

Hearing on The President's 2020 Budget Proposal

HEARING

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Hearing on The President's 2020 Budget Proposal

U.S. House of Representatives,
Committee on Ways and Means,
Washington, D.C

WITNESS

[The Honorable Steven T. Mnuchin, Secretary, United States Department of the Treasury](#)



HOUSE COMMITTEE ON WAYS & MEANS
CHAIRMAN RICHARD E. NEAL

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE

CONTACT: (202) 225-3625

March 7, 2019

No. FC-7

Chairman Neal Announces a Hearing on The President's Fiscal Year 2020 Budget Proposal with U.S. Secretary of the Treasury Steven Mnuchin

House Ways and Means Chairman Richard E. Neal announced today that the Committee will hold a hearing, entitled “The President's Fiscal Year 2020 Budget Proposal with U.S. Secretary of the Treasury Steven Mnuchin” on Thursday, March 14, 2019 at 9 a.m. in room 1100 Longworth House Office Building.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witness only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMdem.submission@mail.house.gov.

Please ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, by the close of business on Thursday, March 28, 2019.

For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you require special accommodations, please call (202) 225-3625 in advance of the event (four business days' notice is requested). Questions regarding special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories are available [\[here\]](#).

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THE PRESIDENT'S 2020 BUDGET PROPOSAL

Thursday, March 14, 2019

House of Representatives,

Committee on Ways and Means,

Washington, D.C.

The committee met, pursuant to call, at 9:01 a.m., in Room 1100, Longworth House Office Building, Hon. Richard E. Neal [chairman of the committee] presiding.

Chairman Neal. The meeting will come to order. Good morning, and we want to welcome our witness, the U.S. Secretary of the Treasury, Mr. Steven Mnuchin. Today we will discuss President Trump's proposal to cut more than \$1.4 trillion from core programs that help American families. The President's fiscal year 2020 budget cuts to healthcare, Medicare, Medicaid, threatening Social Security, and undermining many critical programs for parents and other caregivers will be in front of us this morning for discussion.

It is no coincidence that this administration, as they simultaneously look to cut 3 -- trillions of dollars from these important initiatives come barely a year after supporting unpaid tax cuts for the wealthiest amongst us, totaling \$2.3 trillion of the Nation's debt. Now, in this budget, the President wants to pay for those cuts on the backs of working families.

I want to be clear that these cuts have not had the miraculous-- these tax cuts have not had the miraculous economic effect that we have been told to believe. Yes, by some measures, the economy is doing well, and we continue to understand that the broad economic recovery has now been underway for more than 100 months, which would

include the efforts of President Obama.

But at best, the tax cuts were a short-term sugar high. Credible and independent forecasters put long-term economic growth at about 1.8 percent, a far cry from the promised indefinite growth above 3 percent and nowhere near the 6 percent that the President suggested could happen.

Tellingly, I have heard from many of those in Massachusetts who haven't seen the \$4,000 pay raise that they were promised under the tax law. They can't afford medications. They struggle to keep up with basic expenses. And they are being hit with the surprise of owing taxes in this filing season. This has been confusing and surprising to these filers. For taxpayers with a balance due question, such as those finding that they owe taxes for the first time, the IRS answered only 15 percent of their calls, and the average wait time was 1 hour.

As the IRS works to implement the new tax law and recover from the work backlog caused by the government shutdown, we need to ensure that it has the resources to fully assist with and resolve taxpayer issues. That means supporting the agency's taxpayer services and reversing a decade of declining funds for the IRS.

Before I turn it over to my colleague, Ranking Member Brady, I want to underscore, Mr. Secretary, that while we have some differences of opinion, I know that we agree that no one can beat American workers and businesses when they compete on a level playing field. I want to note your staff's good work at the OECD on digital taxation issues. That work has the potential to affect a wide range of U.S. businesses and taxpayers and the U.S. tax base. I intend to pay close attention to these developments, especially in light of France's recent unilateral imposition of a digital services tax. I encourage you to stay in close contact with us.

I also encourage you to continue to reach out on the basis of staff work through our

shared priorities. At the top of this list is infrastructure. Your comments have been very encouraging. The President's comments have been very encouraging on the issue of infrastructure. Repairing our aging roads and bridges, investing in the 21st century infrastructure system is a win for everyone: workers, consumers, businesses, and the economy as a whole. I know and expect that we can count on you to partner with me and my colleagues on this very important initiative as well as other ways to grow the economy and increase opportunities for the middle class.

And, with that, I want to recognize Ranking Member Mr. Brady for his opening statement and point out that Mr. Brady and I are in full agreement on St. Patrick's Day.

[\[The statement of Chairman Neal follows:\]](#)

Mr. Brady. Absolutely. Thank you, Chairman Neal.

And thank you, Secretary Mnuchin, for being here with us to discuss the President's recent budget proposal.

Mr. Secretary, 2 years ago, you sat in that very chair and discussed the President's initial budget proposal. You told us your number one priority was growth, that tax reform and balanced regulations could unleash the economic potential of America.

You had plenty of skeptics. Experts told us there was a new normal in America: sluggish 2 percent growth for as far as the eye could see. They said we had to simply accept that paychecks would remain flat, jobs would keep going overseas, and U.S. manufacturing jobs were gone, unless, of course, you wield a magic wand.

Larry Summers scoffed that we believed in tooth fairies, and then Leader Nancy Pelosi famously declared it would be Armageddon for America. Man, were they wrong.

Thanks to a new modern Tax Code and balanced regulation, we have launched a new era of prosperity for America where workers have first claim over their earnings. Small business and manufacturing is back, and American companies can compete and win anywhere in the world, especially here at home. America's economy is growing 50 percent faster than predicted by the Obama White House. Local businesses are investing four times faster than the last year of the prior administration. U.S. manufacturing is no longer losing jobs but growing six times faster than President Obama's last few years. Blue collar employment is surging. The unemployment rate is at historically good rates for those who were left behind in the past: Hispanics, African Americans, Asian Americans, women, teenagers, those without a high school degree, and our neighbors with disabilities.

Paychecks, stagnant for far too long, are growing at their fastest rate in a decade

and even faster among those with low incomes who need it most. Today, median household income rose above \$61,000 for the first time since 1999, and hardworking Americans haven't felt this optimistic about their financial future in a long time.

New business starts are skyrocketing, and small business along Main Street are the most optimistic on record with historically high job openings, plans to hire more workers, higher paychecks, and growing profits.

Here is what makes me optimistic: Nearly 5 million Americans have been lifted off food stamps since President Trump was elected. The poverty rate for Hispanics and African Americans has improved dramatically and is now the lowest on record. Maybe that is why American consumer confidence reached an 18-year high recently.

With investment and jobs coming back from overseas, millions of workers with higher paychecks, bonuses, and larger nest eggs, local businesses no longer saddled with billions of dollars of Washington red tape, U.S. energy now the largest producer in the world, and America once again the most competitive economy in the world, that optimism makes sense.

But we must not go back to the bad old days by repealing the tax cuts and harming the very Americans who need help the most. Rather than wasting time in Congress on a rush to impeachment, Democrats and Republicans need to work together to grow the economy. America needs more customers and more workers. This means improving the new modernized U.S.-Mexico-Canada trade agreement this year so we can reach more customers, create more jobs, and sell more Made in America products to our two best trading partners.

It means working together on the number one economic challenge facing America today: our workforce. Lack of qualified workers is holding down economic growth across

the country and will slow growth even more in the future.

And it means working together to ensure America remains competitive internationally by challenging France's recent proposal to tax cross-border digital services. This is a naked revenue grab that targets U.S. companies, double taxes our businesses, and violates longstanding norms. I am hopeful that together we can work on other shared priorities, like increasing retirement security for our workers and families, reforming the IRS, and growing America's infrastructure. Mr. Secretary, there are many good pro-growth proposals in the President's budget for Congress to consider. We thank you for being here.

And, with that, Mr. Chairman, I yield back.

Chairman Neal. I thank the ranking member, Mr. Brady.

Without objection, all members' opening statements will be made part of the record, and a reminder that we will adhere to the Gibbons rule, meaning when one was seated as the gavel came down.

Welcome, Mr. Secretary. I appreciate your presence here this morning. We have received your written testimony, and I ask that you summarize those remarks in 5 minutes, and then we will begin the questioning. Please proceed.

**STATEMENT OF THE HONORABLE STEVEN T. MNUCHIN, SECRETARY,
U.S. DEPARTMENT OF THE TREASURY**

Secretary Mnuchin. Thank you. Chairman Neal, Ranking Member Brady, and members of the committee, it is good to be here with you today.

I am pleased to report that President Trump's economic program of tax cuts, regulatory relief, and improved trade deals is working for the American people. During 2018, real GDP increased by 3.1 percent measured from the fourth quarter of 2017 to the fourth quarter of 2018. This is the highest growth rate since 2005. The unemployment rate remains historically low at 3.8 percent, and earnings rose by over 3 percent in 2018, the highest nominal increase in a decade. More Americans are entering the workforce because of a renewed sense of optimism.

The World Economic Forum's most recent competitiveness report announced that the United States is the number one most competitive economy in the world, receiving the top ranking for the first time in more than 10 years. Companies are investing hundreds of billions of dollars in new and expanding business operations in the United States. This is in large part because the Tax Cuts and Jobs Act made our tax rates competitive, moved us from a worldwide system towards a territorial system of taxation, and allowed immediate expensing of capital expenditures. For hardworking families, it also cut rates across the board, doubled the standard deduction, and expanded the child tax credit.

I would also like to highlight opportunity zones, a key component of TCJA. Opportunity zones will ensure that more Americans benefit from economic expansion and a robust job market. They provide capital gains tax relief to encourage investments in businesses located in distressed communities. This policy has generated a great deal of

enthusiasm.

These measures are fueling growth. Along with our efforts to provide regulatory relief, in our trade negotiations, we are aiming to break down barriers to markets around the world.

As you know, China has gained many advantages through unfair trade practices. This administration is committed to rebalancing our trading relationship in order to level the playing field for hardworking Americans. We are negotiating with China on structural reforms to open their economy to our companies and protect America's critical technology and intellectual property.

The administration is also prioritizing the U.S.-Mexico-Canada agreement, USMCA. It is the most comprehensive trade agreement ever negotiated and will modernize our trading relationship across North America. The USMCA will create the highest standards to protect intellectual property rights, support small and mid-size businesses, open markets for agricultural products, spur manufacturing. I encourage all Members of Congress to support its passage because it will have a positive impact for American workers, business owners, farmers, and families.

In addition to enhancing overall growth prospects, I want to note the positive impact that the administration's economic agenda will have on our country's debt and deficits going forward. During the last administration, analysts predicted that 2 percent growth was the highest America could achieve and that it was the new normal. We have already shown that we can and will do better. An extra 1 percent of GDP growth per year means trillions of dollars of additional economic activity and more revenue to the government.

Turning to the budget, the policies and priorities in the President's fiscal year 2020 budget will continue to foster stronger economic growth, reduce spending, and create a

more sustainable fiscal outlook for our country by reducing the deficit as a share of GDP. Of special interest to this committee, the Treasury portion of the 2020 budget includes \$290 million for business system modernization account funding, which is foundational for a new 6-year IRS IT modernization plan. Investment in modernization of IRS information technology systems and infrastructure will protect the integrity of our tax system and improve customer service for taxpayers.

I am pleased to continue working with you on policies and especially, Mr. Chairman, as you noted, infrastructure that will help to create jobs and increase wages for the American people. Thank you very much.

[\[The statement of Secretary Mnuchin follows:\]](#)

Chairman Neal. Thank you, Mr. Secretary.

And, without objection, each member will be recognized for 3 minutes to question our witness today so that we may ensure that all members have an opportunity to inquire before the Secretary's schedule requires that he leave. And I will begin by recognizing myself.

Mr. Secretary, as you know, the debt limit was reinstated at the beginning of this month, and your department has started extraordinary measures. Thank you for your response to my January letter and the shared commitment that we have to addressing the debt ceiling to protect the full faith and credit of the United States.

We have seen what brinksmanship does on the debt ceiling question. Last year, it led us to a shutdown. We got a shutdown. The American taxpayer suffered during the longest shutdown in history. And similar brinksmanship on the debt ceiling is not only dangerous, it is reckless and irresponsible.

Do you support, Mr. Secretary, raising a clean debt ceiling extension sooner rather than later?

Secretary Mnuchin. I do, Mr. Chairman, and I encourage Congress to do that sooner rather than later, as you said.

Chairman Neal. Thank you.

Mr. Secretary, we have had many encouraging conversations about infrastructure, and the system that we recognize in America today is suffering from years of underfunding and neglect. I believe we have an opportunity to make a meaningful, sustained investment that will lay the foundation for economic growth for years to come and create thousands of good-paying jobs. We must be ready to put real Federal dollars behind this commitment and maintain the traditional 80/20 split between Federal and State spending.

The President campaigned on a \$1.5 trillion infrastructure package, and he mentioned infrastructure again in this year's State of the Union. Are you and the President still committed to the \$1.5 trillion bold infrastructure package that you have previously outlined?

Secretary Mnuchin. Mr. Chairman, the President and I are fully committed to that. I have appreciated the opportunity that you and I have spoken on the phone and had the opportunity to meet and talk about this, and we very much look forward to working with Congress on a bipartisan basis to pass infrastructure quickly.

Chairman Neal. Another encouraging note where I think there is an opportunity for cooperation here is on the multi-employer pension plan dilemma that the country is about to face. Do you have any immediate plans to address that issue? Based on conversations I have recently had with many of the stakeholders, they have said that the words of the administration have been encouraging. This is a huge problem. It conceivably could take down the Pension Benefit Guaranty Trust, and I think working on this sooner rather than later also makes good sense. Is that still the administration's position?

Secretary Mnuchin. It is, Mr. Chairman. As you know, both as my role as Secretary of the Treasury and my role as a member of the board of the PBGC, this is very important to us. I have had the opportunity to meet with workers who are impacted by this. I know there is a bipartisan group that is working on this, and we look forward to supplying you help and work with that.

Chairman Neal. The legislation that I have proposed on this issue has many Republican cosponsors, and I would hope that other Republicans would sign up. I think just about every member of the Democratic Party in the House in the past session signed the legislation. I think it is a good starting point in the conversation for hopefully getting

something done before the problem really gets out of hand.

And, with that, let me recognize Ranking Member Brady for 3 minutes.

Mr. Brady. Thank you, Mr. Chairman.

