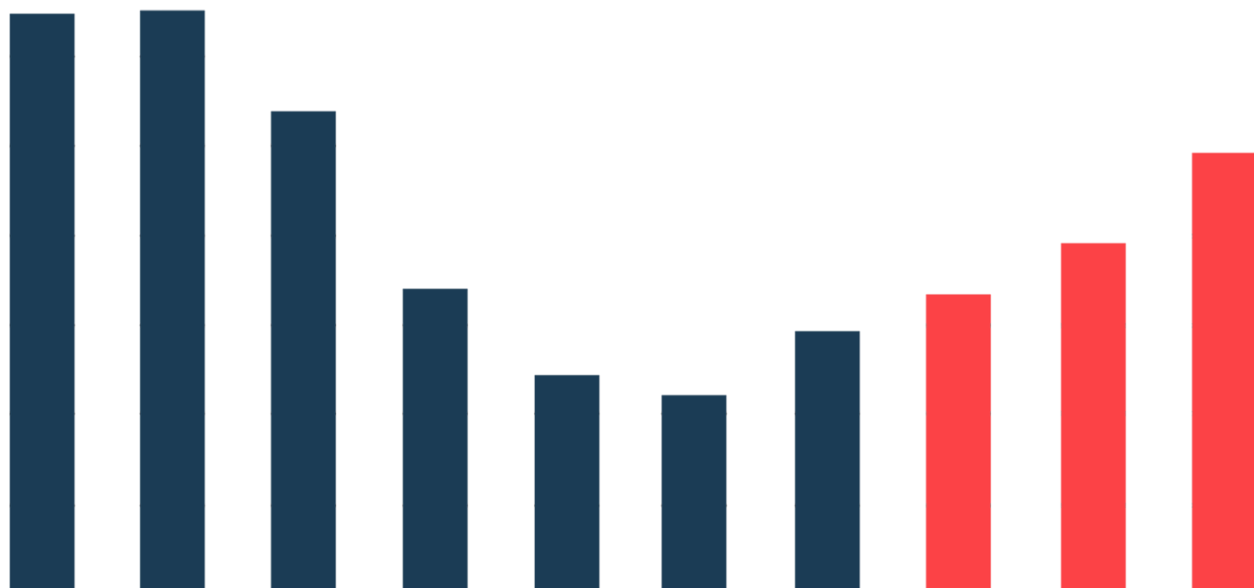


CHARTBOOK:

Trump-GOP Tax Cuts Failing Workers & The Economy



AMERICANS FOR
TaxFairness

September 2020 Update 2

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Americans for Tax Fairness is a diverse coalition of 425 national and state endorsing organizations that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.

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CHARTBOOK: TRUMP-GOP TAX CUTS FAILING WORKERS & THE ECONOMY

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TRUMP-GOP TAX CUTS FAILING WORKERS & THE ECONOMY

Eight principal promises about the benefits of the Trump-GOP tax overhaul that helped speed its enactment in late 2017 failed to come true prior to the coronavirus pandemic, which began to negatively affect the economy in the first quarter of 2020. Before this point—two full years into the Republican tax plan (officially named the Tax Cuts and Jobs Act (TCJA)) we saw predictions about who would benefit most from the tax cuts (including a \$4,000 family pay-raise guarantee), how much they would cost and how much the economy would grow all proven false, as detailed in this report.

- **PROMISE: It will be a middle-class tax cut.**

REALITY: The richest 1% of taxpayers will get an average tax cut of \$50,000 in 2020, over 75 times more than the tax cut for the bottom 80%, which will average \$645. [Figure 1] The richest 1% will receive a total of \$78 billion in tax cuts in 2020—about equal to what the bottom 80% will get. [Fig. 2] A big reason: corporations, which are mostly owned by the wealthy, got a huge tax cut. Ninety-one profitable Fortune 500 corporations paid no federal incomes taxes in 2018 [Fig. 4] and 379 paid an effective tax rate of just 11.3%.

- **PROMISE: Wealthy people—like Donald Trump—won’t benefit from the tax cut.**

REALITY: President Trump and his family will benefit personally by millions of dollars from at least five features of the law. [Fig. 6]

- **PROMISE: Working families will quickly get a \$4,000 to \$9,000 raise.**

REALITY: The big raises Trump and his aides promised corporations would give private sector workers after the corporate tax cut have failed to materialize. Workers saw modest pay increases of about \$600 in each of the two years following enactment of the tax law—slightly less than occurred during the final two years of the Obama administration. [Fig. 7]

- **PROMISE: Small businesses will receive a big tax cut.**

REALITY: 35% of the so-called “small” business tax cut is going to the 1% of business owners with \$1 million or more in annual income. Just 14% of the “small” business tax cuts went to the two-thirds of business owners making \$100,000 or less a year. [Fig. 9]

- **PROMISE: The economy will grow by 4%, 5%, or 6%.**

REALITY: Economic growth (GDP) since the tax law was enacted has been in line with the Obama years. Growth has not surpassed 3% under Trump—after the tax cuts it averaged 3.0% in 2018 and just 2.2% in 2019. [Fig.10]

- **PROMISE: Tax cuts will pay for themselves.**

REALITY: The tax cuts will add \$1.9 trillion to the national debt. Conservatives claimed the law’s lower tax rates would raise a lot more revenue. But the deficit has exploded, reaching nearly \$1 trillion in 2019, up more than 70% since Obama’s last year in office. [Fig. 11]

- **PROMISE: The pace of job growth will quicken.**

REALITY: Monthly job growth has averaged 185,000 over the last two years. Job growth in the last two years of the Obama Administration averaged 211,000 a month. [Fig. 12]

