178 GROUPS OPPOSE MAJOR BUSINESS TAX BREAKS IN CARES ACT

\$135 Billion Tax Break Gives 82% of the Benefit to People Making at Least \$1 Million a Year

April 24, 2020

Dear Member of Congress:

A total of 60 national and 118 state groups are writing to strongly oppose two costly tax hand-outs to wealthy business owners and corporations included in the Coronavirus Aid, Relief and Economic Security (CARES) Act and to urge you to repeal these provisions, as Senator Sheldon Whitehouse and Rep. Lloyd Doggett have proposed in legislation. Coming as they do during an unprecedented national emergency of widespread suffering these unwarranted tax breaks are particularly outrageous.

The tax breaks, which were initiated by Senate Republicans, allow wealthy business owners and corporations to use losses in certain years to avoid paying taxes in other years. They temporarily repeal reforms put in place just two years ago by the Tax Cuts and Jobs Act (TCJA) for the treatment of net operating losses (NOL) by businesses. Those reforms were made to raise revenue to pay for steep tax rate cuts and other costly favors for business in the TCJA.

One tax break allows corporations and pass-through businesses (sole proprietorships, partnerships, and S corporations, whose income-tax obligations are paid by the business owners, not the business itself) to carry back losses not only from this pandemic-ravaged year, but for the previous two years as well when the economy was healthy. Losses incurred in 2018, 2019, and 2020 can be carried back to the five previous years. Moreover, when corporations carry back losses to years before 2018, they get to deduct them at a 35% tax rate—the rate in effect prior to the TCJA—rather than the current 21% tax rate. Similarly, pass-through businesses can carry back losses to years before 2018 and deduct them at rates as high as 39.6%, rather than the current top effective rate of about 29%. Once carried back, those losses can turn old tax payments into new tax breaks. The cost of this tax break for corporations only is \$26 billion over 10 years, according to the Joint Committee on Taxation (JCT, Title II.C.4).

A much more costly tax break at \$135 billion over 10 years (JCT, Title II.C.4) gives the wealthiest pass-through business owners the right to apply an unlimited amount of business losses from 2018, 2019 and 2020 against their *non-business income*. The only pass-through business owners who benefit from this provision are those with over \$500,000 in *non-business* income (\$250,000 for unmarried individuals) in at least one of the past three years. Such non-business income might be derived from passive investments in stocks, bonds and other valuable financial assets; the sale of valuable artwork or even a yacht; renting out a beach house at the Hampton's or a ski chalet in Vail.

The JCT estimates this \$135 billion tax break will cost \$86 billion in 2020 alone with 82% of the benefits going to those making \$1 million or more, 95% will go to those making over \$200,000. A mere 43,000 individual tax filers making \$1 million or more will get an average tax cut of \$1.6 million. By comparison, 125 to 150 million Americans will get one-time rebate checks of at most \$1,200 per individual costing a total of \$292 billion. This is unconscionable!

Moreover, the \$135 billion wasted on this tax break for wealthy business owners is three times more than the CARES Act is <u>spending on safety-net supports</u> (\$42 billion), more than is being spent on hospitals (\$100 billion) and nearly the amount spent on direct aid to state and local governments (\$150 billion).

Those likely to benefit in a big way from this tax break include owners of <u>real estate firms</u> (possibly including The Trump Organization), hedge funds, private equity firms and law firms. Such businesses have the greatest capacity to weather the current economic disaster. Aid for this privileged group would be better spent on those suffering most from the pandemic.

More details on these complex, inefficient and unfair provisions can be found at this analysis by the <u>Institute on Taxation and Economy Policy</u>. Again, we urge you to repeal these tax breaks.

Sincerely,
Signers in formation

AFL-CIO

Alliance for Retired Americans

American Family Voices

American Federation of Government Employees

American Federation of State, County and Municipal Employees

American Federation of Teachers

Americans for Democratic Action (ADA)

Americans for Tax Fairness

Asian Pacific American Advocates (OCA)

Campaign for America's Future

Center for Popular Democracy

Children's Defense Fund

Coalition on Human Needs

Communications Workers of America (CWA)

Congregation of Our Lady of the Good Shepherd, US Provinces

Daughters of Charity of St. Vincent de Paul

Equal Rights Advocates

For Our Future Action Fund

Franciscan Action Network

Good Jobs First

Greenpeace US

Health Care for America Now

Hispanic Federation

Indivisible

Institute for Policy Studies-Inequality Program

Institute on Taxation and Economic Policy

International Federation of Professional and Technical Engineers (IFPTE)

International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)

Jobs to Move America

Jobs With Justice Educational Fund

Kairos

Missionary Oblates of Mary Immaculate

MomsRising

Mothering Justice

Muslim Caucus of America

Muslim Public Affairs Council (MPAC)

