56 NATIONAL GROUPS OPPOSE MAJOR TAX BREAKS FOR WEALTHY & CORPORATIONS IN NEXT CORONAVIRUS RELIEF AND RECOVERY PACKAGE

June 10, 2020

Dear Senator:

As you consider the next coronavirus relief and recovery legislation, we urge you to support repeal of costly tax breaks for millionaire business owners and corporations contained in the CARES Act and to oppose any other tax cuts for the rich and corporations in future COVID-19 relief and recovery bills. Instead, we recommend that your priorities be providing a major infusion of support to maintain state and local public services communities depend on, including public safety, healthcare, schools and sanitation; helping workers stay employed or providing them with robust unemployment benefits; giving more direct aid to families; and adequately funding public health.

SUPPORT A $250 BILLION REVENUE BOOST BY REPEALING THE "MILLIONAIRES GIVEAWAY"

The Millionaires Giveaway is a huge tax cut for the wealthiest owners of noncorporate businesses, especially hedge fund investors and real estate developers. Repeal of this egregious handout is sought by more than 230 organizations. According to the Joint Committee on Taxation (JCT), this outrageous tax break gives over 80% of the tax cut this year—an average of $1.6 million each—to just 43,000 privileged business owners already making over $1 million a year. This contrasts starkly with the CARES Act's $1,200 one-time payment for most adults.

The HEROES Act recently passed in the House repeals the "Millionaires Giveaway" and makes permanent the revenue-raising provision from the 2017 Tax Cuts and Jobs Act (TCJA) that the Giveaway temporarily suspended but that was otherwise scheduled to expire in 2026 anyway. By making the correction to this provision of the CARES Act permanent, the HEROES Act (H.R. 6800) would raise $246 billion over the next decade according to the JCT.

The HEROES Act also reforms another business-loss provision in the CARES Act that allows businesses (including corporations) to extract big refunds from taxes paid in prosperous years going back to 2013. Allowing carrybacks to years before 2018, when tax rates were higher, makes losses that much more valuable, thereby super-sizing tax refunds. The oil and gas industry is already exploiting this provision to the tune of hundreds of millions of dollars. This HEROES Act reform, which the JCT estimates would raise $8 billion, would also ensure that companies paying excessive executive compensation and engaging in significant stock buybacks do not qualify for relief.

These two repeals in the HEROES Act largely track S.3640, Sen. Whitehouse's stand-alone legislation cosponsored by 23 senators that we strongly urge you to cosponsor.

OPPOSE A PAYROLL TAX CUT AND COSTLY TAX HANDOUTS TO CORPORATIONS

President Trump and major business groups are seeking to exploit the pandemic to repeal the few actual reforms in 2017's TCJA, or else achieve long-sought changes in the tax code that predate it. In either case, they are unrelated to the current crisis and would simply result in businesses paying an even smaller fraction of their fair share than they do now. These misguided proposals include:

- **Payroll Tax Cut:** Trump has made this a priority, but it makes little sense because the hardest hit—the 38 million who are now unemployed as a result of the crisis—would not benefit from this provision at all. Even for those still employed, such cuts dribble out too slowly to adequately respond to the economic crisis. Furthermore, businesses like Amazon actually benefitting from the pandemic or at least still fully operating do not need relief from the portion of the payroll tax paid by employers. For these reasons, 72 national organizations recently wrote Congress to oppose this proposal.

- **Capital Gains Tax Cuts:** Trump's goal of further lowering taxes on capital gains—which already enjoy a huge tax discount (a top rate of 20% vs. 37% on wages)—would waste desperately needed public revenue and do little or nothing to advance economic recovery. Fully 75% of the benefits from long-term capital gains go to the richest 1% and 55% to the richest 0.1%.

- **Permanent Expensing:** This would make permanent the TCJA's temporary provision allowing companies to deduct immediately ("expense") major purchases and continue expensing long-term investments in research and experimentation (R&E), rather than write them both off slowly as better reflects those investments' gradual loss of value and ongoing benefits. Badly timed and probably ineffective as stimulus, permanent expensing could cost hundreds of billions of dollars in lost revenue. More details are provided in this ATF fact sheet and in this Institute on Taxation and Economic Policy report that found just 20 corporations got $26.5 billion in tax breaks in 2018-19 and paid an effective tax rate of just 6.7%.