- **PROMISE: Business investment will boom.**

REALITY: After a growth spurt in the first quarter of 2018, the rate of new capital investment declined, coming in flat at 0.0% for the second quarter in 2019 and then falling into negative territory in the last quarter. Corporations mostly used their tax cuts to further enrich their wealthy CEOs and shareholders through record stock buybacks. [Figs. 14-15]

1. THE PROMISE: IT WILL BE A MIDDLE-CLASS TAX CUT

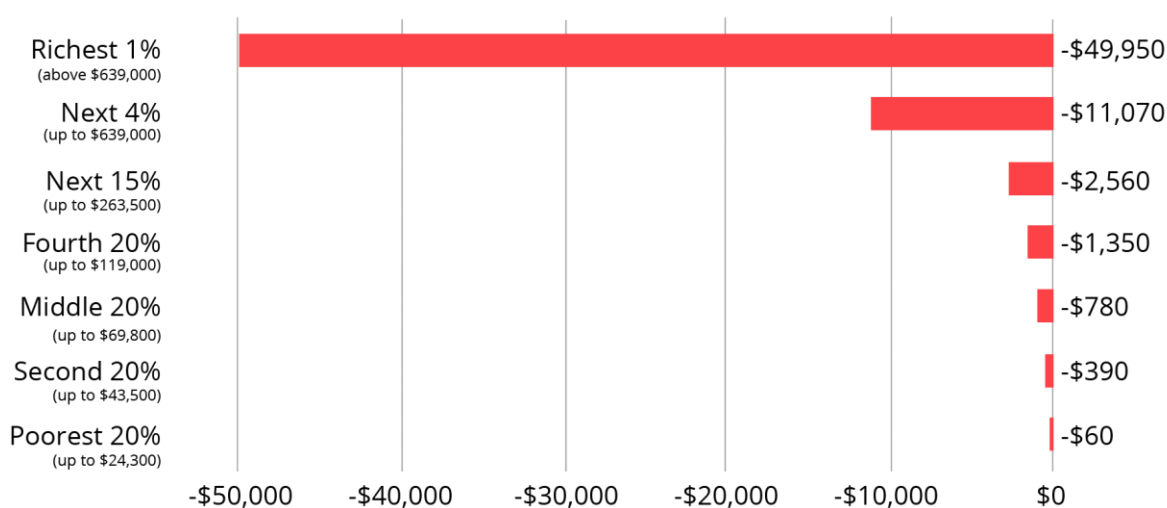
“Our framework ensures that the benefits of tax reform go to the middle class, not to the highest earners.” – President Trump, Oct. 11, 2017 [[USA Today](#)]

“The rich will not be gaining at all with this plan.”
– President Trump, Sept. 13, 2017 [[The Guardian](#)]



FIGURE 1: TAX CUT FOR RICHEST 1% DWARFS OTHERS

Average Tax Cuts by Income Group, 2020



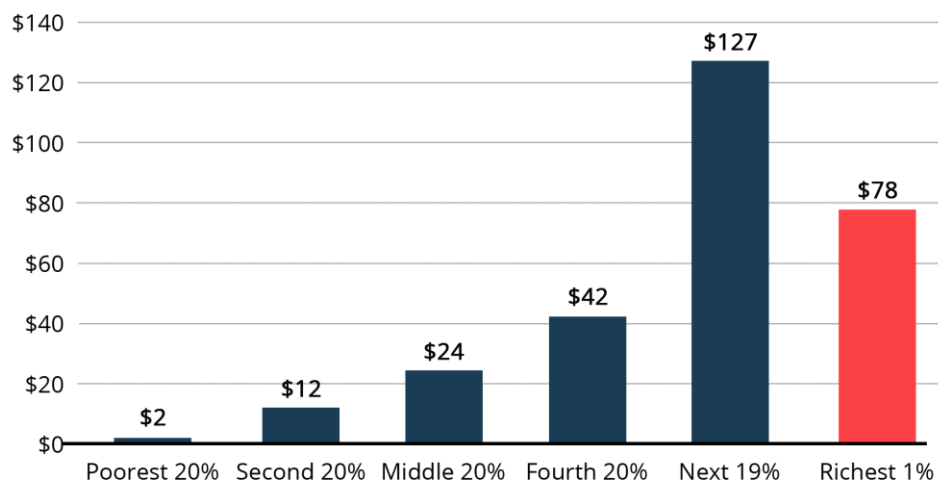
Source: Institute on Taxation and Economic Policy (ITEP), “TCJA by the Numbers, 2020.” <https://itep.org/tcja-2020/>

The richest 1% of taxpayers will get an average tax cut of \$50,000 in 2020 from the Trump-GOP tax cuts. That’s over 75 times more than the tax cut for the bottom 80% of taxpayers, which will average \$645.

These figures are comparable to estimates from the Tax Policy Center for 2018, which found the average tax cut for the richest 1% to be \$51,000 and the average tax cut for the bottom 80% to be about \$800. [[Table 1, “All Provisions”](#)]