When I think of the work, Mr. Secretary, that you did with President Trump and the Republican Congress on tax reform, I think of Russell Marine back home. They gave their workers \$1 million in bonuses, raised everyone's pay 10 percent. They bought millions of dollars of new equipment they couldn't afford before, and they green-lighted a new company office because the building I was in was plenty old.

I think of The Lone Pint Brewery in Magnolia, Texas. Christi and Trevor Brown started this craft brewery a number of years ago. They told me, because of tax reform, they now can give all 10 of their workers full healthcare, vision and dental, some of which their kids have never had before. And the back porch we were standing on was going to be their new cold room because of the savings they had from the tax cut.

And I think of the two new manufacturing plants I toured a couple of weeks ago in the poorest part of my district in east Texas, built in part because now businesses can write off that new equipment and machinery the very year they buy it.

But when I am back home, people tell me that I think the silliest thing they hear is that tax refunds are down, so tax increases must be up. And while that claim has been fact-checked as misleading and nonsensical, the media covered it like it was life discovered on Mars. As we know, your refunds have zero to do with your tax bill. It merely reflects what you overpaid the IRS last year. And we know that 95 percent of Americans either got a tax cut or their tax bill stayed the same.

So we also know refunds vary from year to year and even within the tax season. And the truth is the new Tax Cuts and Jobs Act was designed to help families who live paycheck to paycheck to make sure they got their help each month when they needed it

rather than to have that relief delayed for a year.

Can you give us the latest update on the tax filing season and where refunds stand today?

Secretary Mnuchin. Mr. Brady, thank you very much, and I personally want to thank you for your incredible work that you did on the tax act. I think, as you have known, based upon the most recent data, tax refunds are flat on last year. Now, let me just give you an example. For an average married couple with one job and two children under the age of 17, their taxes would go down from approximately \$3,800 to \$1,700, or a reduction of \$2,000. If they had been properly withheld, their withholding -- their refund would have gone down 55 percent as well as their taxes. So the fact that refunds are on average the same means, in essence, people did not adjust their holding enough to take advantage of the tax act. We have encouraged people to use the calculator, but I would just emphasize, because taxes are down, refunds should be down.

Mr. Brady. All right. Thank you, sir.

Chairman Neal. Thank you, Mr. Brady.

With that, let me recognize the gentleman from Georgia, Mr. Lewis, to inquire.

Mr. Lewis. Thank you very much, Mr. Chairman.

Thank you, Mr. Secretary, for being here. Mr. Secretary, there were 11 billion disclosures of tax records last year under section 6103 of the Tax Code. Mr. Secretary, did you personally sign a form to release any of these 11 billion tax records?

Secretary Mnuchin. I am sorry. I don't understand the question, Mr. Lewis. Could you just repeat it?

Mr. Lewis. Well, I will do my very best to make it plain and simple. There were 11 billion disclosures of tax records last year under section 6103 of the Tax Code. Did you personally sign the form to release any of these 11 billion tax records?

Secretary Mnuchin. I don't believe I did, but I could check with my team. I am not aware of that, Mr. Lewis.

Mr. Lewis. Well, you don't have any idea who approved?

Secretary Mnuchin. I have been advised that that is not something I would normally sign. It would be something that the IRS Commissioner would sign off on.

Mr. Lewis. Is there a representative of the IRS Commissioner present today?

Secretary Mnuchin. No, he is not, but I would be more than happy to follow up with you in your office and get back to you on the specific facts on that.

Mr. Lewis. Well, let me just ask you, Mr. Secretary. Didn't you prohibit the IRS director from meeting with us?

Secretary Mnuchin. I believe we made available the IRS' team of experts that are available, and I believe at the appropriate time, the IRS Commissioner will come and testify, as I am doing.

Mr. Lewis. And when is the time right? When will the time be right?

Secretary Mnuchin. I would be more than happy to follow up with the chairman and schedule it at a mutually available time.

Mr. Lewis. Thank you.

Mr. Chairman, I ask unanimous consent to submit a statement from veterans groups against this budget.

Chairman Neal. Without objection.

[\[The information follows:\]](#)

Mr. Lewis. Thank you. I yield back, Mr. Chairman.

Chairman Neal. The chair will recognize the gentleman from Florida, Mr. Buchanan, to inquire.

Mr. Buchanan. Thank you, Mr. Chairman.

And I want to thank the Secretary for his leadership in terms of the Tax Cuts and Jobs Act that we put together, but one of the big issues is on growth. For 50 years, as you know, or the last 10 years, it has been the slowest growth that we have had in the last 50 years, so the impact that this has had is very clear when you look at -- if you want to look at it from a report card standpoint.

Optimism is at an all-time high. That makes a big difference for people that are in business to invest going forward. Wages at 3.1 percent in terms of growth. Consumer confidence at an 18-year all-time high. Unemployment is lower in terms of the last 50 years, and 7 million, they claim, job openings available today for folks across the country. So, to me, when you look at the report card, there is no question the impact that the jobs and tax act -- has made a huge difference.

Let me ask you. The Fed is looking at -- they have been raising rates. A lot of people think this is kind of throwing a cold blanket somewhat on the economy going forward. What are your thoughts? And I know, in this last go around, they backed off of that a little bit, but it seems a lot of people feel, why don't we have the opportunity to realize the full potential of this economy going forward? So I just wanted to get your comments in terms of the Fed's actions on raising rates.

Secretary Mnuchin. Well, first, let me just comment on the growth, as you have mentioned, and I do agree that the growth has led to tremendous opportunities for hardworking Americans.

I think, as you know, I meet with the Fed Chair on a regular basis. We do discuss the economy and other issues on a weekly basis. It would be inappropriate for me as Treasury Secretary to comment on specific Fed actions in the future.

Mr. Buchanan. Thanks.

And, with that, I yield back.

Chairman Neal. I thank the gentleman.

I thank the Secretary for that answer, incidentally. Thank you.

With that, let me recognize the gentleman from Texas, Mr. Doggett, to inquire.

Mr. Doggett. Thank you, Mr. Chairman.

And, Mr. Mnuchin, I must say I am a little surprised to see you here. During the time that the massive tax breaks for those at the top and the multinationals were being forced here, neither you nor any member of the administration had the courage to come and be questioned about the contradictions in that move. You refused to be questioned in public about the special deal that you cut on the enterprises for Putin's buddy Deripaska. You ignored Chairman Neal's letter to permit a reasonable time for congressional review of this shady deal, even after Congress voted to stop it here in the House. You continue to deny every request for documents from multiple congressional committees about this wrong.

You did show up one time here and insisted, like today, that questioning of you be limited to a few minutes. And then, with Mr. Brady's very effective protection, you managed to give no oral answer to the questions that I posed but instead agreed that you would supply written questions -- answers to those questions in writing that I still don't have more than a year later.

Let me just ask you directly: Since you are fully aware that section 6103(f)(1) of the Internal Revenue Code reads, quote, upon written request from the chairman of the

Committee on Ways and Means, the Secretary shall furnish such committee with any return or return information specified, end quote, are you willing to provide and fulfill the command of the statute and your mandatory duty to properly release any personal and business tax returns of President Trump that you are requested to provide?

Secretary Mnuchin. Well, Mr. Congressman, let me first comment on the first part of that.

Mr. Doggett. Well, I just want to be sure I get an oral answer to my question.

Secretary Mnuchin. I will make sure -- I will make sure I answer the end, but let me just make sure I answer the first part, which I think is highly unfair, okay. First of all, I did come and give a classified briefing.

Mr. Doggett. Yes, sir, which the Speaker called a waste of time.

Secretary Mnuchin. That is your -- that is your view. I came with --

Mr. Doggett. That is her view shared by me.

Secretary Mnuchin. -- I came with experts from Treasury --

Mr. Brady. Mr. Chairman, if the witness could be allowed to answer.

Mr. Doggett. Well, let me ask you, Mr. Secretary. You can give any explanation in the time that the chairman and Mr. Brady will provide, but will you comply with the command of the statute and provide the returns under 6103? Yes or no?

Secretary Mnuchin. I am going to answer that, but --

Mr. Doggett. Would you just answer it now? You have got 30 seconds.

Secretary Mnuchin. The answer is I will -- if I receive a request, which I presume from what I have read in the press I will receive, I will consult with the Legal Department within Treasury, and I will follow the law. That is my answer, Mr. Congressman, but I would like to answer the previous part, which I think --

Mr. Doggett. You are welcome to do so. Have you received any instruction or

guidance from anyone regarding how to handle these requests?

Secretary Mnuchin. I am more than happy to answer your question --

Mr. Doggett. Thank you.

Secretary Mnuchin. -- but in due respect, I would like to just finish my previous answer, which is, Mr. Chairman, I think I have worked with you on a mutual date. I was not aware of that the committee didn't think they had enough time today. I would be more than happy to stay an extra half an hour if that is necessary so that people feel like they have the proper amount of time to answer -- ask me questions, and I believe that we have accommodated all requests from the committee. And if there are open requests on documents or anything else, Mr. Chairman, we would be more than happy to work with you and Mr. Brady.

Now, I think -- was there a second part of the question I didn't answer --

Mr. Doggett. Yes, sir.

Secretary Mnuchin. -- on the tax returns?

Mr. Doggett. There was --

Chairman Neal. Well, let me just say something. By precedent here, the witness is always allowed to finish their answer.

Mr. Doggett. Well, not last time. When I asked a question, there was no answer given.

Chairman Neal. Would the --

Mr. Doggett. -- provided.

Secretary Mnuchin. I want to make sure I have answered all your questions. Is there anything else I didn't answer?

Mr. Doggett. Yes, sir. Have you received any instruction or guidance of any kind about how to handle --

Mr. Brady. He just answered that question, Mr. Doggett.

Secretary Mnuchin. I am sorry. From whom?

Chairman Neal. Let the witness finish the questioning.

Mr. Doggett. Have you received any instruction or guidance of any kind about how to handle congressional requests for President Trump's tax returns, and if so, from whom?

Secretary Mnuchin. I have -- because I have read this in the press, so, first of all, I haven't received the request. If you have the request for me today, I am happy to accept it. If not, when -- if you decide in the future to deliver this, we will receive it. I can't speculate on the request until I see it. I have discussed with the Legal Department in the Treasury that we will most likely receive this request. As I have said, based upon the request, we will examine it, and we will follow the law.

Mr. Doggett. Thank you.

Secretary Mnuchin. I would expect that we would -- I am not aware that there has ever been a request for an elected official's tax return, but we will follow the law, and we will protect the President as we would protect any individual taxpayer under their rights.

Chairman Neal. Thank you.

Mr. Doggett. Are you seeking advice on the meaning of the word "shall"?

Chairman Neal. With that, let me recognize Mr. Smith to inquire.

Mr. Smith of Nebraska. Thank you, Mr. Chairman.

And certainly thank you, Mr. Secretary, for appearing before the committee today. I know that time is short, so I will try to be brief.

I want to thank you for ensuring that the final regulation implementing section 199(A) appropriately recognizes businesses which physically hold, store, and transport commodities, such as grain elevators and energy services firms, are eligible for the

deduction and not lumped in with paper traders. Both of these industries are economically important to my State of Nebraska, and this was an important issue that was addressed.

At the same time, I do continue to hear concerns regularly about implementation of many other provisions of the TCJA, particularly the international provisions. As you know, our goals for tax reform included simplifying compliance, modernizing international taxation, and ensuring as many taxpayers as possible benefited from tax relief. I do continue to hear concerns that regulations implementing provisions known or called GILTI and BEAT are not easy to comply with and in many cases are capturing longstanding legitimate transition actions which no reasonable person would consider tax-avoidance strategies as newly taxable events, which is not and certainly was not our goal.

Could you provide us with some insight on why this seems to be happening regularly as the regulations are produced, and can you assure us that TCJA is being implemented as intended by those of us who were so involved in its passing and being signed into law?

Secretary Mnuchin. I can assure you it is being implemented as intended. We reach out to try to make sure we have the proper interpretations of these issues. I will tell you: I want to thank the hardworking people at the IRS and at the tax group within Treasury. We meet on a daily basis. There were very many regulations, as you know, that were left to us to draft. We want to make sure that we do this carefully in a way to protect companies and implement the law, and we have gone through an extensive period of reaching out to affected people. I personally met with many companies, and we will go through a comment period on these issues. So, as you said, the GILTI and BEAT issues are things we are looking at very carefully.

Mr. Smith of Nebraska. Okay.

Secretary Mnuchin. Thank you for the comment on the commodities. We

worked hard on that.

Mr. Smith of Nebraska. Very well. Thank you, Mr. Secretary.

I now yield time to Mr. Brady.

Mr. Brady. Mr. Secretary, you were asked about an \$11 billion request for 6103 provisions. Seems like a lot. Turns out \$9 billion of that is routine request from States as they verify their State income. Other is to comply with the Affordable Care Act and those requirements passed by our Democrat friends. GAO and Joint Tax also make routine requests so that Congress can be provided information about the impact of policies, and of course, the Census makes those requests. Here is the key number: Zero of those requests are for purely partisan reasons that weaponize the Tax Code.

I yield back.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from California, Mr. Thompson, to inquire.

Mr. Thompson. Thank you, Mr. Chairman. I would like to ask unanimous consent to submit this article into the record that reads -- the headline reads "Trump vowed to eliminate the debt in 8 years. He's on track to leave it at least 50 percent higher."

Chairman Neal. Without objection.

[\[The information follows:\]](#)

Mr. Thompson. Thank you, Mr. Secretary, for being here this morning.

When the President and the Republicans pushed through their tax cut last Congress, the warning from Democrats and outside experts was very clear: If you pass an irresponsible \$2.3 trillion tax bill that explodes our national debt and deficit to benefit the richest Americans and large corporations, it will inevitably be working families and our Nation's most vulnerable who end up paying the bill. This President's budget, unfortunately, could not be clearer in bringing that warning to reality as this budget reads like a laundry list of cuts to our country's essential programs: \$500 million in cuts to Medicare, \$1.5 trillion from Medicaid, cuts to CHIP, food stamps, affordable housing. The list goes on. All while the very same budget would make permanent a reduced top rate, an over \$11 million estate tax exemption, and a host of other loopholes benefiting the richest 1 percent of Americans.

And as disturbing as these cuts are, as harmful as they are to children and to seniors, the President's budget will add \$1.1 trillion to our deficit next year. And that, I might add, is based on numbers that most experts don't see as real, the 3.2 percent economic growth, far above the 2.3 growth that CBO says that we should be expecting which, by the way, drops in the outyears in 2019 to 1.8 percent.

Secretary Mnuchin, could you please explain to us, to the children and the seniors across the country who are going to be expected to pay for these tax cuts to the richest Americans, why they should be paying for them?

