

The **TAX CUTS & JOBS ACT**

CHARGE & RESPONSE

Americans have been waiting for years for Washington to fix this broken tax code because they know it will lead to better jobs, more take-home pay, and a stronger economy.

The *Tax Cuts and Jobs Act* is our answer to the American people. It will deliver much-needed tax relief to millions of families, help our workers and job creators compete and win here at home and around the world, and make the tax code simpler and fairer for all Americans. It will fuel economic growth – leading to more jobs, fairer taxes, and bigger paychecks for generations to come.

Below are responses to charges you will hear leveled against the bill by those who are really defending the broken status quo – the current tax code is littered with trillions of dollars in special-interest tax breaks that have stifled job, paycheck, and economic growth for too long:

Individuals and Families

TAX CUTS AND BRACKETS

“This is just a tax cut for the wealthiest Americans.”

- ▶ No. The *Tax Cuts and Jobs Act* delivers tax relief at every income level – while maintaining the top 39.6% tax rate on high-income earners. It lowers tax rates on low- and middle-income Americans and significantly increases the standard deduction, which means hardworking Americans can immediately take home more of their paychecks.

“80% of the tax breaks go to the wealthiest 1% of Americans.”

- ▶ That’s just not true. The reality is, the *Tax Cuts and Jobs Act* is specifically focused on delivering more jobs, fairer taxes, and bigger paychecks to hardworking Americans – not Washington special interests.
- ▶ Under this bill, the highest earners will continue to face the highest tax rates and pay the most taxes – in both dollar and percentage terms – of any Americans. In fact, our legislation eliminates dozens of costly and complex loopholes and special deals that have historically benefitted wealthier Americans the most – precisely so we can reduce tax burdens at every income level.

“This bill actually raises taxes on the poor.”

- ▶ No – this bill delivers crucial tax relief for low-income Americans. The *Tax Cuts and Jobs Act* significantly lowers the tax burden for low-income Americans by roughly doubling the size of the standard deduction. That means more of each paycheck will be protected from taxes – from \$6,350 to \$12,000 for individuals and \$12,700 to \$24,000 for married couples each year.
- ▶ The *Tax Cuts and Jobs Act* also protects and improves tax benefits that help low-income workers and families, including the Earned Income Tax Credit (EITC), a new Family Credit which includes a larger Child Tax Credit, and the Child & Dependent Care Tax Credit.

“This bill is a direct attack on the middle-class.”

- ▶ The *Tax Cuts and Jobs Act* is a direct and immediate boost for middle-income Americans who have been struggling to get by, let alone get ahead, under today’s broken tax code. It reduces the tax rates for low- and middle-income Americans, and roughly doubles the standard deduction – protecting up to \$24,000 of your family’s take-home pay each year from taxes. It delivers much-needed support to American families who today are struggling to keep up with the rising costs of child care, higher education, and looking after their loved ones.
- ▶ With this legislation, middle-income families will get to keep more of the money they earn for what matters to them rather than sending it to the Internal Revenue Service. For example, a typical family of four earning \$59,000 (the median household income) will receive a **\$1,182 tax cut**.
- ▶ Not to mention – because of the historic tax relief for our businesses – this bill will create jobs and increase paychecks so Americans can finally earn a raise after a decade of stagnant wage growth. That’s real money that middle-income Americans can save, spend, and invest as they see fit.

“You promised tax cuts for all Americans, but wealthier Americans won’t see a tax cut at all. They may even see a tax increase.”

- ▶ Americans at every income level will receive tax relief with the *Tax Cuts and Jobs Act*, and individual tax rates are just one part of that equation. The wealthiest Americans, who will continue to pay the top individual tax rate, will benefit from a significantly larger standard deduction, which will protect nearly double the amount of their paycheck from taxes.
- ▶ They will also benefit from dramatically lower tax rates at lower income levels because more of the money they earn will be taxed at a lower rate than it is under today’s tax code. Furthermore, we’re eliminating taxes that punish the success of hardworking families, such as the Alternative Minimum Tax.
- ▶ Additionally, hardworking small business owners will also see a benefit through the reduced rate on pass-through business income.