FIGURE 2: TRUMP-GOP TAX CUTS MOSTLY BENEFIT THE WEALTHY

Total Tax Change in Billions of Dollars, 2020

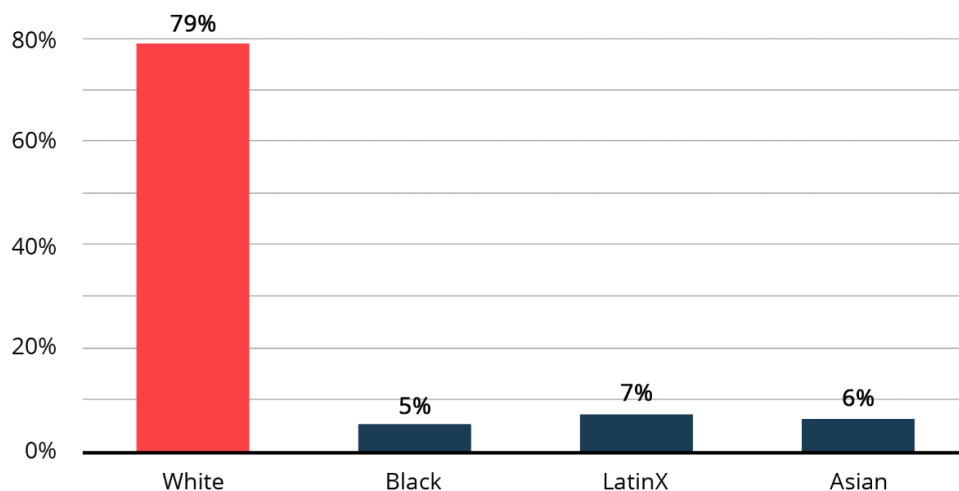


Source: ITEP, "TCJA by the Numbers, 2020." <https://itep.org/tcja-2020/>

In 2020, the richest 1% will receive a total of \$78 billion in tax cuts from the Trump-GOP tax law—more than a quarter of the total. That's about the same amount as the bottom 80% of taxpayers will get.

FIGURE 3: RACIAL MINORITIES GET LITTLE OF THE TRUMP-GOP TAX CUTS

Share of Tax Cuts by Race, 2020



Source: ITEP, "TCJA by the Numbers, 2020." <https://itep.org/tcja-2020/>

The Trump-GOP tax cuts disproportionately benefit white Americans at the expense of other racial groups. In 2020, whites will make up 67% of tax filers but will garner 79% of the tax cuts. On the other hand, African Americans will comprise 10% of all filers yet only receive 5% of the benefits. Latinx will be 12% of filers but get only 7% of the tax savings.

**FIGURE 4: 91 CORPORATIONS PAID ZERO FEDERAL INCOME TAXES
IN 2018**

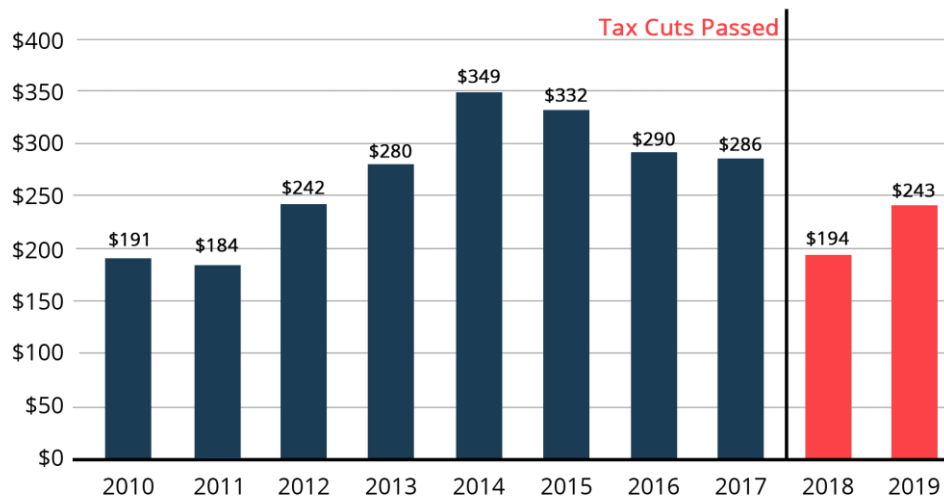


Source: ITEP, "Corporate Tax Avoidance in the First Year of the Trump Tax Law." Dec. 2019. <https://bit.ly/34t3HDg>

The Trump-GOP tax cuts were focused first and foremost on cutting corporate income taxes. The law slashed the U.S. corporate tax rate on domestic profits from 35% to 21% and on foreign profits to about 10%. The law expanded the ability to write off equipment purchases, and granted corporations other big favors, but it did not close corporate tax loopholes. As a result, 91 profitable Fortune 500 corporations paid no U.S. corporate income taxes in 2018. Moreover, 379 profitable corporations paid an effective federal income tax rate of just 11.3% on their 2018 income, slightly more than half the 21% corporate tax rate—which already had been slashed down from 35% in 2017.

FIGURE 5: CORPORATE TAX REVENUES HAVE SHRUNK

Federal Corporate Tax Revenues, 2010-2019
\$ Billions



Source: Federal Tax Receipts from U.S. Treasury, Monthly Treasury Statements, Table 7. Fiscal year monthly data presented on a calendar basis. <https://www.fiscal.treasury.gov/reports-statements/mts/previous.html>

Corporate tax revenue has shrunk considerably due to the GOP tax cuts. It fell by nearly one-third, or \$92 billion, the year after the tax law was enacted. It remained at a depressed level in 2019.

2. THE PROMISE: WEALTHY PEOPLE LIKE DONALD TRUMP WON'T BENEFIT FROM THE TAX CUT

"This is going to cost me a fortune, this thing, believe me. This is not good for me. Me, it's not so – I have some very wealthy friends. Not so happy with me, but that's OK. You know I keep hearing Schumer: 'This is for the wealthy.' Well, if it is, my friends don't know about it." – President Trump, Nov. 29, 2017 [[New York Times](#)]



FIGURE 6: HOW TRUMP PERSONALLY BENEFITS FROM HIS TAX CUTS



The top individual tax rate was cut to 37% from 39%. As a billionaire, Trump is undoubtedly in the top bracket.

As a big stock market investor, Trump is benefitting from the huge corporate tax cuts.



Trump could save between \$11-22 million from the cut in the business "pass-through" tax rate.

Trump's family could save \$4 million from weakening of the estate tax.



Trump will profit from real estate loopholes the new law failed to close, plus a few it added.