Secretary Mnuchin. Thank you very much. So, first, let me just comment on the tax cuts themselves. As I have said in the past, I do think with additional growth, the tax cuts --

Mr. Thompson. Excuse me, Mr. Secretary. We have very limited time. We

know what the tax cuts did, but this budget makes children and seniors pay for the tax cuts that the richest people are going to receive. Can you please justify that?

Secretary Mnuchin. I don't believe that it is paying for the tax cuts as you have said. I believe that the tax cuts will pay for themselves through previous growth. What I would say is that --

Mr. Thompson. That has never happened. You know it, and I know it, and the budget is very explicit. The cuts are right there in black and white. We have all read them.

Secretary Mnuchin. Mr. Chairman, can I answer the question or --

Chairman Neal. By precedent, the witness can answer the question.

Secretary Mnuchin. So, again, I just want to separate the two issues. The previous tax cuts, okay, which were \$1.5 trillion, okay, the difference between policy and baseline is \$250 billion. That takes it down to a billion 250. Based upon growth last year alone, that will bring this down to 850, which this is simple math. If we do get the growth we expect, they will pay for themselves.

Now, as it relates to the budget going forward, we have not cut those programs. We have reduced the rate of growth on those programs.

Chairman Neal. Thank you.

With that, let me recognize the gentleman from Texas, Mr. Marchant, to inquire.

Mr. Marchant. Thank you, Mr. Secretary.

Thank you for being here today, and thanks to your team for working through all of these difficulties in interpreting some technical aspects of the tax reform bill. Many businesses in my district have called me, and I have assured them that the Treasury is really working hard on trying to correct them.

One of the big issues that I am hearing from my constituents and small businesses

in my district that have over the years paid their taxes on time, withheld the proper amount, et cetera, but in this year of transition, many of them, whether they got bad advice from their HR Department or whether they just guessed wrong or were too optimistic, some of them did not have enough withheld, and they are now faced with a penalty for the first time in their lives. They have never paid a penalty, and it is creating a hardship.

And my ask today is will the Treasury, will you consider -- I know that you have said that you would lower the penalty from 90 percent to 85 percent, the penalty -- before you fell into the penalty, but would you consider 80 percent because we believe that there is some confusion, some genuine confusion out there? I think it would be a good-faith effort on the part of us to our hardworking constituents, not the ones that are trying to con the system or, you know, calculate how much they can get by with, but just normal people that are trying to do the right thing.

Secretary Mnuchin. Well, as you have noted, we did reduce it from 90 to 85 to try to take into account many hardworking people who were caught in that, and yes, we will consider 80, and I will go back and review that with my team.

Mr. Marchant. Thank you, Mr. Secretary.

Mr. Secretary, the other thing that I would like with my remaining time to ask you to consider, the 800,000 people in my district in Texas value the integrity of the IRS and the Treasury Department. They do not want their tax returns -- they do not want to go to bed at night thinking that there might be some possibility that the IRS or the Treasury could view their tax return and make that tax return public to anybody, not somebody on this committee, to anybody. So, as a Member of Congress to you, before you make that kind of decision, please take that into consideration.

Secretary Mnuchin. Thank you.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from Oregon, Mr. Blumenauer, to inquire.

Mr. Blumenauer. Thank you, Mr. Chairman.

Mr. Secretary, I appreciate you joining us again. I am encouraged by some of the conversation we have talked about in terms of infrastructure. I would like to turn to that for a moment, but I would like to submit a written request to you for the Department to help clarify some of the activities going forward dealing with the financial status of the cannabis industry and how it is going to be treated in terms of banking and Treasury. If I could submit that to you for your consideration.

Secretary Mnuchin. I would be more than happy for you to submit it. I think you know we are struggling with these issues of Federal law versus State law. You know, putting on my IRS hat for the moment, it is not in our interest for people to bring in hundreds of thousands of dollars of cash into IRS locations where we have to build safes.

Mr. Blumenauer. Agreed. And I will submit that to you in writing and appreciate further clarification.

[The information follows:] – [LINK TO QFRS](#)

Mr. Blumenauer. I would like to turn, though, to the infrastructure question. We had a very encouraging hearing with the leadership that has been invited by our chairman, the head of that AFL-CIO, the head of the U.S. Chamber, the head of the trucking association talking about the need to invest in our infrastructure. It is a priority for us. The President in the course of his campaign talked about a trillion dollars. This has been a -- a trillion and a half. And I appreciated the encouraging comments a little moment ago between you and the chairman.

However, the budget that is submitted calls for only \$200 billion in infrastructure. And in the past, that was paired with cuts to infrastructure spending by the Federal Government. Can you tell the committee how you propose to finance a trillion and a half if that is the goal for infrastructure funding?

Secretary Mnuchin. Well, thank you very much for bringing up infrastructure, and I would just emphasize that anything we do on infrastructure needs to be done on a bipartisan basis. So, whether it is the issue of how we spend the money, how we work with the States, how we pay for it, we very much look forward to working with you and the committee on this to see if we can reach an understanding.

Mr. Blumenauer. And I agree with that. I am trying to get a sense of what the administration will support. The President in the past has talked about a 25 cent gas tax increase. Is that in the realm of possibility? Do you have specific proposals that we could work with on a bipartisan basis to fund the trillion and a half dollars without further adding to the deficit?

Secretary Mnuchin. I have heard the President talk about the gas tax. I don't think any decision has been made. I have also heard the CEO of UPS and FedEx basically tell me that they would be in favor of increasing it if the money were spent on roads.

Again, I would just emphasize, because this needs to be done on a bipartisan basis, this is something we want to sit down and listen to your ideas and work with you and the rest of the committee on this.

Mr. Blumenauer. Thank you very much.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from New York, Mr. Reed, to inquire.

Mr. Reed. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for being here and, as always, for making yourself accessible to our office and to work with you.

I want to narrow in on an issue that is directly related to my home State of New York State, and there has been a lot of conversation and a lot of public statements by my Governor, Governor Cuomo of New York, that says the State and local tax deduction cap of \$10,000 that many of us here worked very hard to get into the tax cut bill hurts, quote/unquote, low- and middle-class income workers. I believe that statement is blatantly false. Why do I say that? I look at the Tax Policy Center, often an expertise -- experts in the field of taxation relied upon by many of my colleagues on the other side of the aisle to support their criticisms or objection of tax policy here in D.C. And as they concluded, the benefit, if you restore the full State and local tax deduction, goes to -- 56 percent of that benefit goes to the top 1 percent income earners. The top 1 percent income earners are \$755,000 per year taxpayers. Ninety-six percent of the benefit goes to those in the top one-fifth of the income earners. Those people are making approximately \$153,000 per year.

Mr. Secretary, first of all, do people making \$755,000 per year or \$153,000 per year, is that a definition of a low-and middle-income worker, from your perspective?

Secretary Mnuchin. I don't believe so.

Mr. Reed. So is Governor Cuomo's assertion, then, that the State and local tax

deduction cap of \$10,000 hurts low and middle-class workers true or false, in your opinion?

Secretary Mnuchin. Mr. Reed, I think it is false. We worked very closely with you and others and Mr. Brady on the \$10,000 to make sure that most people -- now, I will tell you there is no question that wealthy people in New York have been impacted by this. I can tell you I personally pay taxes in New York and California, and my tax rate did go up because I no longer have the SALT deduction.

Mr. Reed. And one area of agreement I will agree with our Governor on, and that is because people are mobile, especially on the upper income level, those making \$750,000 and higher, correct? So people respond to increased taxes by avoiding those taxes. That seems to me to be human nature. Would you agree that higher taxes causes people to react to that situation?

Secretary Mnuchin. I have read, I am sure as you have, that people are leaving New York and going to Florida because of the differential of tax rates, although I am not an expert on human nature in this area.

Mr. Reed. Well, I have 11 older brothers and sisters. I try to -- you know, it is a commonsense type of thing. The issue I would have, then, is people are leaving because of tax policy, high taxes on their income.

So, with that. I yield back.

Chairman Neal. The gentleman's time has expired.

With that, let me recognize the gentleman from Wisconsin to inquire, Mr. Kind.

Mr. Kind. Thank you, Mr. Chairman.

Mr. Chairman, I ask unanimous consent to have included in this record at this time an article entitled "Trump's Budget hinges on economic growth numbers no one believes. 'It's a fake forecast.'"

Chairman Neal. Without objection.

[[The information follows:](#)]

Mr. Kind. Mr. Secretary, you give me or any member on this dais an opportunity to write \$2.3 trillion worth of hot checks, and we will give you the illusion of short-term growth and prosperity in this country.

This administration, complicit with the other side, jammed through a major reform to the Tax Code a little over a year ago in 51 days without one hearing, with no appropriate feedback, riddled with mistakes and errors and unintended consequences and now, according to most budget forecasts, when you include interest on the debt, will increase our debt by \$2.3 trillion over the next 10 years. Eighty-three percent of the benefit, by the way, goes to large corporations and the wealthiest 1 percent, and now it appears as if the sugar high is ending.

You know, in the last 2 years of the Obama administration, they had stronger job growth and higher wage growth than the first 2 years of this administration. And yet my friends on the other side are like the rooster that crows and takes credit for the sun rising. But my fear now with the debt that this administration has embraced is when things do turn sour, and they will again, there will be another economic downturn because we are not going to have the monetary or even the fiscal tools with which to combat that because of this huge debt that has been racked up. And I will tell you what won't fly with hundreds of thousands of seniors and families in Wisconsin is this President's budget that calls for \$845 billion worth of cuts to Medicare and another \$241 billion worth of cuts to Medicaid, our BadgerCare program, which will affect the healthcare that those families receive in Wisconsin. Clearly, this is an attempt to pay for those tax cuts on the backs of those seniors and families that rely on those programs for the healthcare needs back home in Wisconsin.

But let me pivot real quick on a subject that we do agree on. I was one of the

authors of the opportunity zone legislation, along with my friend Pat Tiberi on this committee along with Senators Scott and Booker on the Senate side. We still think that holds great promise and opportunity in those overlooked areas of our country trying to get that early stage capital in. But I want to make sure it works the way it was intended, and we are going to need your help because, right now, there is no accountability or data reporting requirements as far as where these investments are going, nor is there government data at this time tracking the number and characteristics of the qualified opportunity funds because it is all just self-certifying at the time of tax filing. Could you tell me what Treasury is doing to try to bring more transparency and accountability to this program? And can you let us know what you can do on your own or what you might need legislatively to put this in place so we have a good accountability system?

Secretary Mnuchin. Mr. Kind, thank you very much. First of all, I appreciate your words on the opportunity zones, which I share are going to be an important issue. And let me just say, on data accountability, we agree with you. So, if there are specific things that you think we should be collecting, please send us a letter, and we will take that into consideration. Our view has been that we want to implement this quickly. So the self-certification was to get this up and running. We do intend that there will be data accountability, and whether it comes out immediately or it comes out in the next 6 months, we do intend to collect data, and we appreciate your input on that. Thank you.

Mr. Kind. Yeah. We will follow up.

Thank you, Mr. Chairman.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from Pennsylvania, Mr. Kelly, to inquire.

Mr. Kelly. Thank you, Mr. Chairman.

And, Mr. Secretary, thanks for being here.

You know, this discussion today reminds me of something that I read a long time ago. It's called "A Tale of Two Cities." Really, this is the tale of two parties. It was the best of times. No, it was the worst of times. It was the age of wisdom. No, it was the age of foolishness. It was the epic of belief. No, it was the epic of incredulity. It was the season of light. No, it was the season of darkness. It was the spring of hope. No, it is the winter of despair.

The sugar high is not a sugar high. And if it is a sugar high, I have got to tell you, the people back in my district love it. They are doing so much better today than they have done in so many decades, and nobody can deny the economic growth that came out of the Tax Cuts and Jobs Act. It is undeniable. It may not be unacceptable, depending on which side of the aisle you sit, but I have got to tell you. For people back home, it is an incredible lift.

And one of the towns that I represent, the city of Erie has done exceptionally well with opportunity zones. We have eight opportunity zones in Erie. Mr. Kind talked about this. The Erie Downtown Development Corporation is led by a guy named John Persinger, who is a good friend of mine, and another good friend named Matt Wachter. These guys have put together a piece that is available to everybody in the country because they are out on top of it right now. They are out and moving, and we are looking again at growth, growth, growth, and more growth and investment in places that nobody would have invested in before. But because of the Tax Cuts and Jobs Act, it is bringing vitality and a dynamic economy back to these areas.

The one thing, though, that I would just ask you, if you could: It comes down to trying to put together all the different ideas that we have to do and basically the second tranche of regulations. It just comes down to -- so the Office of Information and Regulatory Affairs. There is some confusion on the regulations, and do you know how

soon we will be able to come out with other regulations? I have got to tell you. In the understanding of it, listen. I have never seen anything like this in my life when it comes to growth, economic growth. And when we talk about the acceleration in debt, I was here also. I was actually alive in 2008 and 2009 and 2010, and I saw that debt go from \$9 trillion up to over \$20 trillion. At that time, there wasn't much of a murmur or even a whisper about it. It was okay. I have got to tell you: I appreciate everything you have done, but when it comes to the regulations, that second tranche coming out -- it is like the Erie Downtown Corporation, the development corporation. When can people like that see?

And, also, I would just like to ask you: If you ever have a chance, would you please come to Erie, Pennsylvania, and walk with me through the opportunity zones and see what it is like to put life back into a community because of tax policy that was done right here in this room? This has been phenomenal.

Secretary Mnuchin. Mr. Kelly, I would be happy to find the time to go with you to Erie. I would look forward to that. I think the opportunity zones are important, and I want to visit the specific areas.

The additional regulations are going through an internal clearance process at the moment, and we are very much trying to get them out on an expedited basis, so thank you.

Mr. Kelly. Well, thank you because the poorest ZIP Code in Pennsylvania is in that town. Thank you.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from New Jersey to inquire, Mr. Pascrell, and from here on, we will proceed to 2 to 1 in terms of ratio. And members are advised that there is likely to be a vote on the House floor at 10 o'clock, but it is the chair's intention to proceed with the hearing. So that means members on the first row or those at

the end of the dais might want to go and vote and come back immediately. There will only be one vote.

Mr. Pascrell.

Mr. Pascrell. Thank you, Mr. Chairman.

Good morning, Mr. Secretary. The Federal tax laws should be administered in an impartial and nonpartisan manner. What firewalls or safeguards have been put in place at the IRS to guard against political interference in the decision to disclose tax records pursuant to a congressional inquiry under section 6103(f)(1)? We made this famous in February of 2017. No one -- most people never heard of 6103 of this Tax Code. What have you done?