FAMILY-FOCUSED PROVISIONS

“By eliminating the personal exemption, this legislation increases taxes on families.”

- ▶ The *Tax Cuts and Jobs Act* takes several bold steps to deliver relief for families. First, our legislation helps families keep more of their paychecks by roughly doubling the size of the standard deduction and lowering tax rates.
- ▶ This bill establishes a new Family Credit – which includes expanding the Child Tax Credit from \$1,000 to \$1,600 to help parents with the cost of raising children, and providing a credit of \$300 for each parent and non-child dependent to help all families with their everyday expenses.
- ▶ It also preserves the Child & Dependent Care Tax Credit so families don’t have to choose between earning a paycheck and taking care of their children and older dependents such as a disabled grandparent who may need additional support.
- ▶ Our legislation also simplifies the tax code so that nine out of ten Americans will be able to file their taxes on a form so simple it could fit on a postcard – saving families money as well as precious time and aggravation that today accompanies tax time.

“This eliminates critical education tax benefits, making it more difficult for Americans to afford the cost of education.”

- ▶ Quite the opposite. The *Tax Cuts and Jobs Act* makes it easier for families to use tax benefits toward the cost of education. Under today’s broken tax code, there are more than a dozen overlapping tax benefits relating to education – all with their own rules and guidelines.
- ▶ By simplifying and enhancing these benefits into a more effective higher education tax credit, our legislation will help more families offset the cost of both college and vocational training programs.

“This makes it harder and more expensive for families to adopt children.”

- ▶ The *Tax Cuts and Jobs Act* is focused on helping Americans raise a family throughout their lives. Our bill lowers the tax rates and increases the standard deduction so people can immediately keep more of their paychecks – instead of having to rely on a myriad of provisions that many will never use and others may use only once in their lifetime. This tax relief will give families the flexibility to use their paychecks for what matters most to them every year – including adopting children.

HOMEOWNERSHIP

“Your bill changes the mortgage interest deduction – making it harder for Americans to buy a home and invest in their local communities.”

- ▶ That’s not so. After receiving feedback from families across the country, we made sure to maintain the mortgage interest deduction in the *Tax Cuts and Jobs Act*. Our legislation also allows Americans to deduct state and local property taxes.
- ▶ Combined with policies to create jobs, grow paychecks, and strengthen our economy – by far the biggest driver of a strong housing market – maintaining this tax benefit will help more Americans, especially middle-class Americans, achieve the dream of homeownership.

CHARITABLE GIVING

“Because significantly fewer taxpayers will itemize, fewer Americans will make charitable donations.”

- ▶ The *Tax Cuts and Jobs Act* will continue to preserve the itemized deduction for charitable contributions so that Americans can continue to give back to their local church, charity, or community organization. And by promoting an overall stronger economy – which is by far the biggest driver of charitable giving – our legislation will grow Americans’ paychecks, helping them donate more of their hard-earned money to causes they believe in.

RETIREMENT

“This legislation will raise taxes on Americans’ retirement.”

- ▶ That’s not so. Our bill retains the popular retirement savings options – such as 401(k)s and Individual Retirement Accounts – as Americans know them today.

Simplicity and Fairness

STATE AND LOCAL TAX DEDUCTION

“Changing the state and local tax deduction will raise taxes significantly on middle-class families.”

- ▶ The *Tax Cuts and Jobs Act* is focused entirely on helping low- and middle-income Americans get ahead – instead of just getting by under today’s broken tax code.
- ▶ By eliminating costly deductions that artificially raise taxes, our legislation is able to reduce the tax burden for Americans of all walks of life – regardless of where they live or whether they itemize their taxes.
- ▶ Our bill lowers tax rates, roughly doubles the standard deduction, allows families to deduct state and local property taxes, repeals the Alternative Minimum Tax, and enhances tax benefits to help families buy a home, raise children, and send their kids to college.