Source: Americans for Tax Fairness, "How Trump Benefits from the New Trump-GOP Tax Law," Dec. 22, 2017. <https://americansfortaxfairness.org/wp-content/uploads/How-Trump-Benefits-from-the-Trump-GOP-Tax-Law-12-22-17-FINAL.pdf>

3. THE PROMISE: WORKING FAMILIES WILL GET A \$4,000 TO \$9,000 RAISE

“My Council of Economic Advisors estimate that [changes in the taxation of offshore profits], along with a lower business tax rate, would likely give the typical American household around a \$4,000 pay raise.” – President Trump, Oct. 11, 2017 [[YouTube](#)]

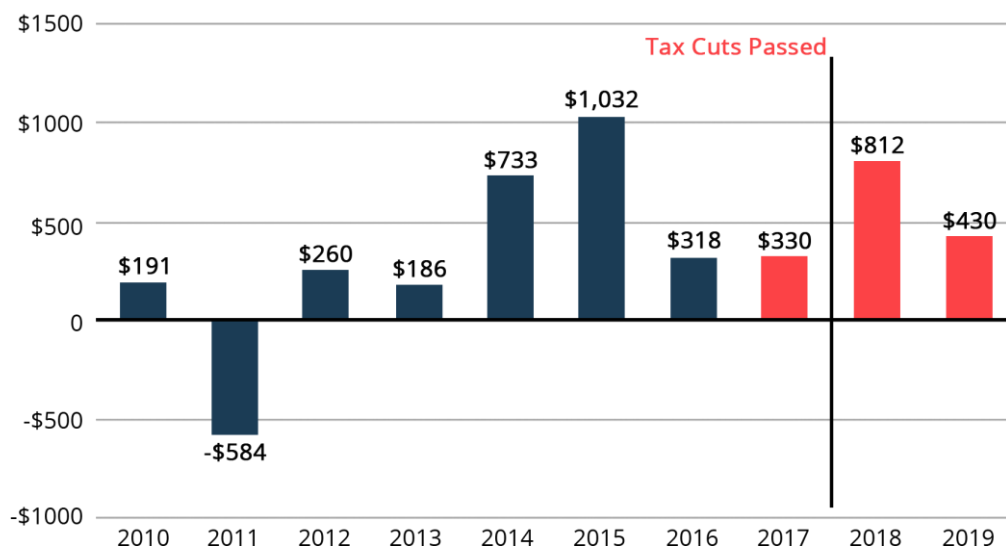
“When we use the more optimistic estimates from the literature, wage boosts are over \$9,000 for the average U.S. household.” – [Council of Economic Advisers](#) (CEA), Oct. 2017

“I would expect to see an immediate jump in wage growth.”
– CEA Chairman Kevin Hassett, Oct. 16, 2017 [[Washington Post](#)]



FIGURE 7: WAGE GROWTH HAS NOT ACCELERATED

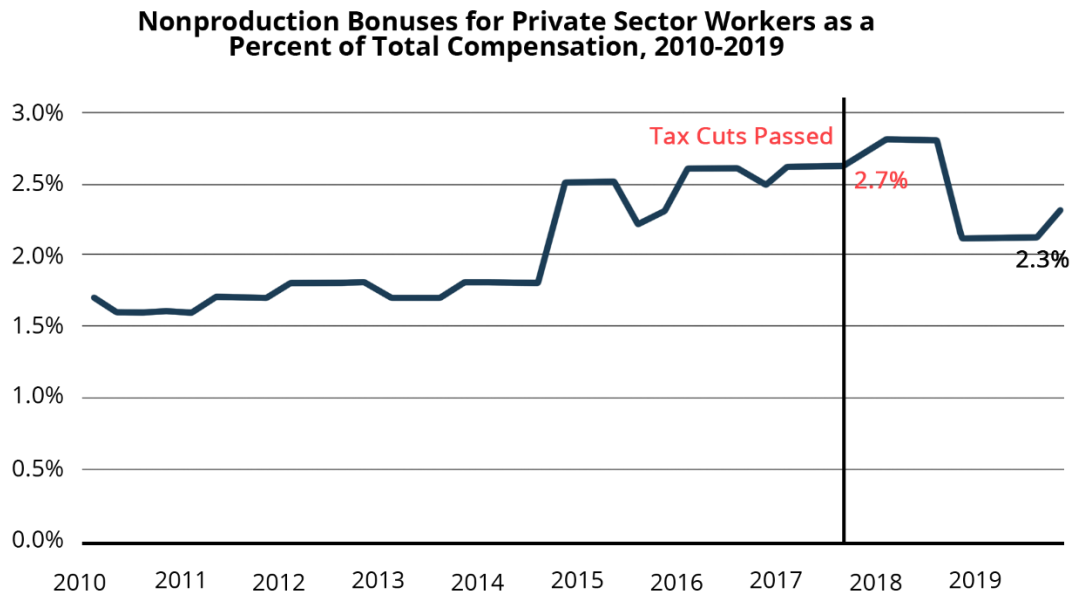
Yearly Increase in Full-Time Equivalent Annual Wages



Source: Bureau of Labor Statistics, Current Employment Statistics (CES), Average Hourly Earnings of All Private Sector Employees. Figures are from December, adjusted to 2019 for inflation by the CPI-U and presented on a Full Time Equivalent (FTE) basis. <https://www.bls.gov/data/>

The big raises President Trump and his aides promised corporations would give private sector workers after the corporate tax cut have failed to materialize. Workers saw modest pay increases of about \$600 in each of the two years following enactment of the tax law. This was slightly less than occurred during the final two years of the Obama administration.