Secretary Mnuchin. Well, first, let me just say I agree with you completely. The IRS' job is to protect taxpayers and --

Mr. Pascrell. What have you done, Mr. Secretary? Time is awaiting us.

Secretary Mnuchin. Well, when you are referring to 6103, are you referring to your potential request for the President's tax return or the normal operations?

Mr. Pascrell. I didn't mention one time in what my question was, so don't think what I am thinking. I am asking you what you are thinking about my question.

Secretary Mnuchin. Well, as it relates to --

Mr. Pascrell. You are wasting our time.

Secretary Mnuchin. As it relates to the normal operation of 6103, that is done by the IRS. I believe they do it on an impartial basis. And as it relates to any potential requests, I said we will review it at the time.

Mr. Pascrell. Let me ask you this question: Mr. Trump claimed that he would -- President Trump, he would not personally benefit from the tax cuts in the tax bill of December of 2017. How can we know without seeing his tax returns? Can you tell

me that?

Secretary Mnuchin. Well, I am not aware of the President's financial situation other than what I read in the paper --

Mr. Pascrell. Apparently nobody is.

Secretary Mnuchin. -- but I would just -- I would just comment that I assume that that comment is that he has properties in New York and other places that are impacted by the SALT deduction.

Mr. Pascrell. Well, it is happening, and it is coming, so be prepared.

In September 2017, you promised: Not only will this tax plan pay for itself, it will pay down debt.

You said that. I didn't say that.

You also claimed that, for the highest earners, their taxes won't go down, which they obviously did in the final bill. So do you agree that those statements have been proved false?

Secretary Mnuchin. No, I don't. So, on the first part, I would say --

Mr. Pascrell. Then let me ask you this question.

Secretary Mnuchin. Well, can I answer or --

Mr. Pascrell. Well, you answered yes or no, but go ahead. I will give you 2 minutes -- 2 seconds.

Secretary Mnuchin. So, as I have said before, on whether it will pay down debt, that will depend upon the growth over the period of time. It has worked so far.

As it relates to -- the top wealthiest people used to pay 19.3 percent of taxes; they now pay 19.8 percent of taxes. So it --

Mr. Pascrell. Is it true that your tax -- is it true that your tax bill used the SALT cap to pay for the tax cut for top earners? Yes or no.

Secretary Mnuchin. No.

Mr. Pascrell. Do you know how much you gained from that in terms of revenue?

Chairman Neal. I thank the gentleman.

Secretary Mnuchin. I do.

Mr. Pascrell. How much?

Secretary Mnuchin. Again, it gained money, but it was offset by a majority of those people who paid the AMT --

Mr. Pascrell. I yield back.

Secretary Mnuchin. -- so it was in the number of a couple of hundred --

Mr. Pascrell. -- not going to get a --

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from Illinois to inquire, Mr. Davis.

RPTR MOLNAR

EDTR SECKMAN

[10:01 a.m.]

Mr. Davis. Thank you very much, Mr. Chairman.

I am deeply troubled that the Trump administration is prioritizing or allowing policies that allow 501(c)(3) tax-exempt organizations to discriminate against Jews, Catholics, Muslims, multiple groups of Protestants, and the LGBTQ families, while worsening the shortage of individual families who would be willing to serve as mentors to foster children. And so do you support that policy?

Secretary Mnuchin. Mr. Davis, I don't support discrimination in any kind, any place whatsoever. Let me be clear of that. If there are specific issues that relate to 501(c)(3)s, I would be more than happy to follow up with your office.

Mr. Davis. We would be delighted to do that.

I am also concerned that there are severe cuts to the most vulnerable members of our population, cuts in the Department of Labor's training programs by 7 percent, cuts in child welfare, \$4 billion, cuts to the most vulnerable groups in our society, to enhance the ability of the rich to continue to benefit from the tax cuts that we have seen. How do you justify what I call those draconian cuts in terms of the vulnerable population groups, who would benefit from these funds, and we have no money at all in the budget for paid family leave, individuals to take care of sick relatives, parents, and even children? Could you --

Secretary Mnuchin. Well, Mr. Davis, let me just say we look forward to working with Congress on the allocation of and appropriations of specific programs, but let me just comment in general that, in 2020, the President's nondefense budget is \$567 billion. That is up from 518 in 2016. So it is up substantially.

And as it relates to mandatory spending, we project that that goes from \$2.8 billion

in 2020, to \$4.3 billion in 2029. So -- and that doesn't include, obviously, what was in the last several years, over \$100 billion of money that went to special issues domestically for wildfires and hurricanes and other things. So we look forward to working with you and Congress on specific programs.

Mr. Davis. Thank you very much, and I yield back.

Chairman Neal. I thank the gentleman.

And, with that, the chair would recognize the gentleman from North Carolina, Mr. Holding, to inquire.

Mr. Holding. Thank you, Mr. Chair.

And, Mr. Secretary, thank you for your efforts on the proposed BEAT regulations. I look forward to working with you as we work through the remaining issues that are being brought up by the stakeholders in the comment period, and hopefully we can get those implemented quickly in a good way.

I want to switch gears and talk about pension plans. As you know, hitting those rates of return, you know, is very important, and, unfortunately, often pension plans don't do so. In North Carolina, where I am from, the retirement system posted a negative 1.47 percent return, making it the 21st year in a row that it has failed to hit a 7-percent target.

But the biggest bright spot in many pension portfolios has been investing in private equity. Even when North Carolina's retirement system lost money in the stock market last year, investments in private equity earned a significant 18.3 percent return. So it seems pension plans are understandably looking for more and more in the private equity markets to generate these needed returns.

For instance, in California's public employment retirement system, it is looking to double its investment in private equity and expects private equity to be the only asset capable of meeting its 7 percent target rate of return over the next decade.

So, in your capacity as a member of the board of the directors of the Pension Benefit Guaranty Corporation, how important is it for pension plans to hit their target rates of return, and what will happen if they continue to fail to do so?

Secretary Mnuchin. Well, Mr. Holding, let me just first comment that it is up to individual pensions to determine what their appropriate return is and their investment allocation on a prudent basis. I would just say, notwithstanding your pitch for private equity, public equities are up over 35 percent since the President was elected. Over long periods of time, they tend to be tremendous investment opportunity for pension funds and have workers participate in that. But I share your view on the importance of pensions and making sure that they protect the workers.

Mr. Holding. And if private equity and real estate investments are some of the best rates of return, increasing additional tax burdens on those investments would obviously result in a lessening opportunity for pension plans who invest in such things, to hit their return rates. I assume you would agree with that.

Secretary Mnuchin. I think that is just factually correct.

Mr. Holding. Thank you.

I yield back.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentlelady from California, Ms. Sanchez, to inquire.

Ms. Sanchez. Thank you, Mr. Chairman.

Mr. Secretary, on September 26, 2017, I sat with the President, you, and several members of this committee in a meeting at the White House where the President stated that both you and he would not personally benefit from the Republican tax bill. Since we are now in our first tax filing season after the Republican bill has become law, I have a few questions for you regarding that meeting.

Do you recall, first of all, the President making that statement?

Secretary Mnuchin. I do recall the comment although not all the specifics of it.

Ms. Sanchez. Okay. You were also quoted in the press during the fall of 2017 making similar statements. Do you recall making similar statements to that?

Secretary Mnuchin. I am sure you are correct. If it is in the press, I did say those things at the time.

Ms. Sanchez. Okay. Mr. Secretary, did you personally benefit from the new tax law?

Secretary Mnuchin. So I can tell you I did not personally benefit. As I say --

Ms. Sanchez. Did your individual tax rate go down?

Secretary Mnuchin. My individual tax rate did not go down.

Ms. Sanchez. Did not go down?

Secretary Mnuchin. Oh, when it went -- just to be clear, my combined individual tax rate of State and Federal did not go down.

Ms. Sanchez. No. Your individual tax rate at the Federal level, did that drop?

Secretary Mnuchin. Again, when I --

Ms. Sanchez. Because the upper income earners received a tax --

Secretary Mnuchin. Again, I think most --

Ms. Sanchez. -- a reduction in their tax rate, did they not?

Secretary Mnuchin. Again, most taxpayers look at their overall tax burden, so I was referring to the combination of what I pay in total taxes.

Ms. Sanchez. I asked if your individual tax rate went down at the Federal level. Simple yes-or-no question.

Secretary Mnuchin. I would have to look at that because --

Ms. Sanchez. Okay. To the best of your knowledge, did the President benefit --

Secretary Mnuchin. -- because I believe --

Ms. Sanchez. -- from the new tax law?

Secretary Mnuchin. -- I believe, because I have --

Ms. Sanchez. I am moving on. I am moving on. You can get me --

Secretary Mnuchin. You are not allowing me to answer.

Ms. Sanchez. -- the information later.

Did the President's individual tax rate go down?

Secretary Mnuchin. I am not aware of the President's tax situation as you --

Ms. Sanchez. In that meeting, the President also stated that the Republican tax bill would create up to 6 percent growth in our economy. Has the economy seen a 6-percent growth since the tax bill passed?

Secretary Mnuchin. I don't recall that statement, but I have been consistent in saying that our objective has been 3 percent or higher, which again, at 3.1, we have hit so far.

Ms. Sanchez. I bet there are a lot of witnesses that are here on this committee that were in that meeting that could say the President guaranteed a 6-percent growth in the economy, and we have not seen that yet.

Mr. Secretary, I want to move on. The 1998 IRS Restructuring Act created 10 violations that result in the termination of an IRS employee. The seventh violation is willful misuse of section 6103 for the purpose of concealing data from a congressional inquiry. This is defined by the Treasury Inspector General of Tax Administration -- and I am quoting here -- as, quote, actual knowledge that section 6103 did not preclude access to information by Congress or reckless disregard of the statutory provisions for disclosing information in response to a congressional inquiry, end quote. Thus, an IRS employee that misuses 6103 to obstruct a congressional inquiry can be fired.

Mr. Secretary, should this apply to Treasury employees as well?

Secretary Mnuchin. There is an awful lot of interest in 6103 here today. Again, as I have said --

Ms. Sanchez. If an IRS employee can be fired for not providing information under congressional inquiry, don't you think a Treasury employee should as well?

Secretary Mnuchin. You are asking me a hypothetical question, which, again, we will review with our lawyers.

Ms. Sanchez. I yield back.

Chairman Neal. I thank the gentlelady. And I was there. The gentlelady is correct. The President did note 6 percent growth.

With that, let me recognize the gentleman from New York to inquire, Mr. Higgins.

Mr. Higgins. Mr. Secretary, I just want to, for the record, correct you that tax cuts do not pay for themselves, and you should know that. The President just gave us four consecutive trillion-dollar deficits, proving that these tax cuts do not pay for themselves. The President's own budget projects that the debt will hit \$22.8 trillion in 6 years. That is more than 50 percent higher than when the President took office. So these tax cuts do not pay for themselves.

Candidate Trump said that he will save Medicare, Medicaid, and Social Security without cuts ever. He further said: I am not going to cut Medicaid or Medicare.

President Trump's budget, because these tax cuts don't pay for themselves, cuts Medicare by \$845 billion, cuts Medicaid by \$241 billion, cuts Social Security by \$25 billion.

The President gave us an infrastructure bill that nobody took seriously. He had a Republican House and a Republican Senate, and there wasn't one bill to support the President's bill -- plan toward implementing an infrastructure bill. In fact, the President

billed this as a \$1.5 trillion infrastructure plan with only \$200 billion of Federal money. That is equivalent to the amount of money that we spent rebuilding the roads and bridges over the last 10 years in Iraq and Afghanistan. So this is not an infrastructure bill.

My hope is that, given the failed attempt by the President to initiate an infrastructure bill, that the administration will work with this House, that has sound ideas, as to how to fund properly an infrastructure bill because, Mr. Secretary, unlike tax cuts, infrastructure does pay for itself.

For every dollar that you give away in a corporate tax cut, the best-case scenario is that you can recapture 32 cents. You are an investment banker. That is a loss on investment of 68 percent.

On infrastructure, conservatively, for every dollar you spend, you can recapture about \$2, and I have seen \$3 and \$4 as well. So my hope is that you will take seriously our offer to work together on an infrastructure bill.

Secretary Mnuchin. Mr. Higgins, I can assure you, we will take seriously your efforts to work with us on infrastructure, and we look forward to that. And, again, let me just comment on whether the tax cuts pay for themselves or not will be simple math. Thirty-five basis points of additional growth over the 10-year period is what it takes, and we are way ahead of that, but we will see. So time will tell.

Mr. Higgins. I yield back. Thank you.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from Missouri, Mr. Smith, to inquire.

Mr. Smith of Missouri. Thank you, Mr. Chairman.

Secretary, thank you for being here. Listening to the questions that I have heard, I might should ask a couple that are just as ridiculous, like, do you breathe oxygen?

Secretary Mnuchin. What was that?

Mr. Smith of Missouri. Do you breathe oxygen?

Secretary Mnuchin. Yes, I breathe oxygen.

Mr. Smith of Missouri. Are you a U.S. citizen?

Secretary Mnuchin. Yes, I am.

Mr. Smith of Missouri. That is how ridiculous these questions have been today. I mean, everyone knows these questions, but it is just trying to make their political points.

But I do want to say to you, Secretary, is thank you, thank you and President Trump and this Republican Congress for turning our economy around. For the first time in 13 years, our GDP is at 3.1 percent last year. That is amazing.

And when I go to southeast Missouri, where the folks that I represent, their median income is \$40,000 a year, and they tell me about how they have benefited from the Tax Cuts and Jobs Act, I don't listen to this political debate and jargon saying that it only helped the wealthy because I can take you to countless individuals in southeast Missouri where they came up to me and they were like: You tell President Trump thank you for my thousand dollar bonus that I got at the AT&T Call Center in Cape Girardeau, Missouri, because of his tax cut bill.

I am, like: No, I helped write it. The President didn't write it. I was one of the
23.

But he is like: Thank you.

Or the young lady who had two broken car seats at Lowe's in Rolla, Missouri, and she said: Because of the benefits from the Tax Cuts and Jobs Act, I was able to buy new car seats.

So I want you to not have a doubt how successful the economy is going, and how well the Tax Cuts and Jobs Act are affecting real Americans who don't think a thousand dollars are crumbs. They know it is a couple months' rent. They know it is a couple car

payments, and they know it will put food on the table.

So, Mr. Secretary, I do want to make a point that is in the budget of something that I really care about. One, the elimination of the electric tax credit, the President proposed that in the budget. We know that 80 percent of the people that benefit from the electric tax credit for electric cars, they get \$7,500 on purchase of a new car. Eighty percent of those people make more than \$100,000 a year. How many electric cars do you think are in southeast Missouri?