DEATH TAX

“Repealing the Death Tax is just a massive giveaway for the wealthiest Americans.”

- ▶ Not so. The Death Tax impacts small businesses and farms throughout the nation owned by people who have worked their entire life to build a successful company and create jobs. These families should not have to fear double or even triple taxation from Washington when they pass down their life’s work to the next generation. That’s why our legislation immediately delivers relief from this tax by doubling the earnings exemption and fully repeals it after six years.

TAX EXEMPT ORGANIZATIONS

“This legislation takes away tax benefits that help charities serve their communities.”

- ▶ The *Tax Cuts and Jobs Act* preserves the tax-exempt status of charitable organizations. It includes commonsense reforms to ensure organizations with tax-exempt status are operating as a charity, foundation, or non-profit focused on helping the American people – not as a for-profit business looking to pad their bottom line, as some tax-exempt organizations currently do under today’s broken tax code. For example, our legislation will prevent a private art collector from receiving the same tax benefits as a not-for-profit public art gallery.

SPECIFIC DEDUCTIONS

“Eliminating the Medical Expense Deduction and the Property Casualty Loss Deduction will be a financial burden for millions of Americans.”

- ▶ The *Tax Cuts and Jobs Act* is focused on helping Americans throughout their lives. Our bill lowers the tax rates and increases the standard deduction so people can immediately keep more of their paychecks – instead of having to rely on a myriad of provisions that many will never use and others may use only once in their lifetime. This tax relief will give families the flexibility to use their paychecks for what matters most to them every year.

Small Business

“Lowering the tax rate for pass-through businesses creates a massive loophole that wealthy Americans will use to avoid paying their fair share of taxes.”

- ▶ The *Tax Cuts and Jobs Act* includes specific safeguards to prevent tax avoidance and help ensure taxpayers of all income levels play by the rules under this new fairer, simpler tax system. Our legislation will ensure this much-needed tax relief goes to the local job creators it’s designed to help by distinguishing between the individual wage income of NBA All-Star Stephen Curry and the pass-through business income of Steve’s Bike Shop.

“By lowering the corporate rate to 20%, while only lowering the pass-through rate to 25%, this favors big corporations over Main Street businesses.”

- ▶ The *Tax Cuts and Jobs Act* reduces the tax burdens on businesses of all sizes – from local mom and pop shops to major manufacturers and job creators – delivering the lowest rates on pass-through business income since before World War II.
- ▶ Our legislation also allows small businesses to write off the interest on loans that help these Main Street entrepreneurs start a business, hire workers, and increase paychecks; ends the death tax and other generation-skipping taxes that can devastate family-owned business; and simplifies the tax code so small businesses can focus more time and money on investing in their workers and communities – not on navigating the current 70,000 pages of tax laws.

“The new pass-through formulas pick winners and losers by favoring certain industries over others.”

- ▶ The *Tax Cuts and Jobs Act* reduces the tax burden on all pass-through businesses – regardless of their structure or sector. To further help America’s Main Street businesses and workers, our legislation provides additional tax relief for job creators when they make capital investments that truly drive the growth of jobs, paychecks, and our economy.

Corporate and International

“Tax reform is just about putting more money in the pockets of big business.”

- ▶ Not at all. Tax reform is about helping hardworking Americans and Main Street job creators get ahead – instead of being left behind or just getting by under today’s broken tax code. The *Tax Cuts and Jobs Act* will help our nation’s local job creators start and grow a business, hire workers, increase paychecks, and invest in our local communities.

“This gives corporations a tax-free holiday to increase their profits – not hire more workers, increase paychecks, or invest in our economy.”

- ▶ The *Tax Cuts and Jobs Act* includes a transition rule that allows America’s global businesses to bring home foreign earnings at a one-time low rate. This one-time relief will make it far less costly for businesses to invest their foreign earnings in creating jobs and increasing paychecks at home.