FIGURE 8: BONUSES ARE DOWN SINCE TRUMP-GOP TAX CUTS



Source: [Economic Policy Institute](#). Data from BLS, "Employer Costs for Employee Compensation Historical Listing National Compensation Survey." Table 9 Private Industry Workers, p. 194. <https://www.bls.gov/web/ecec/ececqrtn.pdf>

[Highly publicized bonuses](#) announced soon after enactment of the Trump-GOP tax law in 2017 were offered as evidence that the corporate tax cuts were good for workers. But after 24 months the data show that bonuses as a share of total compensation fell significantly.

4. THE PROMISE: SMALL BUSINESSES WILL RECEIVE A BIG TAX CUT

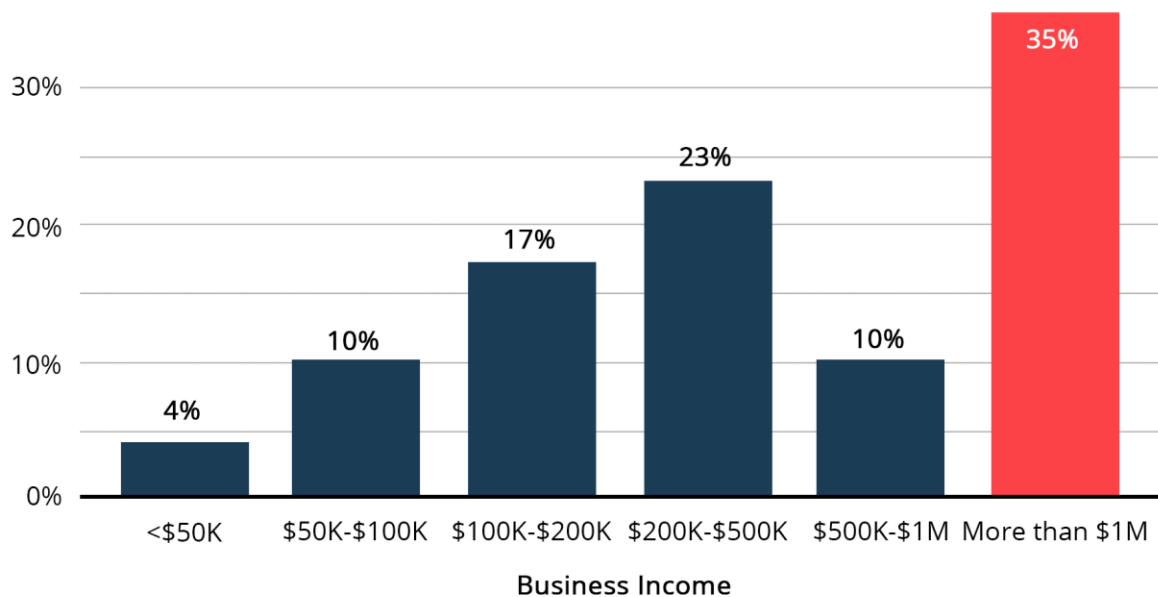
“The large number of pass-through returns, [98 percent], are all \$500,000 or less. Those people will get substantial reductions — small and medium-size businesses.”

– Treasury Secretary Steven Mnuchin, Nov. 17, 2017 [[CNBC](#)]



FIGURE 9: “SMALL” BUSINESS TAX CUTS LARGELY GOING TO THE WEALTHY

Distribution of Pass-Through Deduction Tax Savings in 2018



Source: Internal Revenue Service, SOI Tax Stats 2018, “Qualified Business Income Deduction.”

<https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-with-small-business-income-and-losses>

More than one-third of this so-called “small” business tax cut went to the 1% of business owners with \$1 million or more in annual income in 2018, according to IRS data. Just 14% of the “small” business tax cuts went to business owners making \$100,000 or less a year. Yet, they comprise more than two-thirds (68%) of small businesses.

This tax break pertains to “pass-throughs,” which are unincorporated businesses ranging from corner groceries to big law firms. They do not pay corporate income taxes. Instead, profits pass through to the owners who pay any tax due on their personal returns at individual rates. The Trump-GOP tax law allows (with many complex exceptions) owners of pass-throughs to exclude 20% of their business income from taxation. Such a deduction is more valuable the higher the tax bracket: it in essence lowers the top tax rate from 37% to under 30%.

5. THE PROMISE: THE ECONOMY WILL GROW BY 4%, 5%, or 6%

"The economy now is at 3% [GDP]. Nobody thought it would be anywhere close. I think we could go to 4, 5, and maybe even 6%, ultimately."

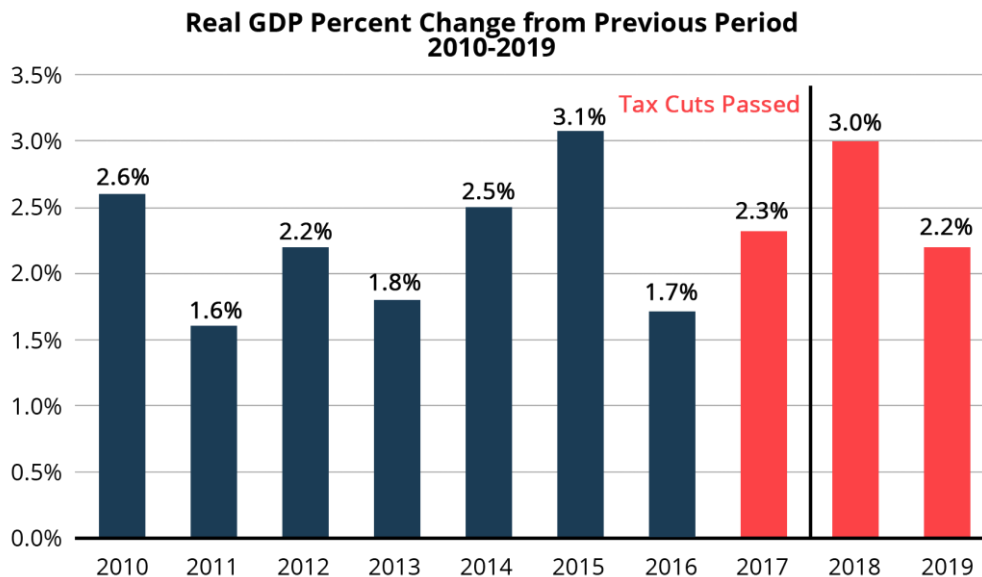
– President Trump, Dec. 16, 2017 [[Real Clear Politics](#)]

"This huge tax cut will be rocket fuel for our economy."