Secretary Mnuchin. I don't know how many are there, but I do know that I own a Tesla, and I didn't need the \$7,500 tax credit --

Mr. Smith of Missouri. Well, I want to take it away, and I am glad the President does as well. And I could say so much more, but thank you for being here, thank you for the job you are doing, and thanks for putting up with all this.

Chairman Neal. We thank the gentleman.

With that, let me recognize the gentlelady from Washington State, Ms. DelBene, to inquire.

Ms. DelBene. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for being with us today.

When the Tax Cuts and Jobs Act was being drafted, Republicans sold the passthrough deduction as a provision that would benefit small businesses. However, a recent Joint Committee on Tax Publication on the passthrough deduction found that two-thirds of the benefit goes to households making above the income threshold. That threshold is \$157,500 for individual filers and \$315,000 for joint returns, meaning that taxpayers above those income thresholds, who only represent 5 percent of taxpayers claiming the deduction, will reap 66 percent of the benefits from the deduction.

Another report from the Joint Committee on Taxation finds that more than half the

benefit of the passthrough deduction will be claimed by taxpayers with income in the top 1 percent. Are you concerned that a provision that was supposed to benefit small businesses is largely benefiting the wealthy?

Secretary Mnuchin. Well, let me just comment that in -- in passthroughs, there is one level of taxation as opposed to two levels of taxation. The idea of the passthrough discount was to create businesses that are passthroughs, to make them competitive with corporations and to eliminate a lot of what would have been the switching costs had people made those as corporations. So --

Ms. DelBene. But our small businesses are not receiving that benefit.

Secretary Mnuchin. Again, I would just say I don't have the specifics and will try to get back to you on this, but the idea was that no different than corporations would pass on significant part of those benefits to workers and investment that passthroughs would as well, and we will try to get back to you with some statistics on that.

Ms. DelBene. Well, I think you should read the report from the Joint Committee on Taxation because it has that detail. And it is very concerning --

Secretary Mnuchin. I have read the report.

Ms. DelBene. -- when the tax bill was -- because when Republicans were talking about a tax bill, they talked about how it was going to benefit middle-class families and small businesses. This is yet another proof point that says that that has not been true.

Finally, Mr. Chairman, I would like to enter into record, a letter sent to Secretary Mnuchin on November 29th, 2018, requesting documents related to the ACA. The documents have not been produced to the committee, and I ask for unanimous consent to enter it into the record.

Chairman Neal. Without objection.

Ms. DelBene. Thank you. I yield back.

Secretary Mnuchin. And we will look into that and get back to you. I am not aware of why it hasn't been followed up on.

Ms. DelBene. Thank you.

Chairman Neal. I thank the gentelady.

With that, we will recognize the gentelady from California, Ms. Chu, to inquire.

Ms. Chu. Secretary Mnuchin, earlier, Mr. Marchant from Texas, from the other side of the aisle, raised the issue of taxpayers facing a penalty because they did not withhold enough. I am so glad he did because it shows that this is not a partisan issue. And I would like to reiterate as to why this is so important. The 2017 tax law was the first law overhaul in this country and its taxpayers, the first in 30 years. Because of the sweeping changes made in a very short period of time, including the elimination of personal exemptions and capping of the State and local tax deduction, many are still working to understand its impact on their families and on their tax refunds.

Constituents in my district have told me this is the first year in decades that they have not received a refund and are facing the reality of owing taxes and underpayment penalties.

Now, the last time the Tax Code was overhauled in 1986, the drafters included a waiver of penalties for underpayments caused by the change in the tax law. I believe this provision was included because they knew taxpayers would face the same withholding challenges that families are facing today.

While Congress did not include such a waiver this time around, I understand that the IRS did announce it will waive the usual underpayment penalties as long as taxpayers paid at least 85 percent of the tax they owe. This is a step in the right direction, but it is ultimately inadequate. Since that announcement, experts and practitioners believe further relief is needed.

In fact, the American Institute of CPAs, a nonpartisan organization that represents over 430,000 accountants and experts across the country, have determined that further relief is needed to protect the taxpayers this filing season, and would like it to be lowered to 80 percent.

And that is why I introduced H.R. 1300, the Taxpayer Penalty Protection Act which follows this recommendation to the 80 percent level. I believe this bill is in the best interest of taxpayers across the country, and that this should not be a partisan issue. Filing season impacts all of our constituents.

So, Mr. Secretary, I heard you say earlier to Mr. Marchant, that you will consider providing further penalty relief through administrative actions. My question is about that and also about the time schedule because people are filing now, and we have only 1 month to go before April 15th. Taxpayers need the certainty now. So will you confirm that you will consider further penalty relief, and what is the timeframe?

Secretary Mnuchin. Well, first of all, again, I appreciate your feedback, and this isn't a partisan issue, as it was brought up earlier. I appreciate you bringing it up. We will review it very quickly. I would normally tell you I would review it this afternoon, but I am testifying at the Senate this afternoon. So I will look at it tomorrow, and we will try to make a decision within the next week on this.

Ms. Chu. Thank you so much. I yield back.

Ms. Sewell. [Presiding.] Thank you.

The chair will recognize Mr. Rice from South Carolina.

Mr. Rice. Thank you, Madam Chair Lady, and thank you Secretary for being here.

I want to tell you a story, Mr. Secretary. In 2008, when Barack Obama was campaigning for President, he drove down I-95, and he stopped in a little county in my district, and it is one of the poorest areas in South Carolina. Three counties there, they

call it the corridor of shame. They were very heavily invested in textiles and tobacco 40 years ago, and you can imagine what happened to them. And when the President stopped there, he put a little girl on his knee and decried the poverty and said that we needed to do something.

It was a beautiful speech, but guess what, nothing happened in the 8 years of his Presidency. I want to tell you that Marion County, right next to that, is the poorest county in South Carolina. Fifty-seven percent African American. Twenty-eight percent live in poverty, twice the South Carolina average. This is a real story for real people. When President Barack Obama left office in December 2016, 9.6 percent unemployment in Marion County. Eighteen months later, a year and a half after President Trump took office, and we had passed this Tax Cuts and Jobs Act, and we had the opportunity zones, and we had a new piece of infrastructure in Dillon County, the unemployment rate in Marion County dropped from 9.6 percent to 4.8 percent. That is half -- half -- in 18 months. That is a remarkable success for people who desperately, desperately needed it.

At this point, we have more jobs open than we have people to take them. People who have suffered generational poverty, who never believed that this land of opportunity provided opportunity for them, now are coming back into the workforce, and everyone who does is a win. They recognize -- they are recognizing that they have a chance at the American Dream. We are engaging educators and pastors to bring people together, to help them see that opportunity is for them. Barack Obama gave a great speech. Donald Trump is fixing the problem. Thank you, Mr. Secretary.

Now, we can't stay where we are. I believe that the reason why American workers suffered for so long is because our economy and our economic policies were not competitive. We have made our Tax Code competitive. We have got to fix our unbalanced trade agreements that are balanced against American workers. Please keep

pushing for the revised NAFTA and a new deal with China. We need infrastructure. Our workers, if they are going to compete on the world stage, they have got to have world-class infrastructure.

And we need to shift from family-based to skill-based immigration. If we can get these things done, we will see upward movement in GDP growth for a sustained period and a sustained, golden age of opportunity for American workers. Thank you, Mr. Secretary.

Ms. Sewell. The chair now recognizes myself for 3 minutes of questioning.

Mr. Secretary, I wanted to follow up on the line of questioning regarding the opportunity zones. I think that we are all agreed that it presents a wonderful opportunity for us to invest in distressed communities. Mr. Kelly asked about the second tranche of rules and regulations, and you didn't give a specific timeframe. And I was wondering if you could give us a thought as to when we can get finalized rules.

There are several opportunity zones in my district that we would love to take advantage of, but many of the private investors want to know specifically how they are going to, you know, how opportunity zones -- the credits will actually benefit them. So can you actually talk a little bit when we can get final rules so that people can have more specificity?

Secretary Mnuchin. So, first of all, thank you for your focus on this, and I can assure you, I am as focused on this as you. I ask my team every day: Where are they?

As I said, the next tranche is going through a review. I hope this is a matter of weeks that we can get these out. So --

Ms. Sewell. I just want to stress that I think that this is a tremendous bipartisan opportunity to really affect communities -- vulnerable communities in our Nation, and people really want more specifics before they actually invest.

Secretary Mnuchin. Thank you very much, and I can assure you this is on the top of my list --

Ms. Sewell. Okay.

Secretary Mnuchin. -- when we have tax meetings every day.

Ms. Sewell. And the other thing is that I know that, in January, my colleagues and I sent a bipartisan, bicameral letter raising a number of issues about the opportunity zones programs that remain unsettled. One was about data accountability, and that was addressed a little bit by Mr. Kind and your response. I just want to make sure that we -- that the focus is on having metrics that will actually get to whether or not communities -- those communities actually benefited, the impact of the investment on the communities. In particular, unemployment, but also the -- what do you call it -- the ancillary things that actually can spawn from economic development.

So I will work with my colleague, Mr. Kind, in helping to draft a letter of the kinds of metrics and the kinds of data accountability I think that would be necessary in order to make this really a win-win for the community, as well as for the investors.

Secretary Mnuchin. Good. And let me just assure you that the only reason why those haven't come out is because we didn't want to rush through them. We want to have the proper reporting. And those aren't critical for people starting investments. So whether those come out next week or in 6 months --

Ms. Sewell. True, but you know how investors are. They like to get more --

Secretary Mnuchin. -- we have time to get it right. But we will work with you very closely.

Ms. Sewell. Thank you.

Secretary Mnuchin. Thank you.

Ms. Sewell. The other question I had that has been asked of me, is there an

opportunity to examine whether or not we can do additional designations since the Governors had to designate prior to actually the rules coming out? Have you -- has there been any thought as to whether or not additional areas could be designated?

Secretary Mnuchin. We don't believe we have any legal authority to allow for additional designations at this time, but if that is something that is important, we would obviously work with you and the committee to pass appropriate legislation and be supportive of that.

Ms. Sewell. Thank you.

The next -- we will go to Mr. Schweikert of Arizona.

Mr. Schweikert. Thank you, Madam Chairwoman, I appreciate it, just because of the -- having to run back and forth and vote on the floor.

I am going to run through just a couple things. First, opportunity zones, this is as much for the staff. For those of us from Arizona, with our Tribal communities, you can't end up with having ownership of the underlying lands. So you have leasehold interest. It does make some of the mechanisms a little trickier, maybe having to use tax book basis. So I appreciate you listening to our concerns on that.

Thank you for hopefully moving us away from the bad old days of what we used to refer to around here as Operation Choke Point. For some of my border communities, you had a Hispanic surname. You felt you were being treated differently if you were doing trade back and forth across the border.

Debt management, there is a number of us who -- we basically look at our demographics, and that is one of the frustrations you hear in these discussions here if you actually go 2008 to 2028, 91 percent of all the spending increases are going to be interest, Social Security, healthcare entitlements. It is our demographics that are driving our debt. And if you actually look in the next 30 years, I hope the Treasury is thinking of either/also

instruments, the trills concept from Dr. Shiller, some of these other things as ways to manage our future debt that is being driven. Many of us get a little nervous when we look at the subscription rates of some of the sovereign offerings.

Last thing -- and this is actually where the question sort of comes -- CBO actually put out the 5 months -- you know, the first 5 months' fiscal revenue is in. And it looked as if actual revenues were pretty much identical to the previous fiscal year's first 5 months. But the \$142 billion of debt looks like it almost solely came from our Bipartisan Budget Act.

When Treasury is doing some of their documents, do they have the -- is there a more elegant way to sort of say, look, revenues actually are -- under the new tax reform, look pretty stable, it is Congress' spending policies that are actually driving up your need to go and issue more and more debt?

Secretary Mnuchin. Thank you. Let me just comment, the way we designed the Tax Act was there were incentives for people to do automatic expensing and other things, which cost tax revenues in the first few years and raise revenues going forward. So, when we say it has paid for itself or it has generated revenues, that is true, despite -- because we are looking at it over the window.

Now, let me just comment: We can't spend the growth twice. So growth that we are using to pay for tax cuts, we got to be careful and not also use for increasing expenses. And that is the reason why we have adjusted the budgets accordingly.

Chairman Neal. [Presiding.] I thank the gentleman.

Mr. Schweikert. Thank you, Mr. Chairman.

Chairman Neal. Thank you.

With that, let me recognize the gentleman from Pennsylvania, Mr. Evans, to inquire.

Mr. Evans. Thank you, Mr. Chairman.

Mr. Secretary, you mentioned -- you talked about the word "poverty," and that is been a huge concern obviously in the State of Pennsylvania, particularly in the city of Philadelphia. I want to raise a question about utilizing low-income housing tax credit and private activity bonds to fund low-income housing. I would like to know your thoughts on fixing the low-income housing tax credit at 4 percent while either removing the cap on private activity bonds or having expired cap funds go back into the pool.

Secretary Mnuchin. Mr. Evans, I would be happy to follow up with you and your office to go through the specifics and your ideas of what we should do on that. We would be open-minded to looking at your suggestions.

Mr. Evans. Okay. Second question, I wanted to kind of follow up a little bit on the issue regarding opportunity zones. You know, obviously, that is a great concept. However, it appears, and understanding that although well intended, wealthy investors often benefit the most because benefits are limited to capital gains. Investors are not always focused on the best use. So how can we make it so that we can see more benefits target to the areas which was originally intended to benefit opportunity zones?

Secretary Mnuchin. Well, Mr. Evans, I think, as I have said before, we are very excited about opportunity zones and particularly areas where we think there is going to be a lot of interest, not only in real estate, but more importantly, companies starting and companies growing in those areas. So we look forward to working with you on appropriate areas in your area. But we think there will be a lot of money that is incentivized and we look forward to working with you.

Mr. Evans. Would you also see, around the issue of the opportunity zones, being able to have a direct benefit towards housing in any way?

Secretary Mnuchin. I think that housing is a very appropriate area that will benefit

from it.

Mr. Evans. You also talked about the element of -- mentioning the aspect of poverty, which I totally agree that we need to do -- I think that is absolutely the challenge that we face in this country, sort of like the two tiers of communities that we have. So I want you to go back a little bit. In a very specific way, from this administration, you mentioned the tax package, you mentioned trade. Any other kind of specific ways that you have specifically on addressing the question around poverty?

