

THE TCJA: A TAX DAY EXPLAINER

The President's signature tax plan failed to deliver on promises of reform, growth, and huge benefits for the middle class. As Tax Day approaches, here is a look at the ways in which Trump's tax law has proven to be a boon for the wealthy and giant corporations, and shortchanged the middle class and the most vulnerable.

THE TCJA: A Giant Gift to Corporations and the Wealthy

- **The TCJA's biggest giveaway was a 40% cut in the corporate tax rate** —from 35% to 21%. This change alone will [result in \\$1.3 trillion](#) in lost revenue over 10 years. That's money the rest of Americans simply won't have for schools, bridges, roads and highways, or health care.
- **Nearly all of the benefits of Trump's tax law go straight to the top.** When the law is fully implemented in 2027, [83% of the tax cuts](#) will go to the top 1%.
- **The TCJA took a bad problem and made it worse by further incentivizing corporations to stash their profits in offshore tax havens.** 80% of the existing corporate profit-shifting that is taxable in the U.S. will continue under the new law. At the same time, U.S. corporations get [a tax cut of over \\$400 billion](#) on profits stashed offshore.
- **Corporate tax revenue fell, and corporate profits grew.** As corporate tax revenue [fell](#) by 45%, corporate profits [rose](#) from \$1.7 trillion to almost \$2.1 trillion - nearly a 20% increase between the 3rd quarters of 2017 and 2018.
- **Corporations are mostly using their tax cuts and rising profits to buy back their own stock.** Stock buybacks further enrich wealthy shareholders and top corporate executives, as the [richest 10% of households own 84%](#) of all stock. Since passage of the TCJA, there have been [\\$994 billion in stock buybacks](#).

Trump's Tax Law Is Filled with Broken Promises

- **The President broke his promise to protect Social Security and Medicare.** The president's [2020 budget](#) shows that he plans to offset the corporate tax cuts by slashing Medicare, Medicaid, the Affordable Care Act, education and most other critical support for working families. Senate Republican leaders have called for similar attacks on working families by proposing to slash [Social Security, Medicare and Medicaid](#).
- **Promises of investment in businesses and jobs have [fallen short](#).** New orders for equipment are up only 2% from year-ago levels and are actually down 2% from the July 2018 peak.
- **Workers saw little to no benefit from the TCJA.** Despite the rise in corporate profits and President Trump's promises that American workers would get up to a \$9000 raise, [only 4.3% of American workers](#) received a bonus or raise ascribed to the TCJA and overall, bonuses were only up \$0.02 in 2018. This should come as no surprise - history shows virtually [no relationship](#) between tax cuts and job growth.



Children and People of Color Are Suffering the Most Under Trump's Tax Law

- **The TCJA hurts millions of middle- and low-income children.** The TCJA lowered the age of eligibility for the Child Tax Credit (CTC), excluding 11 million children in lower-income households. The children of immigrant families are excluded altogether. The TCJA also [reduced](#) of the Child and Dependent Care Tax Credit for moderate- and low-income families, increasing child care costs for those least able to afford it.
- **The TCJA has particularly [damaging effects on communities of color](#).** The tax law benefits those with existing wealth, thus deepening existing racial wealth gaps. By adding pressure to state and local budgets, it will likely increase fines and fees that disproportionately fall upon people of color. Additionally, revenue loss and limitations on state and local taxes could cause a drop in state and local public sector employment, a sector that employs a large share of black workers.

We Need Tax Reform that Benefits all Americans

Giveaways to the rich aren't tax reform. Instead, real reform creates a tax system in which everyone pays their fair share. The People's Budget is a blueprint for such reforms. It closes loopholes for offshoring and could reverse the surge in stock buybacks. It imposes a Financial Transactions Tax to reign in the worst actors in the financial sector while raising revenue. It would increase marginal tax rates on the highest-income earners and bring capital gains tax rates in line with the rates that everyday people pay. It expands the EITC and increases the CTC to support working families. Real tax reform means policies that help us grow the economy and invest in the future and that starts with putting families, not corporations first.

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Sources: Americans for Tax Fairness, Center for Economic and Policy Research, the Economic Policy Institute, the Institute for Policy Studies, the National Women's Law Center, and the Roosevelt Institute.