– President Trump, Sept. 29, 2017 [[Wall Street Journal](#)]



FIGURE 10: TRUMP'S ECONOMIC GROWTH IS SIMILAR TO OBAMA'S



Source: Bureau of Economic Analysis (BEA), "National Accounts (NIPA): Section 1, table 1.1.1, line 1, "Percent Change From Preceding Period in Real Gross Domestic Product"

<https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=2&isuri=1&1921=survey>

President Trump made boastful predictions of perhaps doubling the pace of economic growth with the big boost to Gross Domestic Product (GDP) he predicted from his tax cuts. The reality has been GDP growth is in line with the Obama years. Growth hasn't exceeded 3% under Trump—growth after the tax cuts averaged 3.0% in 2018 and just 2.2% in 2019.

6. THE PROMISE: TAX CUTS WILL PAY FOR THEMSELVES

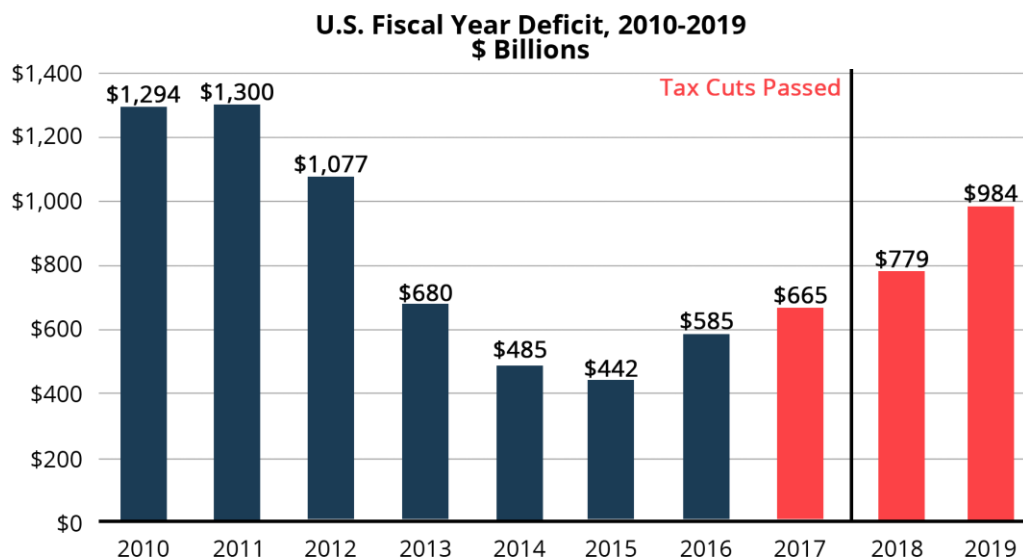
"We have \$21 trillion in debt. When this [tax cut] really kicks in we'll start paying off that debt like water." – President Trump, July 26, 2018 [[NY Magazine](#)]

"[A]s I've said at 3% economic growth this tax plan will not only pay for itself but in fact create additional revenue for the government."
– Treasury Secretary Steven Mnuchin, Aug. 28, 2018 [[Business Insider](#)]

"We are totally confident this is a revenue-neutral bill and probably a revenue producer."
– Senate Majority Leader Mitch McConnell, Dec. 3, 2017 [[CBS](#)]



FIGURE 11: DEFICIT HAS EXPLODED SINCE TRUMP-GOP TAX CUTS



Source: U.S. Office of Management and Budget, "Federal Surplus or Deficit [-] [FYFSD]," retrieved from FRED, Federal Reserve Bank of St. Louis <https://fred.stlouisfed.org/series/FYFSD>

The total [cost of the tax cuts is estimated at \\$1.9 trillion](#), according to the Congressional Budget Office, which will be added to the national debt. Conservatives claimed the law's lower tax rates would raise a lot more revenue through greater economic activity. But largely due to the tax cuts (especially for corporations), the deficit has exploded, reaching nearly \$1 trillion in 2019, up more than 70% from the \$585 billion during Obama's last year in office.

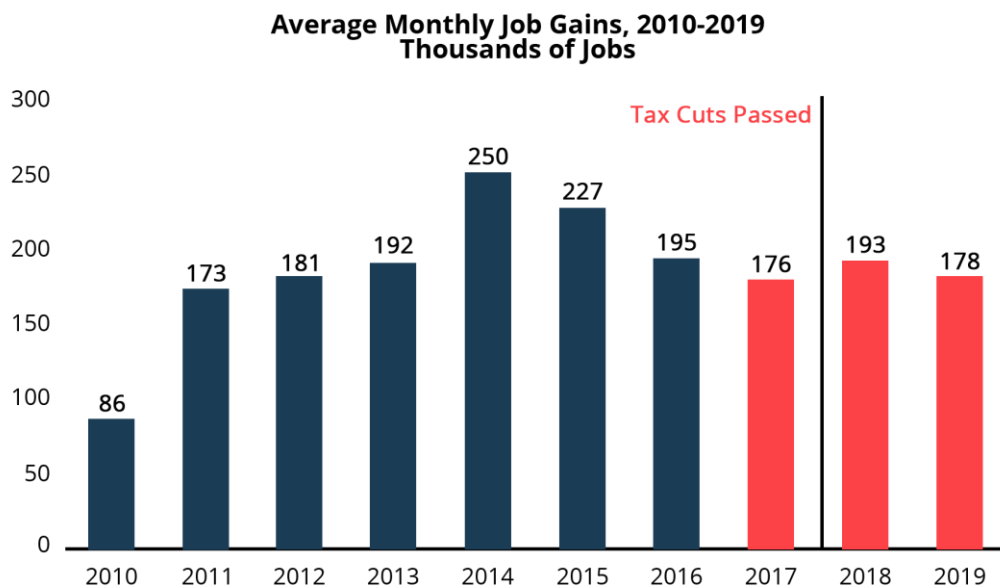
7. THE PROMISE: THE PACE OF JOB GROWTH WILL QUICKEN

"I consider this very much... a bill for jobs."