Secretary Mnuchin. Well, I think, within Treasury, we are looking at a lot of issues around financial literacy, opportunities within communities. We have different advisory groups. Yesterday, I met with many people on this issue. We look forward to working with you and getting your ideas on how we can address it. It is a very important issue.

We also think that making sure within these communities we address the appropriate regulation and the appropriate opportunity for job creation.

Mr. Evans. Thank you, Mr. Chairman.

Chairman Neal. And, with that, as the gentlelady takes her seat, we will recognize Ms. Moore from Wisconsin to inquire.

Ms. Moore. Thank you so much, Mr. Chairman.

And welcome back, Secretary Mnuchin. I just wanted to make sure that I heard your testimony correctly. You say that this tax cut has really put families on a great path. We have doubled the standard deduction, that businesses are creating new jobs, and there has been great economic growth. Is that your testimony?

Secretary Mnuchin. I believe that is correct.

Ms. Moore. All right. Well, I just want to ask unanimous consent to enter into the record some of the media stories compiled by the Americans for Tax Fairness, and do

I -- can I --

Chairman Neal. Without objection, those will be entered into the record.

Ms. Moore. Thank you so much.

Secretary Mnuchin, I am wondering, we have doubled the standard deduction.

You know, your claim is that families are going to be better off, but you mentioned in your testimony that the budget is going to continue to push our economy forward. So I am wondering how the cuts in Medicaid, Medicare, cuts in Social Security, to disabled people who are trying to work, the elimination of the social services block grant fund, huge cuts, how will the doubling the standard deduction, eliminating Medicaid expansion, how will a struggling family of taxpayers benefit with the combination of the tax cut, which gave them double the standard deduction, and the elimination of these other safety net initiatives? How do you see that working with your theory of families being better off?

Secretary Mnuchin. Well, I think families are better off. Because of the tax cuts, they have more money in their pockets. They have --

Ms. Moore. -- excuse me, my time.

Secretary Mnuchin. -- growing wages --

Ms. Moore. They have tax cuts --

Secretary Mnuchin. Can I at least finish?

Ms. Moore. -- like \$20 extra.

Secretary Mnuchin. Again, the example that I gave you before -- and everybody is different, okay -- is, in a family that makes \$75,000, had their taxes cut 55 percent. I believe the average tax across the board was lower than that, but --

Ms. Moore. Reclaiming my time, sir, I am not talking about a family making \$75,000 a year. I want to talk about the families that are struggling in the middle class. How does cutting these other benefits they might need, ObamaCare, how will they benefit

from this tax cut?

Secretary Mnuchin. I am going to respect your reclaiming your time because the last time I got into a video on that.

Ms. Moore. That is exactly right. That is how it started.

Secretary Mnuchin. But let me just emphasize: We are not cutting programs. We are lowering the rate of growth on programs, as I mentioned --

Ms. Moore. You are cutting Social Security, Medicare, and Medicaid. You are eliminating the social services block grant fund.

Chairman Neal. The gentlelady --

Ms. Moore. And thank God my time has concluded, right, Secretary, and you didn't have to answer. Okay.

Chairman Neal. I thank the gentlelady.

With that, let me recognize the gentleman from Illinois, Mr. LaHood, to inquire.

Mr. LaHood. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, for being here and for your service to our country.

Secretary Mnuchin. I just want to say I didn't mean to say yes to -- I was -- that your time was over. I was saying yes to my reclaiming my time thing. So I apologize for that.

Mr. LaHood. Mr. Secretary, I appreciate you being here, and I would just start off, in my district, in central and west central Illinois, I look at the effect that the Tax Cuts and Jobs Act has had on my district, and probably the number one complaint that I hear in my district as I travel around, is: We don't have enough workers to fill the jobs.

We have 7.3 million unfilled jobs in this country. And I look at my district, and whether it is truck drivers, whether it is mechanics, whether it is welders, whether it is nurses, technicians, we can't fill the jobs that we have, as a direct result of the Tax Cuts and

Jobs Act that was passed by this Congress. And that is a positive thing. I also look at recent Gallup Poll, U.S. small business owners optimism, the highest in 10 years. Look at the fact a Gallup poll, just last month, in the middle class, 70 percent are more optimistic this year than they were last year.

And so, by every measure, you look at the optimism in the economy as a result of the Tax Cuts and Jobs Act; it is working.

And so, question for you on filling that jobs gap out there, skilled labor, career technical education, can you talk a little bit about what the administration is looking at so that we can fill these jobs and educate folks for -- so that we can keep this economy moving?

Secretary Mnuchin. Thank you. I think there are really two important issues. One is worker training and to make sure that, as you said, there are as many open jobs as there are workers, so that we train people for those jobs. And, two, we need to have legal immigration growth to increase our economy. So I know this is something that the President continues to be focused on and working with Congress on, but we need more workers.

Mr. LaHood. Switching gears to trade, can you give us a little update on where we are at with China? I know you and Ambassador Lighthizer have been very engaged with the Chinese, and we are at a critical point with those negotiations. And, specifically, if you could comment on -- we heard a lot about the enforcement mechanism that we are trying to put in place to change the behavior of China as it relates to making them comply, making them abide by what every other industrialized country in the world does, and whatever that structural change is, is going to be important moving forward. Can you talk a little bit about that?

Secretary Mnuchin. Yes. So I think, as you know, President Trump has been

focused on this issue of trade with China for the last 2 years, since the first meeting at Mar-a-Lago, between the two Presidents. He made very clear, and they agreed, that the trade deficit had to be reduced and that they had to create more opportunities for U.S. companies and protect our technology and stop forced joint ventures.

Ambassador Lighthizer and I have worked very close together. We had a call with the Vice Premier as recent as last night. We are working diligently. There is over 150-page document that we are working on. It will have, if we reach an agreement, a very clear enforcement provision, and as the President said yesterday, we want to get the agreement right. That is more important than the exact timing. But I expect it is something we will resolve in the near future.

Mr. LaHood. Thank you, Mr. Secretary.

Chairman Neal. I thank the gentleman.

And, with that, let me recognize the gentleman from Virginia, Mr. Beyer, to inquire.

Mr. Beyer. Mr. Chairman, thank you very much.

Mr. Secretary, pleased -- thank you for being with us.

Mr. Chairman, without objection, I would like to offer for the record an article from this morning's Wall Street Journal entitled "Steve Wynn Met With Treasury Officials About Opportunity Zones After Stock Sale."

Chairman Neal. Without objection.

[\[The information follows:\]](#)

Mr. Beyer. And I also note that FOIA requests about these meetings have been pending since last September, and the Treasury Secretary -- and I urge the Treasury Secretary to make these FOIA requests a priority.

Secretary Mnuchin, in contrast to the rest of the nondefense budget, the President's budget does request an increase in funding for the IRS. This signals a recognition of the problem but doesn't go nearly far enough to address a decade of underfunding on the IRS workforce and its mission. Much of the funding is addressed on new initiatives, like the technology, that, while worthy, don't address some of the main problems we have seen arise during a decade of underfunding. The IRS enforcement budget is 23 percent below where it was in 2010, and this even -- in 2010, there was a tax gap of almost half a trillion dollars. We have talked a lot about the budget deficit. That half a trillion dollars per year would go a long way. And that is just 2010 numbers.

From 2011 to 2017, audits of the wealthy fell at an alarming 75 percent, a much higher rate than the audits fell for poor and middle-class taxpayers. And this comes at a time when wealthy tax evaders are using ever more complex schemes, including a proliferation of global LLCs designed to hide assets. The IRS has many talented and dedicated employees, many of them are my constituents, but they simply can't keep up.

And there is concrete evidence that the wealthy enjoy widespread immunity, not just to practice aggressive tax-avoidance schemes, but to engage in fraud and evasion as well. Some wealthy people clearly share that belief. That is why tax-deductible donations for fraudulent charities, and bribes to get their kids into college, or aggressively and illegally undervaluing real estate assets to avoid tax liabilities. So this not only undermines Federal revenues but also just confidence in our democracy and the rule of law. So, Mr. Secretary, what steps are you taking to reduce the tax gap and increase

public confidence in the IRS?

Secretary Mnuchin. Thank you very much. So, first, let me just comment on your first issue on Mr. Wynn. We will be happy to follow up with the FOIA request.

Mr. Beyer. Thank you very much.

Secretary Mnuchin. I can confirm there was a meeting with the experts who deal with opportunity zones. We had meetings with lots of people. I think I stopped in for literally 2 minutes to say hello. That was not a meeting that was scheduled with me, but I can assure you this was a normal meeting like we meet with other people.

Now, in regards --

Mr. Beyer. -- the tax --

Secretary Mnuchin. In regards to the IRS funding, I very much appreciate, a major priority for me is technology and upgrading the technology. I think, as you know, we had an issue this year on tax day with the technology. We make big investments in lots of other things that are important to the government. The IRS needs technology to bring it into the modern age. And compliance in shrinking the tax gap, in my opinion, updated technology is the number one way for us to accomplish that. So I very much support the IRS' plan. I appreciate the bipartisan support for the IRS, and again, IRS technology is on my top 10 list to get done.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from Illinois, Mr. Schneider, to inquire.

Mr. Schneider. Thank you, Mr. Chairman, for holding this hearing.

Thank you to the Secretary for being here.

I would like to focus on a topic we have touched on already, the State and local tax deduction, the cap on that. The last tax package put a cap at \$10,000. We had this earlier discussion of, does that affect middle-class families? Well, in my State of Illinois, it does

affect middle-class families. In my district, roughly 42 percent of all tax filers are impacted by this, and the average in Lake County, one of the counties I represent, is more than \$18,000 in State and local taxes because Lake County has a reputation of comparatively high property taxes.

This is affecting working middle-class families who are struggling to make ends meet. I take it a step further and say that it is double taxation. They are being taxed on the taxes they are already paying to fund their schools, their local communities, the operations of our State.

Eleven million households nationwide are affected by this. As I mentioned, in Illinois, this is a disproportionate impact. I hear from constituents everywhere I go that this is really having a harmful effect on their ability to make ends meet and take care of their families.

So my question for you is basically this: What do you say to these middle-class families who were promised a tax break by the President, but who are, in fact, experiencing a tax increase, reduction in their refunds, et cetera?

Secretary Mnuchin. Well, Mr. Schneider, first of all, let me acknowledge, okay, we are carefully looking at the impact on SALT on the appropriate States, as to what the impact is on these economies because these economies are a large component of U.S. growth. So it is something that we are monitoring carefully. I won't get into a debate as to what is the middle class and what -- who is exactly being impacted, but I will acknowledge we do have certain concerns we are monitoring on these economies. I think you know the President has made some recent comments on this, that he is aware of it. So I do want to just say we do understand it, and we look forward to working with you specifically to understand the impact in your areas.

Mr. Schneider. Thank you. And I will say that a young family that is making,

say, \$75,000 to \$125,000, which defines a big portion of my district, families that are start -- couples that are starting their families, moving to the district, buying their first home, and getting hit with not just the impact of the cost of starting a family, but then a double tax on their State and local taxes they are paying for funding their kids' schools, is a real burden on these families.

So I look forward to working with you. This is something that I think we need to address and give relief to these families that were promised a tax break.

And, with that, I yield back.

Chairman Neal. Thank you. The chair would exercise a prerogative here. I think that the President did note that he was open to a discussion about the SALT deduction?

Secretary Mnuchin. I will comment yes. I was just referring to the President is aware of this, and as I said, we are carefully monitoring the impact on these parts of the economy, which I want to acknowledge is a very important part of the U.S. economy.

Chairman Neal. I thank the gentleman.

With that, Dr. Wenstrup is recognized to inquire.

Mr. Wenstrup. Thank you, Mr. Chairman.

Thank you, Mr. Secretary for being here today.

I can say throughout my district in some areas where they were really struggling, there is a lot more optimism than we had a couple of years ago, and we are also seeing a great increase in the capabilities and needs being filled through our community colleges and our vocational schools.

You know, through this process -- you know, we are a great country that provides safety nets, and we never want to let those go away. But they are sometimes very challenging for people. Well, you have an opportunity right now with growth and more

jobs available, enhancing the lives of blue-collar workers and their families.

But in addition, I want to take a moment here to talk about those that are in poverty and the opportunities for them. And one of the things that I am finding -- and I want to hear what the Treasury Department feels about this and how we can do things better -- but for those that find themselves in poverty, our fellow Americans that, you know, are making every effort they can, one of the problems that they find all the time is they have to go one place for their housing, another place for their nutrition, and another place for their healthcare. And too often, as they start to succeed and make their way, they are penalized. They are penalized for making too much. They suddenly get into a higher level of income, and their kids lose their Medicaid. That is a real scenario that I think both sides of the aisle recognize, at least I hope they do.

But how is that affecting you at Treasury, and maybe what recommendations might you make that we do so that people aren't stymied in the process of trying to come out of poverty?

Secretary Mnuchin. Well, I think you have raised some very important issues. I look forward to sitting down with you and other people on a bipartisan basis on the committee to look at this issue. I think clearly we want to have incentives for people to work. So we want to put people back to work. The best way to get them out of poverty is to have them have jobs, and we look forward to addressing some of the issues that you have raised.

Mr. Wenstrup. Yeah, and I am talking about Americans that are very incentivized to work, and they are working, and they are given a greater opportunity at work, but they can't take it because of what we have in place here. What we are telling them is: Well, now your kids will no longer have healthcare because you are going to make \$5 an hour more, or something like that. So I think we have to do some math here.

Secretary Mnuchin. I understand it, and I hope this is something that Republicans and Democrats can look at together on the committee.

Mr. Wenstrup. And I want to applaud the focus on customer service with the IRS. And I think that -- I met with the Commissioner the other day, and I think that he gets it, and hopefully we are going to be on the right track there. Thank you.

Secretary Mnuchin. And thank you for noting that. And let me just say we can always do better. One of the things we are focused on, again with technology, is automated callbacks. There is no reason why, in this day and age, hardworking Americans need to stay on the phone on hold for long periods of time. So this is a priority for us with technology.

Mr. Wenstrup. Thank you.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from New York, Mr. Suozzi, to inquire.

Mr. Suozzi. Thank you, Mr. Chairman.

Thank you, Mr. Secretary for being here today.

I didn't want to talk about this, but I am going to. You know, you have talked about it a little bit. SALT is awful for my district. The SALT cap is awful for my district. It is bad for all of New York -- at least downstate New York. In fact, every Democrat and every Republican in New York City on Long Island and the downstate suburbs voted against the tax bill because it is bad for the people of the area I represent. And I know that you are from New York as well. That is correct?

Secretary Mnuchin. That is, and I can assure you I hear it from plenty of people in New York all the time.