- **Deducting Business Interest:** To partially pay for the TCJA's many breaks for big companies, the deductible share of business interest was restricted to 30%, raising an estimated $250 billion. The CARES Act has already relaxed the limit to 50% for 2019 and 2020, giving some of that revenue back. Further loosening the rules would remove one of the few revenue-raising measures targeting businesses included in the 2017 tax law.

- **Double Dipping on Tax Deductions Under the Paycheck Protection Program (PPP):** An effort is underway to allow businesses whose Paycheck Protection Program (PPP) loans are forgiven to deduct payroll and other expenses the loans were intended to cover. Because the CARES Act expressly provides that forgiven PPP loans are excluded from income for tax purposes, permitting such deductions amounts to businesses double dipping: Businesses that have their expenses reimbursed by taxpayers through forgiven PPP loans could then deduct those same expenses, reducing taxes on other income. Hundreds of billions of dollars in deductions are at stake—and it is the wealthy who would benefit given that they receive 50% of all pass-through income and own 50% of all stock.

- **Business Meals and Entertainment Tax Deduction:** This is another Trump priority. Restaurants and entertainment venues are suffering because they are shut down, not because business executives cannot fully deduct the cost of attending them. By eliminating the entertainment write-off, the TCJA raised about $24 billion, revenue that would disappear if the deduction came back, along with billions more from the TCJA limit on meal deductions. High-end spots would benefit most, not neighborhood eateries most hurt by the pandemic.

- **Tax Breaks on Offshore Profits and Tax Cuts for Insourcing Jobs:**
Unfortunately, the TCJA in many ways made it even easier to move money and jobs offshore, placing only the weak "guardrails" known by acronyms including BEAT and GILTI in place, which provide for lower tax rates than corporations pay on domestic profits. Though inadequate, removing or further weakening those safeguards as has been proposed would send even more profits offshore, depriving the country of much-needed revenue. The Trump Administration has also floated the idea of slashing the domestic corporate tax rate in half, from 21% to 10.5%, for corporations that bring back outsourced jobs. In the midst of deep economic uncertainty, this would be ineffective for the vast majority of outsourcing companies and a windfall for those that can take advantage of it. The answer is not to tax U.S. income at tax haven rates, but instead to collect a fair share of taxes on U.S. corporate profits, whether earned here or abroad, which will help combat outsourcing while also ensuring that we can sustainably fund needed services.

The next legislation to respond to the pandemic should focus on relieving the physical suffering and economic hardship of working families and communities, and aiding state and local governments which are playing the major role in fighting the coronavirus. Concerns about the cost of the response can be partially allayed by repealing the “Millionaires Giveaway” and vigorously resisting further attempts by corporations and wealthy business owners to exploit the emergency to extract lucrative tax favors.

Sincerely,

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
Asia Initiatives
Blue Future
Brave New Films
Campaign for America’s Future
Center for Biological Diversity
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, U.S. Provinces
Economic Policy Institute
Global Witness
Health Care for America Now
Indivisible
Institute for Policy Studies - Program on Inequality
Institute on Taxation and Economic Policy
International Federation of Professional and Technical Engineers (IFPTE)
Jobs With Justice Educational Fund
Missionary Oblates
MomsRising
Muslim Caucus of America
National Advocacy Center of the Sisters of the Good Shepherd
National Black Justice Coalition
National Education Association
National Employment Law Project
National Equality Action Team
National Federation of Federal Employees
National Latino Farmers & Ranchers Trade Association

National Partnership for Women & Families
National Women's Law Center
NETWORK Lobby for Catholic Social Justice
Oxfam America
Patriotic Millionaires
People’s Action
Public Citizen
Publish What You Pay - US
RESULTS
RootsAction.org
Service Employees International Union
Social Security Works
Strong Economy For All Coalition
Tax March
UNITE-HERE
United Church of Christ Justice and Witness Ministries
United for a Fair Economy
United Steelworkers
Voices for Progress
Working America