– President Trump at signing ceremony for TCJA, Dec. 22, 2017 [[NBC](#)]



FIGURE 12: TRUMP'S JOB GAINS NO BETTER THAN OBAMA'S

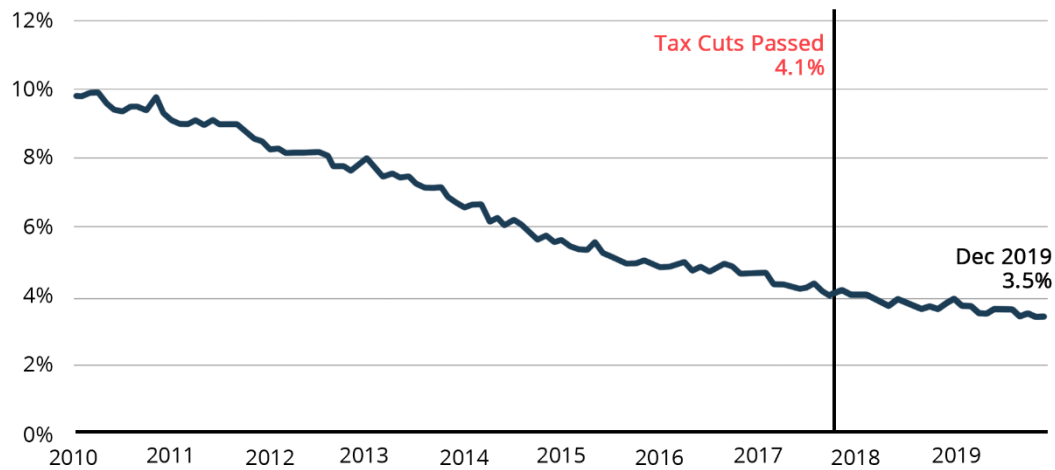


Source: BLS, "Employment, Hours, and Earnings – National: Current Employment Statistics: Total Nonfarm Employment, Seasonally Adjusted." <https://www.bls.gov/data/-employment>

[Despite Republican claims](#) that their tax plan would quicken the pace of job growth, employment gains over the two years since the tax cuts were enacted is slower than the trend over the previous seven years after the Great Recession ended. Monthly job growth has averaged 185,000 in 2018 and 2019, whereas monthly job growth in the last two years of the Obama Administration averaged 211,000. Obama's monthly job growth in his last three years averaged 224,000, whereas Trump has averaged 182,000 in his first three years.

FIGURE 13: TRUMP'S UNEMPLOYMENT RATE DECLINE SIMILAR TO OBAMA'S

U.S. Unemployment Rate, 2010-2019



Source: BLS, "Labor Force Statistics from the Current Population Survey: Unemployment Rate."
<https://www.bls.gov/data/ - unemployment>

A seven-year decline in the unemployment rate under President Obama has continued in the two years since enactment of the Trump-GOP tax law. The tax cuts appear to have done little, if anything, to reduce unemployment.

8. THE PROMISE: BUSINESS INVESTMENT WILL BOOM

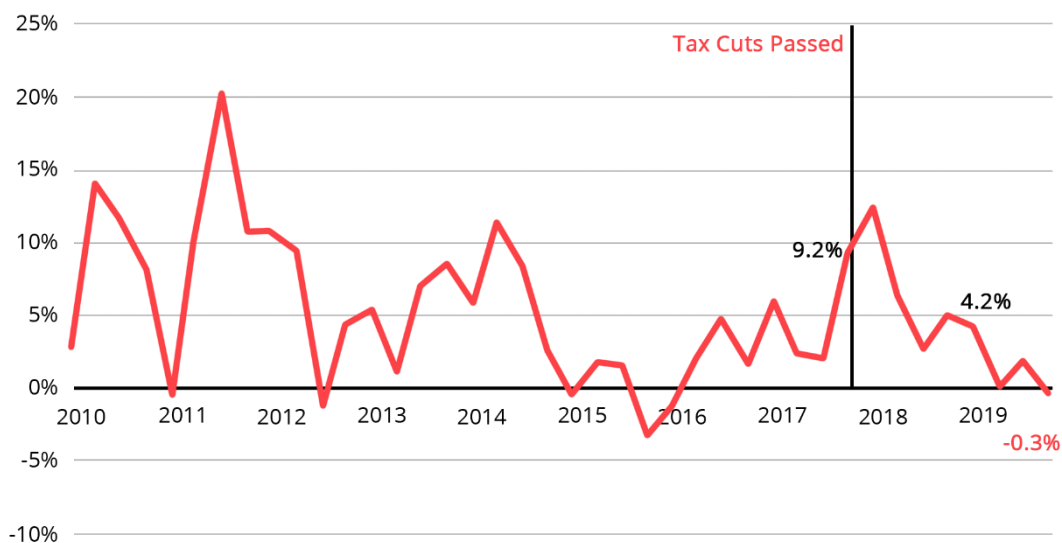
"I would expect capital spending to really take off if the tax bill passes."