National Advocacy Center of the Sisters of the Good Shepherd

National Alliance of HUD Tenants

National Council of Gray Panthers Networks

National Education Association

National Equality Action Team

National Human Services Assembly

NETWORK Lobby for Catholic Social Justice

Our Revolution

Oxfam America

Patriotic Millionaires

Priests of the Sacred Heart, US Province

Progressive Democrats of America

Public Citizen

Responsible Wealth

RESULTS

Revolving Door Project

RootsAction.org

Sisters of Mercy of the Americas Justice Team

Tax Justice Network

Tax March

UNITE HERE

United for a Fair Economy

United Steelworkers (USW)

Voices for Progress

STATE GROUPS

Alabama: Alabama Arise

Arizona: ProgressNow Arizona

Arkansas: Arkansas Community Organizations

California:

2-1-1 Humboldt Information and Resource Center

Courage California

Hillcrest Indivisible (San Diego)

Housing Rights Committee of San Francisco

Indivisible 49
Working Partnerships USA

Colorado:

Colorado Cross-Disability Coalition Colorado Fiscal Institute

Connecticut:

Center for Latino Progress – CPRF
Connecticut Citizen Action Group (CCAG)
Fair Share Connecticut
National Association of Social Workers Connecticut Chapter

Florida:

Florida Black Women's Roundtable Organize Florida Restoring Hope Ministries

Georgia: Georgia Advancing Communities Together, Inc.

Hawaii:

Americans for Democratic Action, Hawaii Chapter Hawaii Appleseed Center for Law & Economic Justice Hawaii Children's Action Network

Idaho:

Northwest Progressive Institute United Vision for Idaho

Illinois:

A Just Harvest
Agape Missions, NFP
Amalgamated Transit Union
Chicago Area Peace Action
Citizen Action Illinois
Housing Action Illinois
ONE Northside

Indiana:

Faith in Indiana Hoosier Action Indiana Institute for Working Families

lowa:

Iowa Citizen Action Network Iowa Main Street Alliance Lower Drug Prices Now Iowa Tax March Iowa

Women's International League for Peace & Freedom, Des Moines Branch

Maine: Mainers for Accountable Leadership

Maryland: Maryland Communities United

Massachusetts:

Berkshire County Branch NAACP

Indivisible Pittsfield

Massachusetts Alliance of HUD Tenants

Massachusetts Communities Action Network

Massachusetts Jobs with Justice

PHENOM (Public Higher Education Network of Massachusetts)

Michigan:

Detroit Action

St. Therese of Lisieux Catholic Church

Minnesota:

ISAIAH

Minnesota Budget Project

TakeAction Minnesota

Missouri: Empower Missouri

Montana:

Agadas Integrated Wellness

Big Sky 55+

Nebraska: Grace Lutheran Church

Nevada:

Acting in Community Together in Organizing Northern Nevada (ACTIONN)

Battle Born Progress

Institute for a Progressive Nevada

New Day Nevada

New Hampshire: Granite State Progress

New Jersey:

Green Party of Monmouth County NJ Hudson County Central Labor Council IFPTE Local 194

NJ State Industrial Union Council

New Mexico:

New Mexico Voices for Children
NM Working Families Party

Organizers in the Land of Enchantment (OLÉ)

New York:

Alliance for Quality Education

Church Women United in New York State

Citizen Action of New York

Communications Workers of America Local 1170

Greater New York Labor-Religion Coalition

Long Island Progressive Coalition

Morningside Heights Resistance

Nobody Leaves Mid-Hudson

NYC Democratic Socialists of America (NYC-DSA)

Strong Economy For All Coalition

Upper West Side MoveOn/Indivisible Action Group

We All Rise

North Carolina:

Action NC

Center for New Revenue

Equality North Carolina

North Carolina Council of Churches

Ohio:

Black Women Rising Hunger Network in Ohio Indivisible Wooster IUE-CWA One Ohio Now

Oregon:

Northwest Progressive Institute

Tax Fairness Oregon

Pennsylvania:

Action Wellness

Better Pennsylvania

CWA RMC13021

Grey Nuns of the Sacred Heart

Just Harvest

Keystone Research Center

Pennsylvania Budget and Policy Center

Pennsylvania Council of Churches

The 99% Pennsylvania

Texas: Texas Tenants' Union

Utah: Alliance for a Better Utah

Vermont: Vermont Affordable Housing Coalition

Virginia: Virginia Organizing

Washington:

Church Council of Greater Seattle
Economic Opportunity Institute
El Centro de la Raza
Faith Action Network
Fuse Washington
Northwest Progressive Institute
Peace & Justice Action League of Spokane
Progress Alliance of Washington
YWCA Spokane

West Virginia:

Southern Appalachian Labor School West Virginia Center on Budget and Policy West Virginia Citizen Action Group

Wisconsin:

Citizen Action of Wisconsin Wisconsin Faith Voices for Justice