“By taxing foreign earnings, this legislation penalizes America’s global businesses.”

- ▶ First, this legislation does not impose taxes on routine foreign operations. In fact, the *Tax Cuts and Jobs Act* modernizes our international tax system and levels the playing field for America’s global businesses so they can compete and win around the world.
- ▶ What this legislation does is address the perverse tax incentives that today encourage American job creators to move overseas – hurting our workers and our economy here at home. The legislation includes tough but fair rules to end the incentives that now reward companies for shifting jobs, profits, and manufacturing headquarters overseas. This will help our workers prosper and our economy grow.

Effect on the Deficit

“This is fiscally irresponsible and will add trillions to our deficit.”

- ▶ The *Tax Cuts and Jobs Act* meets all of the requirements set by the budget that recently passed both the House and Senate. It does so by eliminating billions of dollars in unfair special-interest tax breaks that have stifled economic growth. And by helping businesses plan for the future and make long-term investments here at home, this legislation will promote even faster growth – and additional revenues – in the years ahead.

“Dynamic scoring is not based in reality.”

- ▶ Static scoring assumes that the size of the economy is fixed no matter what policies change – an assumption that is false by definition. Instead, dynamic scoring acknowledges the fact that the economy can change. This reality-based scoring has been practiced and honed by estimators for years. In fact, the non-partisan Joint Committee on Taxation has been producing dynamic estimates since 2003.
- ▶ By rewarding work and investment, pro-growth tax reform will stimulate the economy – creating jobs, increasing paychecks, and promoting new investments. That’s real growth – real hours worked, real earnings, real revenue – that will ultimately help pay for much-needed tax relief over the long term. Ignoring that growth, as static scoring would do, is really what isn’t based in reality.

Process

“This legislation was drafted behind closed doors – without input from the public – and is being rushed through Congress.”

- ▶ House Republicans have been working on legislation to overhaul our nation’s broken tax code for six years. Led by the tax-writing Ways and Means Committee, House Republicans unveiled in June 2016 our blueprint for bold, pro-growth tax reform. Building off of the ideas in our blueprint, in September 2017, House Republicans unveiled a unified framework with the White House and the Senate that laid the foundation for the *Tax Cuts and Jobs Act*.
- ▶ Since 2011, the Ways and Means Committee has held over 40 hearings focused on providing tax relief to hardworking Americans; strengthening America’s competitiveness so our workers and businesses can succeed at home and around the world; helping Main Street job creators grow their businesses, hire more workers, and increase paychecks; and making the tax code simpler and fairer so Americans can keep more of their hard-earned money.

“Republicans are using reconciliation to exclude Democrats from tax reform.”

- ▶ Not true. Reconciliation is simply a legislative tool to help ensure no one party can prevent important legislation from getting to the President’s desk. It does not preclude Republicans and Democrats from working together on tax reform or other key legislation.
- ▶ For example, both parties came together to pass historic welfare reforms using this tool in the 1990s. That law, which resulted in more work and earnings and less poverty and welfare dependence, had near unanimous support among Republicans, was supported by over half of Democrats in Congress, and was signed into law by a Democratic President.
- ▶ The simple fact is this legislative tool encourages all lawmakers who are serious about delivering pro-growth tax reform – regardless of which party they are in – to bring their ideas to the table to strengthen and ultimately approve this once-in-a-generation legislation.

IRS Reform

“This maintains the status quo at the IRS.”

- ▶ A simpler, fairer tax code requires a simpler, fairer tax administration. That’s why the Ways and Means Committee is working on a complementary bill to modernize the IRS – separate from the *Tax Cuts and Jobs Act* because of reconciliation requirements. The IRS reform legislation would build off of our bipartisan hearings to better serve taxpayers and modernize the agency for the 21st century. The Committee will consider this legislation in 2018.