– CEA Chair Kevin Hassett, Oct. 16, 2017 [[Washington Post](#)]



FIGURE 14: THE FAST-DISAPPEARING INVESTMENT BOOM

U.S. Business Investment Quarterly Growth Rate in Non-Residential
Business Fixed Investment, 2010-2019

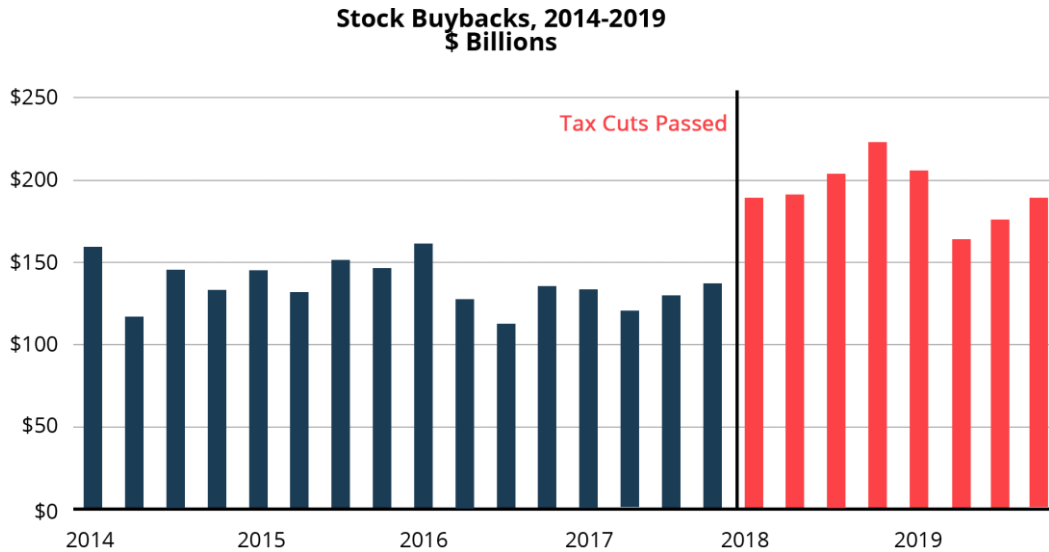


Source: BEA, National Accounts (NIPA): Section 1, Table 1.1.1, Line 9: "Percent Change From Preceding Period In Real Gross Domestic Product: Gross private domestic investment: Fixed investment: Nonresidential."

<https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=2 - reqid=19&step=2&isuri=1&1921=survey>

Supporters claimed the Trump-GOP tax law—specifically, the big corporate tax cut—would lead to a business investment boom. But after a growth spurt in the first quarter of 2018, the rate of new capital investment declined, coming in flat at 0.0% for the second quarter in 2019 and then falling into negative territory in the last quarter of 2019.

FIGURE 15: STOCK BUYBACKS BOOMED INSTEAD



Sources: S&P Dow Jones Indices, p. 3. https://us.spindices.com/documents/index-news-and-announcements/20181218-sp-500-buybacks-q3-2018.pdf?force_download=true. For most recent quarters: https://us.spindices.com/documents/additional-material/sp-500-buyback.xlsx?force_download=true

Corporate stock buybacks exploded in the year following enactment of the Trump-GOP tax law, as corporations showered their tax-cut savings on top executives and other wealthy shareholders. Corporations [bought back a record \\$806 billion](#) of their own shares in 2018. That represented an increase of nearly 60% over the \$519 billion in stock buybacks in 2017. Stock buybacks hit \$729 billion in 2019—still well above the pre-TCJA levels.

OPTIONS TO AMEND OR REPEAL TRUMP-GOP TAX CUTS FOR THE RICH & CORPORATIONS		
	10-Year Estimate LOW \$ Billions	10-Year Estimate HIGH \$ Billions
INDIVIDUAL TAXES		
Return top individual income tax rate to 39.6% from 37%. (JCT for Senate Democrats' 2018 infrastructure plan)	128	128
Restore the individual Alternative Minimum Tax (AMT) to pre-TCJA levels. Ensures that wealthier taxpayers pay at least a minimally acceptable level of tax. (JCT for Senate Democrats' 2018 infrastructure plan)	425	425
Restore estate, gift and GST taxes to pre-TCJA parameters. Applies a 40% tax on estates valued at \$5.5 million/single and \$11 million /couple. (JCT for Senate Democrats' 2018 infrastructure plan)	82	82
SUBTOTAL	635	635
BUSINESS TAXES		
Repeal 20% deduction for certain business income. Eliminates the TCJA's partial income deduction for "pass-through" businesses. Estimate is revenue lost from tax break, not revenue gained. (JCT)	387	387
Close real estate tax loopholes. All figures are revenue lost not gained. (JCT for Government Reform Committee)		
A. End special qualifying rules for pass-through income deduction and application of those special rules to REIT dividends.	29	29
B. Eliminate like-kind exchanges for real estate.	22	22
C. End unlimited interest deductions.	16	16
SUBTOTAL	454	454
CORPORATE TAXES		
Raise the corporate income tax rate. Each percentage point increase from current 21% rate raises \$96 billion. Estimates are for rates of 25% and 35%. (JCT for Senate Democrats' 2018 infrastructure plan; CBO)	359	1,300
Remove tax incentives promoting corporate outsourcing and profit shifting. No official revenue estimate but it is believed could raise hundreds of billions of dollars.	NA	NA
Reform expensing and depreciation tax deductions. Limits or ends the ability of businesses to gain tax benefits by writing off the cost of capital investments faster than they wear out (known as full expensing or bonus depreciation). (Revenue lost estimate by ATF based on CBO and JCT estimates.)	293	293
Further limit deductibility of interest on business debt.	NA	NA
SUBTOTAL	652	1,593
TOTAL	\$1,741	\$2,682