Mr. Suozzi. And you know that New York is the largest net donor to the Federal Government of any State in the United States of America. We send more than \$36 billion,

maybe as much as \$48 billion a year to the Federal Government than we get back in tax returns. Are you aware of that fact?

Secretary Mnuchin. I am. Although I would just comment on the net donor issue, it happens to be because it also has a predominant portion of the wealthy people.

Mr. Suozzi. And we are subsidizing the rest of the country more than any other place in the country. Maybe because we have wealthy people in New York City and other places, we also have middle-class people. The country is different from place to place. You would argue that, wouldn't you?

Secretary Mnuchin. I would, and again, let me acknowledge, I appreciate the issue. The SALT issue, as I have said --

Mr. Suozzi. So, if somebody is making \$150,000 in some places in the country, they are doing great, but if they are making \$150,000 between a husband and a wife in my district, you are actually facing a tough time because of your high cost of your home value, because of the high cost of your property taxes, the cost of living. You understand that, based upon your personal experience, don't you?

Secretary Mnuchin. I do, indeed.

Mr. Suozzi. Okay. So we have got to try and address that.

Now, Mr. Secretary, in June of last year, you said the new postcard-size Form 1040 is designed to simplify and expedite filing tax returns, providing much needed relief to hardworking taxpayers. This is a copy of the postcard that was used for a lot of the press that the Republicans and the administration were using, saying how much easier it was going to be for people. Now, we have asked for a report, the staff of Ways and Means has asked for a report that has been issued about how well the postcard is working out, and we haven't been able to get that report. Do you think we can get that report from you?

Secretary Mnuchin. So, again, I understand from my staff that we sent you back a

response yesterday.

Mr. Suozzi. Was it a response or the comments? We want the actual report. Can we get that report?

Secretary Mnuchin. I am aware of -- you do want the report. We are getting the report to you. Quickly, the report is in draft. Our preference would be to wait until --

Mr. Suozzi. We would like to see the draft of the report.

Secretary Mnuchin. I believe that we are accommodating that. We are working with the chairman on that, but I understand the request. I understand that --

Mr. Suozzi. Let me just point out, Mr. Secretary -- thank you so much. Nina Olson, who is the National Taxpayer Advocate, gave testimony a week or two ago, and said there is a 200-percent increase -- a 200-percent increase -- in the errors that taxpayers are filing. Are you aware of that?

Secretary Mnuchin. I am not aware of that statistic, no.

Mr. Suozzi. -- 200 -- this is an independent person who has been working for 18 years as an independent person. She says there is a 200-percent increase in the errors in taxpayers' forms.

Secretary Mnuchin. I understand who she is, and I look forward to hearing the --

Mr. Suozzi. She also testified that people have to wait 17 minutes before someone picks up the phone, and only 18 percent of taxpayers' calls are actually answered. Are you aware of that fact?

Secretary Mnuchin. I am, and as I just noted, okay, I want to work on the issue. And, again, we should have ways that taxpayers can communicate electronically so they don't have to sit on --

Mr. Suozzi. So the IRS has been picked on for many, many years. It is getting worse under these new tax laws --

Chairman Neal. The gentleman will wind -- the gentleman will wind down his --

Mr. Suozzi. Thank you, Mr. Chairman.

Do you agree that things have gotten worse under the new --

Chairman Neal. I thank the gentleman. His time has expired.

With that, we will recognize --

Secretary Mnuchin. No, I don't.

Chairman Neal. -- from California, Mr. Panetta?

Mr. Panetta. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here. I appreciate your time and your patience.

I wanted to -- I was going to talk about this, but you brought it up, and I really appreciate you bringing this up: immigration reform, basically immigration and how that is a crucial part of the economy.

And we are going to -- it is very important in my district on the central coast of California. The number one industry is agriculture. Therefore, an ag-labor bill will be coming to the administration hopefully. It is going to come out of the House, hopefully get through the Senate, and I would hope that because of the importance that you just stressed on immigration and immigration reform, that you would be an advocate to outweigh the anti-immigration reform elements in this administration, showing the President how important it is, not just for my district but for districts across this country. Can I get your commitment to being that advocate for that type of immigration reform?

Secretary Mnuchin. I don't know the specifics of the bill, but I am an advocate for legal immigration reform. I think you know the President very much supports agriculture and the hardworking farmers. I am familiar with your district, and you know, this is an issue we need to address, not only for farmers but for skilled people as well. There are way too many people that come here, study in the U.S., get Ph.D.s, can't stay here to work.

So legal immigration reform is something I think is very important for Congress to work on.

Mr. Panetta. Exactly. And I would also mention that a lot of the work that my farm workers do, on the central coast, I would call skilled labor. There is a reason why the domestic workforce is not filling those jobs because it is very difficult to do, and, therefore, that is why we have people coming into this country to do it, thankfully for my community, our economy, and our agriculture.

I want to mention something in regards to the budget that came out just a couple days ago. Part of the Budget Committee, we had OMB Acting Director Vought come and talk about it. It claims to reduce the debt as a percent of GDP to 71 percent by 2029. However, according to the nonpartisan Committee for a Responsible Federal Budget, without the growth assumptions in the budget, it would show debt reaching roughly 87 percent of the GDP by 2029, our adding \$2.2 trillion to the budget, more than the budget claims. Do you have any -- does the administration have any independent or nonpartisan estimates of your policies that justify the 3-percent growth rate?

Secretary Mnuchin. So the 3-percent growth rate is done by the combination of the Troika, the Council of Economic Advisers, our economics group, and OMB. But let me just comment, you know, we look at 10-year budgets, okay? I encourage it as something -- we are not making a 10-year commitment on spending. And I do think the right way to look at debt is a percentage of relative to GDP. And I encourage Congress to look at over the next 10 years: If we have the growth, we will spend the money. If we don't have that type of growth, Congress doesn't have to make the commitment to spend the money.

Mr. Panetta. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentleman from Texas, Mr. Arrington, to inquire.

Mr. Arrington. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for your leadership. Thank you for working with us to put pro-growth, free market, pro-ag, pro-energy, pro-small business, pro-American worker policies in place, and they are working. They are working because our job-creator-in-chief, like many of us, believe that if you get off the backs and out of the way of our entrepreneurs, our innovators, our job creators, they will do the work; they will create growth.

Jobs are up and wages are up, and the performance is really unprecedented. I mean, this is an economic renaissance. This is a great American comeback, and I am so proud to be a part of it. And not only are those things up, that I mentioned, but the American spirit is up. There is hope for a better future, and I can tell you this, in rural America, they feel like their best days are yet to come, now, now that we have with taken off the shackles of high taxes and regulations. These are working families, middle-class families, farmers and ranchers, and community banks, and rural hospitals. These are the guys that bear a disproportionate brunt of big government, and now there is hope.

Let me give you some examples. Happy State Bank, little community-relationship bank, the employees are happier than they have ever been. A million dollars distributed in pay increases in bonuses for nonexecutives. Forty of their employees have had an increase of 50 percent.

Mike Lambert, my buddy from Idalou, who runs Feed and Thangs, he has now been able to give guaranteed benefits to three of his full-time and four of his part-time workers. And he said he has got a hundred new -- he had a hundred new customers in the first quarter of 2018, compared to 2017, and he said: Please tell Ms. Pelosi those aren't

crumbs to us out here in Idalou, Texas.

And then there is the gal from Post, Texas, and she was facing, unfortunately, because her parents died this last year, both, in 1 year, she had a ranch that was in the family since 1900. They worked hard. They paid their taxes. They played by the rules, and she was facing millions of dollars in the most unfair, most un-American double tax in the death tax. But because of tax reform -- Mr. Ranking Member, thank you for your leadership -- she wasn't having to be forced, because of government policies, to sell that ranch. This is what she said. She said: People in D.C. have no idea how hard we work. We wake up at the crack of dawn to feed cattle. That is no glamorous job, especially to do it alone as a single female. These taxes ruin families and their long-lasting memories working on the farm together.

Now, I have heard people say this is a sugar high, Mr. Secretary. Is this a sugar high, or is this just a strong response from a healthier and freer market that was sick and in the ICU from too much government? Would you answer that question for me, please?

Secretary Mnuchin. I don't believe it is a sugar high.

Chairman Neal. I thank the gentleman.

With that, let me recognize the gentlelady from Florida, Mrs. Murphy, to inquire.

RPTR MERTENS

EDTR SECKMAN

[10:58 a.m.]

Mrs. Murphy. Thank you, Mr. Chairman.

Mr. Secretary, when it comes to fiscal discipline, the hypocrisy in the administration's budget is almost too much to bear. You know, the President says the budget builds on the tremendous progress we have made to bring Federal spending and debt under control and that we must protect the future generations from Washington's habitual deficit spending. I co-chair the Blue Dog Democrats, and we have been urging fiscal discipline out of both parties because of the threat that excessive debts and debt poses to our economy, our security, and our children's future. And yet, in 2017, the Republican Congress passed and the President signed a tax law that CBO projected would increase deficits by \$1.5 trillion over the next decade.

On a side note, the signature Democratic law, the Affordable Care Act, was projected to reduce deficits by \$143 billion over the decade.

I put a chart up on the screens, a little bit of an eye chart, but I am sure you are familiar with this. This is a CBO chart about the Federal receipts and outlays, deficit, and debt. It basically summarizes our fiscal situation. And what I see when I look at this chart is deficits rising, hitting a trillion dollars by 2022. These are CBO's projections. Yours are even worse, projecting a trillion dollars of deficit during the current fiscal year. And you said in response to a previous question that we should look at debt as a percentage of GDP. And when I look at debt as a percentage of GDP here, I see it rising there as well. That percentage is projected to exceed 80 percent by 2022, the highest percentage since 1948.

So my question to you is this: Can you explain to me where anywhere on this chart you see evidence of the tremendous progress in bringing debt under control that President Trump cited? Point to just a single number or a trend that you think is positive, and please don't pivot to GDP. I want to hear about deficits and debt.

Secretary Mnuchin. Well, first of all, I think I can see the chart, although it is a little bit far. And, first, let me just comment: I do think, on a bipartisan basis, this is something that people should be looking at, so I appreciate your concerns, debt as a percent of GDP and what we look at the debt over time. I would just comment on a couple of things. First of all, you see on the upper part of the chart where the deficit is a percent of GDP, if I can see, this is kind in the 7, 8, 9, 10 type of range which is quite concerning. I would also just highlight, in 2017, a major reason for the deficit in 2017 was the fact that Congress passed a very large spending increase, which I think, as you know, the President felt like we needed to make an investment in military, and the Democrats required us to have a big increase in nonmilitary spending. But, really, the tax bill has really not had a material impact on these numbers on the chart. As I said, it will over the next 10 years one way or another, but I would just encourage people on a bipartisan basis to look at the spending issue.

Mrs. Murphy. Thank you, and I yield back.

Chairman Neal. I thank the gentlelady.

With that, let me recognize the gentleman from Nevada, Mr. Horsford, to inquire.

Mr. Horsford. Thank you very much, Chairman Neal, and to the ranking member.

Mr. Secretary, it is good to have you here today. I am very honored to serve on this committee and as one of the members also on the Budget Committee, and so I have a perspective to see the proposal from the President from both committees. And there are a number of discrepancies and really flat out contradictions in both areas, in my view, and I

would like to ask a couple of areas.

For example, the fantasy economic projection for growth. The fact that we say that there is no impacts to preexisting conditions when it specifically eliminates access to care. The President in his State of the Union address talked about eradicating HIV and AIDS, but yet it cuts \$1.2 billion to the Centers for Disease Control and to NIH.

Another area is infrastructure. I know you answered the chairman's question about what you feel like the level of funding should be around infrastructure at the \$1.5 trillion level. However, the President's budget called for only \$200 billion investment for infrastructure, which is inadequate to cover the Nation's infrastructure needs.

And in a study of contradictions, I understand other parts of the budget make cuts as well, such as cuts to the highway trust fund after 2021, approximately \$150 billion. So I guess my overall question specifically around infrastructure is, the \$200 billion net of cuts, or is it new money? Where does this money come from, and where is it going? And has the administration prioritized infrastructure investments in its budget?

Secretary Mnuchin. Well, let me just comment on the \$1.5 trillion, which we very much support for infrastructure, but I just want to be clear. That doesn't have to be all Federal spending. That can be a combination of various different things.

Now, again, we look forward to working with Congress on infrastructure. Obviously, how it is paid for is a major component. So we didn't put bigger numbers on infrastructure in the budget because this is something we know that needs bipartisan consensus.

Mr. Horsford. And in the areas where, again, the President is speaking in one way that he is preserving and protecting while making cuts to Medicare, Medicaid, SNAP assistance, food assistance for children, and needy seniors.

Secretary Mnuchin. Well, I would just comment: The overall budget is going up

considerably over time, and the President and we look forward to working with Congress on how that money is allocated between different programs. The President is not cutting these programs on an absolute basis but, in many cases, is lowering the rate of growth of expense.

Mr. Horsford. Thank you, Mr. Chairman. I yield back.

Chairman Neal. I thank the gentleman.

And, with that, let me recognize the gentleman from Kansas, Mr. Estes, to inquire.

Mr. Estes. Thank you, Mr. Chairman.

And thank you, Secretary, for joining us today.

Mr. Chairman, I would like to submit for the record an article from AEI entitled "Wages Rising: The U.S. economy is now working best for lower wage workers" where it talks about wage growth has picked up sharply for the bottom half of the wage scale.

Chairman Neal. Without objection.

[\[The information follows:\]](#)

Mr. Estes. As you mentioned in your testimony, Mr. Secretary, the economy is growing at historic levels, you know. In addition to the highest GDP in the last 14 years, we have seen wages grow. We have seen unemployment rates near a 50-year low. We have more job openings than job seekers. And following that progress over the last few years, to jump-start the economy, you know, with all of the regulatory reform and all of the Tax Cuts and Jobs Act benefit, we can't deny that those changes are making benefits for millions of Americans. And the growth really helped the country, helped us move on a better footing, and there are some of things that we need to keep moving forward.

You know, I represent Wichita, the air capital of the world. Obviously, trade is a big issue for us, both from an aviation standpoint but also from agriculture as well, and I am hopeful that Congress moves forward quickly with the USMCA and ratifies that because it is such a boon for not just our country but also countries throughout the world to see a strong economy in North America. You know, as we continue that progress, I want to make sure that we then have the opportunity to move forward with China and other countries and other regions to make sure we have good trade agreements with them as well.

Another area we need to address is our deficit and our debt, and like many people on this committee, I ran because I am concerned about that. I want to make sure we leave the country better off for our children and grandchildren. And I want to thank you for addressing that on the President's behalf with this budget and some of the focus that you are putting on making sure that that moves forward. And I am hopeful that the combined effort that we are making with our economic growth and making sure that we are doing appropriate government spending, that we can help achieve that goal.

There is one quick question I want to talk about. We have seen some recent

proposals, particularly coming from France, about taxing particularly technology companies, you know, companies, like Amazon and Apple and Google and Facebook, who have really used new technology to provide great innovation for our country and for the world. How is the best approach that we kind of attack that misguided approach? Is it a direct contact with a country like France, or is it more multilateral with the EU?

Secretary Mnuchin. So let me just comment. I was in Europe last week. I had the opportunity to meet with the Finance Minister, Bruno Le Maire, as well as President Macron. This was one of the specific issues I brought up. It is also an issue in the U.K. I had the opportunity to speak to Philip Hammond about that -- the Chancellor of Exchequer there.

We have been discussing this at the G7, and we have made it very clear that digital taxes aimed at U.S. companies are unfair, and we won't put up with that. We are working very closely at the OECD with them and others, and I am hopeful we can come up with a G7 view that can then be moved through the rest of the world. So I am cautiously optimistic. We need a combined solution on that.

Mr. Estes. Thank you, Mr. Secretary.

I yield back.

Chairman Neal. I thank the gentleman.

With that, the chair will recognize the gentleman from Michigan, Mr. Kildee, to inquire. Oh. I am sorry. Well, Mr. Kildee, would you go ahead? And we will come right back to Mr. Gomez. Please. I recognized you first. We will come right back to Mr. Gomez.

Mr. Kildee. Thank you, Mr. Chairman.

And thank you, Secretary Mnuchin, for being here.

I represent a string of older industrial communities in Michigan: Saginaw,

Michigan; Bay City, Michigan; my hometown of Flint. These are communities that have been significantly negatively affected by long-term economic trends, particularly by trade policy that has really expedited the offshoring of manufacturing jobs. Because of that, they are communities that are, unfortunately, uniquely not in a position to take full advantage of even significant infrastructure investment unless there is a recognition of the particular needs that they face. So I was really troubled by what feels like an infrastructure plan that disproportionately puts the burden of that investment on State and local governments.

I don't know what the particular plans for the \$1.5 trillion investment would be, but it was not a good signal with the initial plan that we saw that 80 percent of the money would have to come from those States and local governments, which to be honest with you, Mr. Secretary, if they had the 80 percent, they would be spending it right now. There has to be significantly more investment.

So the one thing before I ask another question that I would ask is if the administration would be willing to work with those of us who represent those particularly distressed communities to make sure their unique needs are comprehended as an infrastructure plan goes forward and not simply take the position that one size fits all. Even if we got together around a more rational apportionment of the investment, even in that circumstance, communities with really limited capacity and very little excess capital are not going to be able to take advantage of this. I would just ask that you make a commitment to work with some of us who represent those particularly distressed communities.

Secretary Mnuchin. I will. Let me just comment. I had the opportunity to visit Flint, Michigan, during the campaign with the President, and I must say I appreciate personally seeing it and the difficulties in that community, and we look forward to working

with you. And, again, I look forward to working with Chairman Neal and the rest of the committee on a bipartisan basis. We will sit down and listen to your views and try to get a combination of the administration, the House, and the Senate on a bipartisan basis --

Mr. Kildee. I appreciate it.

Secretary Mnuchin. -- to try to pass legislation this year.

Mr. Kildee. I appreciate that. I would ask that the President answer my letter and designate someone to work with me on Flint's recovery. The only person he ever mentioned that was our point of contact was Omarosa, and she left about a day after that appointment was made.

If I could just make one final point, you know, the notion that tax cuts create growth and then reduce the deficit is one that I understand, but I would suggest that particularly investments also can have the effect of reducing the deficit. I think it is unconscionable that this budget would reduce National Institutes of Health research into cancer research, for example, when the cure to these debilitating diseases would not only have a moral value but could potentially reduce healthcare costs into the future, and I would ask you to look at that.

I yield back.

Chairman Neal. I thank the gentleman.

Secretary Mnuchin. If you could send my office a copy of the letter that you sent to the President, I will personally speak to him and make sure it got to him and we have someone in the White House that can work with you on that. Again, I know he personally appreciates that community and what they have gone through.

Mr. Kildee. Thank you.

Chairman Neal. With that, let me recognize the gentleman from California, Mr. Gomez, to inquire.

Mr. Gomez. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here. I am going to back to a line of questioning from earlier. In 2017, there were 151 million disclosures of tax records under section 6103(f).

Mr. Secretary, have you ever denied a request for tax records under 6103(f) by the Ways and Means Committee or the Senate Finance Committee?

Secretary Mnuchin. I think I understand what people are trying to get me to address, but again, let me just say that the use of 6103, and I believe it is 9 billion of disclosures, not 11 billion, okay, has to do with sharing of information, whether it is with States, whether it is with the Department of Education. This is a bulk issue. This is different than what I read about in the press, is the committee chair requesting any specific individual tax return, which, again, I am not aware of that having been done in the past, especially on an elected official.

Mr. Gomez. So there has never been a request denied?

Secretary Mnuchin. I am not going to answer that because I don't know whether there has been a request denied or not, but equating --

Mr. Gomez. Okay. Thank you.

Secretary Mnuchin. -- the 9 billion of disclosures on 6103 --

Mr. Gomez. Mr. Secretary, I am reclaiming my time real quick because I am running out of time.

Mr. Secretary, has President Trump ever asked you to intervene or ignore the coming request for his tax returns?

Secretary Mnuchin. He has not.

Mr. Gomez. Have you ever discussed the topic of President Trump's tax returns with the President or anyone in the White House?

Secretary Mnuchin. I have not discussed with anybody in the White House the issue of his tax returns or the request of his tax return.

Mr. Gomez. Anybody outside the White House?

Secretary Mnuchin. Again, I am not at liberty to make comments about people outside the White House I discuss things with one way or another.

Mr. Gomez. So you might have discussed this with his attorneys?

Secretary Mnuchin. I have had no discussions with his attorneys, but again, I am not continuing to go down this, again, of you asking me 20 questions on this.

Mr. Gomez. That is what we do here. We ask questions. I, at least, ask questions.

Secretary Mnuchin. Actually, with all due respect, I take that back. You can ask the questions, and I will try to answer them, but I think what --

Mr. Gomez. Thank you. I appreciate that.

Secretary Mnuchin. Keep going.

Mr. Gomez. Thank you. I appreciate your responses.

Mr. Chairman, I yield back.

Chairman Neal. Thank you, gentleman.

With that, let me recognize the gentleman from California, Mr. Nunes, to inquire.

Mr. Nunes. Thank you, Mr. Chairman.

Secretary, welcome. Thank you for being here.

I don't think anyone has talked about the pending agreement with the United States, Mexico, and Canada. The administration has completed that agreement. Where do we stand now in terms of getting that agreement approved by Congress?

Secretary Mnuchin. Thank you for bringing that up. I think this is one of the most important economic issues that is on the table. This agreement is a big step in the

right direction that protects everything from workers to farmers to intellectual property to currency. This is the strongest currency provisions. I know that Ambassador Lighthizer has been up here. I would urge Congress -- I see no reason why this Congress cannot take this up quickly. So I would urge the chairman working with the leader and others to bring this to the floor as quickly as possible. The sooner that this is passed, the better this will be for the U.S. economy. And I can tell you from having been at a bipartisan meeting of Governors at the White House recently, there is enormous support from the Governors on this legislation. So I look forward to the chairman working with Ambassador Lighthizer and others on this.

Mr. Nunes. Thank you, Mr. Secretary.

Because, as you know, NAFTA was outdated. It needed to be updated. And as far as I can tell from the agreement, many sectors of the economy will have dramatically improved trade capability with Mexico, with Canada so that we can export more of our products, especially agricultural products, to both Canada and Mexico. Is that correct?

Secretary Mnuchin. Yeah. This is very important to our farmers, both in selling things to Canada and Mexico, and again, I would just urge Congress to take this up as soon as possible.

Mr. Nunes. I agree with you, and I hope that we can get this done sooner rather than later.

Just to finish up here, Mr. Secretary, a lot of discussion about your budget, and you are up here talking about the administration's budget. Have you compared that yet to the House budget, the House of Representatives budget?

Secretary Mnuchin. I haven't done a line-by-line basis. I have been working on our budget, to be honest with you.

Mr. Nunes. Well, it is a trick question a little bit because the House of

Representatives doesn't have a budget yet. And I am not sure -- I guess from what I understand is that the majority is not going to have a budget this year. So budgets are oftentimes never followed, but at least it is a pathway for what the administration believes is the appropriate approach for budgeting over the next 15 years, and the House of Representatives should have a budget also.

Secretary Mnuchin. I would just commend the House on the new rules associated with the debt ceiling on the budget in the House, so I look forward to if they can pass that or pass a clean debt ceiling quickly.

Mr. Nunes. Perfect.

Thank you, Mr. Chairman. I yield back.

Chairman Neal. I thank the gentleman. And the chair is prepared to acknowledge that, from time to time, there are trick questions that take place here.

With that, let me recognize the gentleman from Connecticut, Mr. Larson.

Mr. Larson. I assure you there will be no trick question here --

Secretary Mnuchin. Thank you.

Mr. Larson. -- Mr. Secretary, and thank you for both your patience and perseverance today. We appreciate the time you have afforded us and look forward to coming back and further exchange as well whether it is in the form of a briefing or otherwise.

Your continued emphasis on bipartisanship is clearly welcome here, especially noting what Chairman Neal said before, the need for us to get after pension reform, the opportunity that it presents us, and the timeliness. Also, you mentioned it again, repeated it, and I thank Mr. Nunes as well, to get a clean vote on a debt ceiling and get that taken care of so that we don't end up into a protracted stall would be important as well. What you had to say on infrastructure, both to the chairman and your exchange with

Mr. Blumenauer, I think is also extraordinarily helpful.

I think what you see here is the rub that Democrats have based on the juxtaposition of a \$2 trillion tax cut and then looking at a budget that cuts to the heart of Medicare and Medicaid. And what I think where the rub is here is that those oftentimes, especially Medicare and Social Security, being labeled as entitlements. They are, of course, the insurance that people have paid for. Give President Trump credit. When 16 other Republicans on the stage tried to corner him and say that it was an entitlement, he said: No. It is a benefit they earned, and I will not cut it.

And so I think that is the further rub that people on our side have.

But we look forward, in our committee, Subcommittee on Social Security is working bipartisanly to achieve these goals, and so I further appreciate what you had to say there. And I would point out that, in 1983, the last time that we did anything constructive with Social Security, Ronald Reagan was the President. Tip O'Neill was Speaker. Howard Baker was the Senate majority leader. It is not different today with Nancy Pelosi and also with Mitch McConnell, except this: President Trump -- Ronald Reagan was opposed to Social Security. President Trump has defended this, and it is something that the administration, I think, should take credit for and work bipartisanly because I think you can bring along many moderate Republicans that believe, as the President does, that these are not entitlements, and we need to reform these in a way to take care of those American people who solely relied on this because they know it is the full faith and credit of the United States Government.

I thank you for your service, and I hope you will pass that message along to the President, and we can continue to work with you.

Secretary Mnuchin. I will, and thank you very much, and as trustee of the Social Security trust funds, I take this responsibility very seriously, so I look forward to meeting

with you and other members of the committee as appropriate to get your ideas.

Mr. Larson. Thank you. I look forward to meeting with you.

Secretary Mnuchin. We will follow up and try to schedule that.

Mr. Larson. Please do. Thank you.

Chairman Neal. I thank the gentleman.

With that, we will recognize, I believe, the last point of inquiry from the gentleman from Pennsylvania, Mr. Boyle.

Mr. Boyle. Thank you.

And thank you for being here, Mr. Secretary. I wanted to follow up.

At the very beginning, Chairman Neal had asked you about the debt limit, the debt ceiling. I was very happy to hear you say you are supportive of a clean raise. So I wanted to follow up on that and actually go to the next step.

The concept of the debt ceiling and the constant crisis it creates through repeated threats of not being raised is completely unnecessary and achieves nothing, in my view. It is no wonder that only a handful of countries around the world even follow this disruptive, arbitrary, and restrictive fiscal practice. When you receive your credit card statement at the end of the month, you can't decide, well, I will pay this, but I won't pay that.

Our current process -- and we came most close up to the brink in 2011, but there have been other subsequent times. Our constant process of playing chicken with the debt ceiling achieves nothing, and God forbid, one day we might actually risk the full faith and credit of the United States. So, last Congress, I introduced resolution H.R. 3693 that would simply and cleanly abolish the debt ceiling once and for all. I wanted to know what your opinion was on whether my specific legislation or just the concept of eliminating the debt ceiling altogether and not having that potential danger lurking out there.

Secretary Mnuchin. Well, let me just comment: I share your concern about going

to the brinksmanship and risking the credit of the U.S. Government. Obviously, this is something we can never let occur.

I am not familiar with your specific legislation. I will look at it. My own opinion is that when we approve spending, we should approve raising the debt ceiling. So I am not sure we need to get rid of it, but like any other business, when you approve spending, you have a plan how to finance that spending. And if we want to cut spending, we should cut spending, but that is the time to deal with it. We should make sure that if we approve funding -- we approve spending, we approve the necessary funding as well.

Mr. Boyle. Correct. And I am in agreement, and I would point out that, in 2011, even though we ultimately raised the debt ceiling, just the fact we came close and created that uncertainty in the markets led to the first ever downgrade of the credit of the United States.

Briefly, in the time remaining, could you describe some of the things that would happen, given your role as Secretary of Treasury, if we were to ever fail, now or a future Congress, to raise the debt ceiling?

Secretary Mnuchin. I can't imagine that this Congress or any other Congress would ever let the U.S. Government fail. So I don't even want to go speculate on what the implications would be. Honoring the full faith and credit of the United States Government is one of the most important issues, and as Treasury Secretary, I will do everything in my power to make sure that we honor the full faith and credit.

Mr. Boyle. I yield back.

Chairman Neal. I certainly appreciate the Secretary's commentary as he concluded his presence today, and I thank the gentleman for that line of inquiry as well.

Let me thank you for your participation today, Mr. Secretary.

Please be advised that members have 2 weeks to submit written questions to be

answered later in writing. Those questions and your answers will be made part of the formal hearing record.

With that, the committee stands adjourned.

[Whereupon, at 11:25 a.m., the committee was adjourned.]

Questions for the Record follow:

Questions can be found [here](#).

[Responses to the Questions for the Record](#)